

PRESS STATEMENT

2022 BUDGET STATEMENT AND ECONOMIC POLICY

6TH DECEMBER 2021

Introduction

1. Good afternoon, Ladies and Gentlemen. I thank you for honouring our invitation to this Press Conference.
2. On Friday, 26th November 2021, the Parliament of Ghana was scheduled to sit and conclude the debate on the 2022 Budget Statement and Economic Policy of Government. After the closing statements from both the Majority and Minority leaders, the Speaker gave me the opportunity to make a statement to the House.
3. During the statement, I prayed the House to be given the opportunity to engage further with the Minority on the demands they have raised in their closing remarks. Unfortunately, my request was declined.
4. I had requested this opportunity to engage with the Minority because I believed that the tradition of consensus in approving the budget that we had nurtured over the last 5 years was important for our National resolve and determination to be united in transforming our society.
5. On Tuesday 30th November 2021, prior to the approval and to achieve consensus, I asked parliament again for an opportunity to effect some modifications to the 2022 budget. I did this after consulting with the President and also to respect his wish that these modifications address the concerns of the minority caucus and various other stakeholders while ensuring a deficit target of 7.4 percent and a positive primary balance be maintained, in view of the nation's determination to reduce our debt levels, raise adequate revenue to promote youth employment, build infrastructure

especially our roads and fund other government obligations including the flagship programs.

6. On behalf of The President, I have written to the Right Hon. Speaker of Parliament with details of modifications in response to emerging concerns by all stakeholders including the Minority. Please allow me to update the people of Ghana on what we have proposed on the modifications we have submitted to the Speaker.

- i. with regards to Agyapa Royalties Ltd, we shall amend paragraphs 442 and 443 to take out references to mineral royalties collateralisation. It is important to note that, any reference to Agyapa was for informational purposes, and as such was not reflected in the fiscal framework;
- ii. in respect of the unfortunate tidal waves which rendered about 3,000 people homeless in Keta, Ketu South and Anloga constituencies, we shall make the necessary budgetary allocations of at least GHS10 million to complete the Feasibility and Engineering studies for the coastal communities adversely affected. We will broaden the scope of the study to consider a more comprehensive solution to protect Ghana's 540 Km of coastline, including the 149 Km between Aflao and Prampram. Meanwhile, NADMO has responded to the humanitarian crisis created by the tidal waves on the Keta coastline;
- iii. relating to the Aker Energy transaction, we shall amend paragraph 829 of the 2022 Budget on the acquisition of a stake from Aker Energy and AGM Petroleum by GNPC, to reflect the resolution of Parliament dated 6th July, 2021 that "the terms and conditions of the loan for the acquisition of the shares shall be brought to Parliament for consideration pursuant to article 181 of the Constitution; and
- iv. on the benchmark values, we shall avert any hardships to importers and consumers while safeguarding the interest of local manufacturing

industries to secure and expand jobs for our people. This administrative exercise which reviewed 43 out of 81 line items, has the objective to promote local manufacturing and the 1D1F policy, including the assembling of vehicles. It is important to note that this adjustment affects only 11.4% of the total CIF value, of which 50% is for vehicles. From our analysis, the potential increase in retail prices should be relatively insignificant and therefore inflation should be muted. The YouStart policy will also support our accomplished Traders with appropriate training and access to capital to become Manufacturers in order to expand the industrial base of our society and our import substitution strategy, in line with our Ghana Beyond Aid agenda.

7. We will work with the relevant Committees of Parliament to reflect these modifications in the 2022 Budget as is the usual practice, before the Appropriation Bill is passed. Any other concerns which may emerge shall be addressed during the discussions of the estimates by the Committees, as has been the tradition.

8. On the matter of the E-levy, the elephant in the room, having regard to its serious fiscal implications, we will continue our consultations with the Minority Caucus in Parliament and other relevant stakeholders, with a view to achieving consensus and reverting to the House in the shortest possible time.

The Approval of the 2022 Budget

9. Ladies and Gentlemen, with the approval of the Budget secured on 30th November 2021, we should now move on to the urgent task of working towards the passage of the appropriation bill before parliament rises on December 17th, 2021.

10. We believe that the concerns raised in Parliament on the 2022 Budget should be resolved during the discussions of the Budget Estimates of MDAs,

other Government obligations and Bills at the Committee level in Parliament as we have always done. Indeed, there have been occasions that Parliament, through the Finance Committee, had revised fiscal measures. There have also been several instances that Estimates of some MDAs have been revised to reflect recommendations of the Committees of Parliament. It is not uncommon for the allocations in the Appropriations to change to reflect the discussions at the considerations stage.

11. Ladies and Gentlemen, the National Budget remains the single most effective tool to address the greatest challenges of our nation. As a country, we cannot allow such a strategic national tool to be held hostage by partisan or parochial interests, especially when the consideration stage offers every opportunity for such redress.

12. The 2022 Budget has an added layer of significance for Government as it drives forward the great economic mission of our time – **Building a Sustainable Entrepreneurial Nation**. The Budget seeks to address the triple helix of our time; high unemployment, high debt and inadequate infrastructure even as we pursue our agenda for increased social mobility and justice for all.

13. Ladies and Gentlemen, on unemployment, we are faced with an urgent challenge. Our population has grown from 6.7 million in 1960 to 30.8 million by 2021 and has gotten increasingly youthful. In 1960, for instance, we had approximately 1.1 million Ghanaians between the ages of 15-24, and this year, that number stands at 6.3 million. The key question becomes, how do we extend opportunities to our youth in a sustainable way and eliminate the indignity of joblessness, under employment and vulnerable jobs?

14. The theme for the ‘Agyenkwa’ Budget is ‘Building a Sustainable Entrepreneurial Nation: Fiscal Consolidation and Job Creation’. The Budget outlines the policy direction and fiscal framework for 2022 as well as the medium-term vision of H. E. The President. How do we reject this

President's Executive Policy? With that approach we may never have had the Free SHS policy.

15. This Budget also introduces the ground-breaking multi-year GHC 10 billion YouStart Program, a historic intervention which will involve the collaboration of our Local Financial Institutions, Development Partners and International Financial Institutions. It seeks to tackle comprehensively the youth unemployment issue. Like the Senior High School programme, the YouStart will have an equally momentous impact on our society- a game changer in social mobility, decent jobs and dignity. This programme is designed to provide relevant skills and access to long term affordable capital to empower our youth to create their own businesses and expand the private sector to create more jobs for Ghanaians.

Broadening the Tax Base through E-Levy

16. Ladies and Gentlemen, as I mentioned in my Budget Speech, recent economic data suggests that the overall tax to GDP ratio for SSA in 2018 was 16.5%. The tax to GDP ratio for Ghana in 2019 was estimated to be 12.2%. Our tax-to-GDP ratio is lower than our peer countries in West Africa and significantly lower than many developed nations. (South Africa- 26.7%, Senegal- 16.4%, SSA average-16.5%, Ghana-12.2% in 2019).

17. Ladies and Gentlemen, these statistics are a poor reflection on the country and highlight the need to change the narrative. We cannot continue to depend on such a low tax base to generate adequate revenue, service and reduce our debt, to build our infrastructure (roads) and to create needed jobs for our youth. The Future is therefore one of "sacrifice" from all of us and "burden sharing" as a people with one language to transform the Republic.

18. Furthermore, out of about 18 million potential income taxpayers:

- i. Only 2.4 million persons (approximately 8% of the total population) are registered as personal income taxpayers as of August 2021;

- ii. Only 45,109 entities are registered as corporate taxpayers while 54,364 persons are registered as self-employed taxpayers at the Ghana Revenue Authority; and
- iii. There are about 17 million registered voters and about 19 million active mobile money accounts.

19. In using the 17 million registered voters or the 19 million mobile money accounts as a proxy for Ghanaians that are of adult age and economically active, and comparing it to the 2.4 million Ghanaians who pay income tax, we are confronted with the stark reality that the structure of our economy is quite informal, unlike the western economies, and as such, the traditional tax handles, like the personal income tax, also known as PAYE, may not be as effective in raising the required revenue.

20. Ladies and Gentlemen, we are determined to enhance domestic revenue mobilization. The essence of our proposal on the **E-Levy** is to widen the tax net and generate the required revenue to support entrepreneurship, youth employment, build our infrastructure (especially roads) and reduce our debt.

21. Permit me to emphasize that the E-Levy represents our greatest opportunity to, in the medium term, broaden the tax base and meet the Tax-to GDP ratio of 20% as pertains among our peers. To lessen the impact of the E-Levy on consumers and subscribers, especially the more vulnerable, we shall work with all the stakeholders including the TELCO's to ensure that we respond to the needs of the people. We shall also ensure that administration measures will be taken to avoid attempts at evading the E-Levy taxes.

22. The proposed E-Levy is largely progressive. We have intentionally, set the GH¢100 threshold (covering about 40 percent of momo users), mindful of the need to exempt vulnerable groups, while continuing to encourage the development of our nascent digital economy. This, to a very large extent, will ensure that a significant number of Ghanaians, low-income earners in

the informal sector, whose daily transactions fall below the GH¢100 threshold are totally exempt from the payment of the E-Levy. There are other issues that have been raised by the Minority Causus and concerned citizens such as increasing fuel prices, poor infrastructure and insufficient job creation. We expect the budget to tackle all these issues.

23. The provision of the threshold demonstrates a caring government, the actions of a government that has, since 2017, implemented some of the most innovative social interventions that this nation has ever seen. As you can see from the Budget, various measures have been outlined.

24. We will continue to remain people-centred in our transformation agenda. Through the E-Levy and other revenue/financing sources, we will:

- i. Establish the unprecedented GHS10 billion YouStart programme, our vehicle to remove the fundamental impediment to the growth of enterprises in Ghana - “Access to Credit”. We will also address the provision of the requisite skills for our young people to confidently start, manage and expand their own businesses, while expanding the private sector to create more jobs;
- ii. significantly overhaul the digital infrastructure on which the transactions occur. This is to increase the assurance and protection as well as security within this cyberspace;
- iii. aggressively expand the digitalization agenda to bring more convenience to Ghanaians. Efforts to improve the delivery of health by digitising records, supporting platforms for e-pharmacy, and improving birth certificate issuance to newborns will be sustained with funding from this levy; and
- iv. to expand road infrastructure. We are currently working with the Ministry of Roads and Highways to finalise all the roads to be supported by the E-Levy. We expect to publish this list by the end of this Year.

25. Fellow Ghanaians, putting a levy on electronic transfer is undoubtedly a new and innovative way of raising revenue that leapfrogs the lack of the typical infrastructure that is required to collect taxes via traditional means. This approach capitalizes on the new digital age that we find ourselves in today and the advent of e-money and the proliferation of online transactions. Most of us today are just as comfortable ordering food online or clothes from a virtual shop as we are walking into a shop or a restaurant. We need to review our approach to tax collection to reflect this new reality.

26. But of course with all such new cutting edge and innovative initiatives we do expect to encounter some challenges during the implementation stage as such, we humbly request that you all bear with us as we roll out this new way of revenue collection. We will also set up call centers to receive any complaints and/or suggestions on how we can improve on the collection of the e-levy as we look to work together to build mother Ghana and support our youth. In this consultation period, we expect to listen to more such views and ensure that the mistakes that others have made are avoided in Ghana.

Protecting the Public Purse

27. Ladies and Gentlemen, we have also heard the concerns on the need to be efficient with public expenditure. As a Government, we have demonstrated full commitment to protecting the public purse and using the funds raised through various revenue policies judiciously, but there is more to be done.

28. In the 2022 Budget, we have committed to consolidate our efforts through the following measures:

- i. the use of the Ghana Integrated Financial Management System (GIFMIS) in initiating and processing all requests will be strictly enforced. Additionally, GIFMIS will be retooled to allow potential contractors and suppliers to verify and confirm availability of funding for Awards of Contract;

- ii. only items specified in approved MDAs' Procurement Plans posted on the PPA website can be considered for procurement contracts; and
- iii. ensuring that MOUs and agreements that commit the Government of Ghana financially are approved by the Minister for Finance.

Conclusion

29. Ladies and Gentlemen, the full consequences of not passing a Budget are serious. This would imply that from 1st January, 2022, for Government to continue to work, we will need to obtain Parliamentary approval to spend in advance of appropriation. Other than that, the entire Government would have to "Shut Down". Which would mean, to name a few:

- i. No salaries for the almost 700,000 public sector workers, including nurses, doctors, teachers, personnel of the security services;
- ii. No government services and other expenditure including payment of contractors,
- iii. Uncertainties in the business environment; and
- iv. Pressure on the currency leading to currency depreciation.

30. Furthermore, we would have incurred devastating damage to our fiscal consolidation programme, debt sustainability and International Capital Markets credibility.

31. Ladies and Gentlemen, Government is very committed to addressing the challenges we face as a nation and sustaining our recovery from the impact of the pandemic within our fiscal consolidation and debt sustainability. We have a very competent team managing the economy and the prospects are bright.

32. I believe that this Budget sets us on a path of irreversible transformation:

- i. From dependence on the State to individual enterprise;
- ii. From generation of job seekers to a generation of job creators; and
- iii. From a place of inertia and uncertainty to enterprise, innovation and progress for all.

33. Let me express my deepest appreciation to Parliament for the continuous support we have received over the years. We will count on them for approval of the Estimates and Appropriation. We are also thankful to the Ghanaian people for their sustained interest in the process towards building our nation for today and the future.

34. I would like to take this opportunity to send a congratulatory message to our industrious farmers and fisher-folk for their tremendous contribution to the economy and development of the country. As you know, last year the Agric sector grew by 7.4%. We are truly grateful for your hard work in feeding this nation and helping to stabilise our economy, and therefore the relatively muted inflation. We shall continue with our support to enable you to achieve even greater feats.

35. Let me also take this opportunity to congratulate the President for his nomination as the “African of the Year 2021” by Forbes magazine. His vision of a Ghana Beyond Aid is resonating globally. The black star of Africa is back as a beacon of hope. Congratulations Mr. President!

36. Thank you very much for joining us at the Ministry of Finance for this press conference. May we go forth as one people, working with consensus, and claiming God’s promise of courage, love, and self-discipline as we sacrifice and “burden share” to transform our Republic, and may God continue to bless our homeland Ghana.