

# REVIEW: 2022 BUDGET STATEMENT AND ECONOMIC POLICY

## THEME

**“BUILDING A SUSTAINABLE  
ENTREPRENEURIAL NATION:  
FISCAL CONSOLIDATION AND  
JOB CREATION”**

# IMPLICATIONS & OPPORTUNITIES FOR GCB 2022 BUDGET

## GCB BANK



- The proposed **1.75%** levy on electronic payments and transfers could impact on the financial inclusion agenda of the Bank because this could increase the cost of transactions for users and drive down uptake and impact on fee income from G-Money.
- Investments in Government Bonds**- A remote risk- if the government finds it difficult to honor his debt obligations due to budget constraints.
- Risk of funding government projects due to a tight budget constraints for 2022 especially from the revenue side of the budget should they fail to meet their revenue targets.
- Develop innovative digital solutions-(payment solutions etc.) to plug into the government digital agenda. This will require the deployment of efficient and user friendly platforms.
- The recommendation is to set up a team of young IT graduates in collaboration with the universities to develop a variety of solutions that will be simple, easier and enforceable to collect property tax in Ghana.
- Or collaborate with a Fintech company to come up with a solution for property tax collection.

## COMMERCIAL BANKING



- Develop products to target government entrepreneurship programme (YouStart) about **GHS1 billion**.
- Focus areas for financing should be in ICT, Agro-processing, Agribusiness sectors.
- Business incubation development programmes for YouStart and SME customers.
- Identifying potential start ups and SMEs in collaboration with the business units of Citifm/Joyfm. These two media houses have consistently been showcasing and running business advisory programmes for starts ups through their flagship yearly business week programmes.
- Deploy Products to take advantage of a possible **GHS 8 billion** portfolio support by the Ghana Bankers Association for SME.

## CORPORATE BANKING



- Deposit mobilisation through cash collection for GRA of proposed government revenues of **Ghc 100.5 billion** (Transaction banking platforms very key now in this space).
- Guarantees for three companies in the aviation, hospitality and transport sectors to enable them access bank loans totalling **GHC89.7 million**. Opportunity for resource allocation by Corporate banking considering all the necessary risk.
- Develop a payment collection solution to support the district/municipal/metropolitan assemblies in property tax collection.
- A total of **Ghc 25.5 billion** for targeting by the Corporate banking dept. especially the desk in charge of Public Institution on goods & services, CAPEX and IGF for various MDAs.
- Deposit mobilisation through Cash collection for **MDAs-15% increment** in fees and charges for service provision.

## RETAIL BANKING



- Total payroll expenditure is estimated to be **Ghc 36 billion**.
- For targeting and deposit mobilisation by Consumer Banking with their payroll and scheme loan product.
- Government has proposed a salary increase 7% which is currently below the rate of inflation at 11%. This could impact on the purchasing and investment power of salary workers in the government sector and trigger other sources of funding to augment their incomes. This provides an opportunity for retail banking for the sale of asset product for home improvement, building projects, car loans, mortgage financing etc. by taking considering the inherent risk.

## TREASURY



- GHC27.9 billion** for domestic financing of the budget.
- Treasury to take advantage by investment in long term bonds and government retap programmes to generate healthy yields.

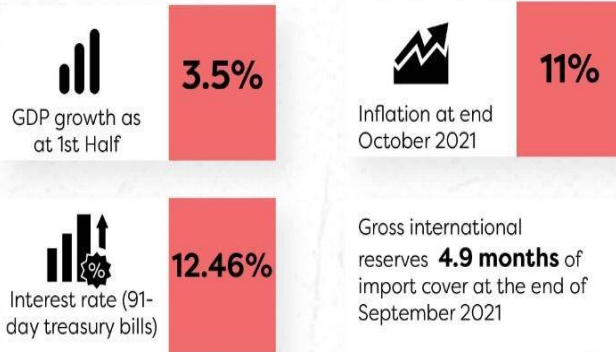
## GCB CAPITAL



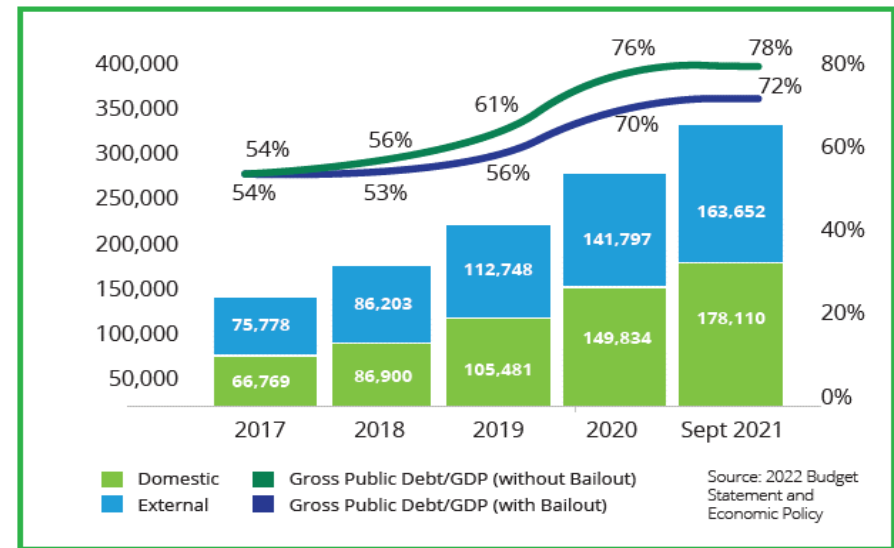
- US\$750 million** is being proposed for international capital market programme for 2022 (opportunity for fee income by GCB Securities as co-managers).
- Homeownership Fund**-working in partnership with GCB Securities and the Rent to Own Scheme of the Affordable Real Estate Investment Trust to scale up delivery of affordable housing in Ghana.

# 2021 MACROECONOMIC PERFORMANCE

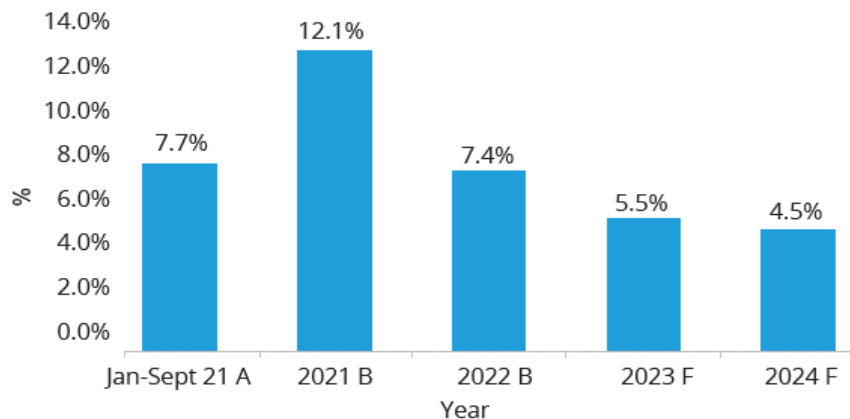
## 2021 MACROECONOMIC PERFORMANCE



## Trend in public debt and debt accumulation (2017- Sept. 2021)



## Budget deficit as a % of GDP



Key A- Actual B- Budget F- Forecast Source: 2022 Budget Statement and Economic Policy

- Government is projecting an end 2021 real GDP growth of 4.4%.
- The Government of Ghana (GoG) in the first three quarters of 2021 recorded a cash deficit of GHS 33.9bn (7.7% of GDP) against a revised target of GHS 32.6bn (7.4% of GDP).
- Budget deficit is expected to increase to 12.1% by end of 2021 but projected to decline to 7.4% by end of 2022.

## MACRO-ECONOMIC TARGETS SET FOR 2022



Overall Real  
GDP growth

**5.8%**



Non-Oil Real  
GDP growth

**5.9%**



End-December  
inflation

**8%**



Fiscal deficit

**7.4%**



Primary surplus

**0.1%**

Gross International  
Reserves of not less  
than **4 months of  
imports**

No.	Item	2021	2022	2023	2024	2025
1	Real GDP	4.4	5.8	5.4	5.3	6.0
2	Non-Oil GDP	5.9	5.9	5.7	5.8	6.1

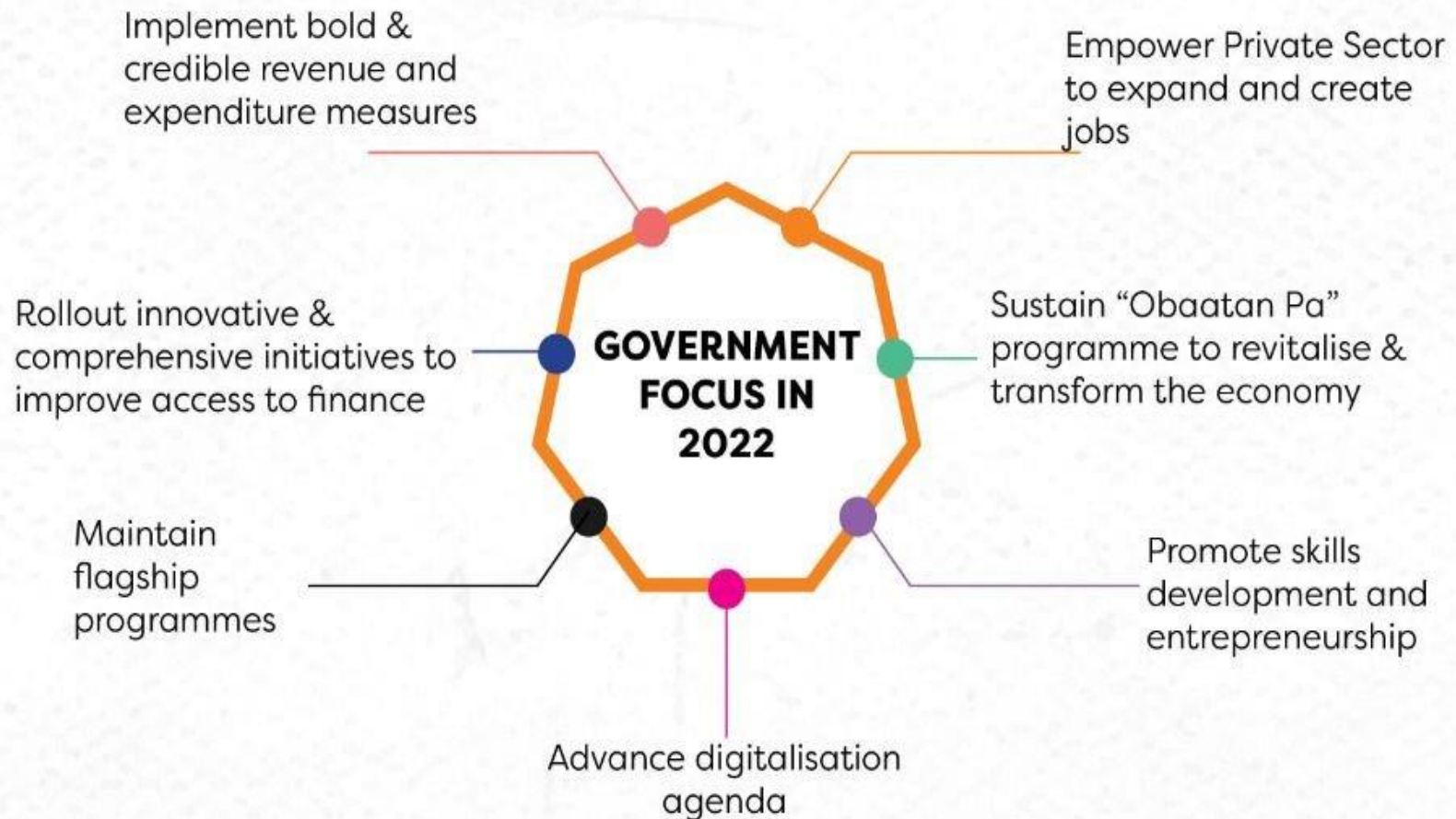
**Source: MoF, 2021**

# SECTORAL GROTH PERFORMANCE & PROJECTIONS

Sn	Item Description	Actual				Provisional 2020*	Projection				
		2016	2017	2018	2019		2021	2022	2023	2024	2025
<b>1.</b>	<b>AGRICULTURE</b>	<b>2.7</b>	<b>6.2</b>	<b>4.9</b>	<b>4.7</b>	<b>7.4</b>	<b>5.3</b>	<b>5.3</b>	<b>5.5</b>	<b>5.5</b>	<b>5.5</b>
	Crops	2.2	7.2	5.8	5.3	8.7	5.5	5.6	5.8	5.8	5.8
	o.w. Cocoa	-7.0	9.2	3.7	5.4	1.9	15.2	5.0	6.3	5.2	5.2
	Livestock	5.4	5.7	5.4	5.4	5.4	5.5	5.4	5.6	5.5	5.4
	Forestry and Logging	2.9	3.4	2.4	-1.7	-9.2	3.5	2.0	2.1	2.0	2.4
	Fishing	3.1	-1.4	-6.8	1.7	14.4	4.6	4.0	4.0	4.1	4.0
<b>2.</b>	<b>INDUSTRY</b>	<b>4.3</b>	<b>15.6</b>	<b>10.5</b>	<b>6.4</b>	<b>-3.6</b>	<b>-0.5</b>	<b>6.3</b>	<b>5.6</b>	<b>5.0</b>	<b>7.1</b>
	Mining and Quarrying	-0.2	30.8	23.3	12.6	-11.0	-10.5	6.5	4.3	2.5	8.5
	o.w. Oil**	-15.6	80.3	7.9	14.4	-4.6	-13.0	4.2	1.2	-2.8	5.6
	Manufacturing	7.9	9.5	4.1	6.3	1.4	7.1	6.5	6.8	6.5	6.3
	Electricity	-5.8	19.4	5.5	6.0	7.9	7.5	7.0	8.7	8.7	8.6
	Water and Sewerage	-11.8	6.1	-3.6	-4.4	2.2	10.1	7.0	5.0	6.0	6.0
	Construction	8.4	5.1	1.1	-4.4	2.9	5.0	5.5	5.5	6.0	6.0
<b>3.</b>	<b>SERVICES</b>	<b>2.8</b>	<b>3.4</b>	<b>2.8</b>	<b>7.6</b>	<b>1.5</b>	<b>8.3</b>	<b>5.6</b>	<b>5.2</b>	<b>5.4</b>	<b>5.5</b>
	Trade; Repair of Vehicles, Household Goods	-0.4	8.2	2.8	3.7	-1.1	8.1	4.2	4.0	5.0	5.0
	Hotels and Restaurants	2.3	7.6	3.2	6.0	-34.8	10.1	10.1	7.0	6.5	6.5
	Transport and Storage	1.1	8.9	1.1	4.3	3.7	5.5	3.5	4.2	4.2	4.2
	Information and communication	5.6	4.2	13.1	46.5	22.5	21.0	10.0	9.0	8.2	8.5
	Financial and Insurance Activities	8.0	-17.7	-8.2	1.6	5.5	5.0	5.3	4.3	4.5	4.5
	Real Estate	3.2	3.8	-6.5	19.9	12.5	10.0	7.5	6.1	6.0	5.8
	Professional, Administrative & Support Service activities	-4.2	2.9	0.3	5.1	-5.9	2.0	3.5	3.6	3.5	3.5
	Public Administration & Defence; Social Security	8.9	4.2	4.3	3.7	7.3	5.8	5.0	4.7	4.9	5.2
	Education	2.3	6.3	3.9	9.4	7.8	8.0	6.5	6.3	6.3	6.3
	Health and Social Work	4.0	14.1	22.6	10.4	8.2	8.0	5.0	4.6	4.9	4.8
	Other Service Activities	-0.1	5.3	3.1	2.6	1.1	2.0	1.1	3.5	3.8	4.0
<b>4.</b>	<b>GROSS DOMESTIC PRODUCT at basic prices</b>	<b>3.3</b>	<b>8.3</b>	<b>6.1</b>	<b>6.5</b>	<b>0.7</b>	<b>4.4</b>	<b>5.8</b>	<b>5.4</b>	<b>5.3</b>	<b>6.1</b>
	Net indirect Taxes	4.8	4.6	7.5	6.1	-4.6	5.5	5.5	5.4	5.6	5.6
<b>5.</b>	<b>GROSS DOMESTIC PRODUCT in purchasers' value</b>	<b>3.4</b>	<b>8.1</b>	<b>6.2</b>	<b>6.5</b>	<b>0.4</b>	<b>4.4</b>	<b>5.8</b>	<b>5.4</b>	<b>5.3</b>	<b>6.0</b>
<b>6.</b>	<b>Non-Oil GDP</b>	<b>4.5</b>	<b>4.6</b>	<b>6.1</b>	<b>5.8</b>	<b>0.9</b>	<b>5.9</b>	<b>5.9</b>	<b>5.7</b>	<b>5.8</b>	<b>6.1</b>



## GOVERNMENT PRIORITIES IN 2022



# FISCAL FRAMEWORK-RESOURCE MOBILISATION

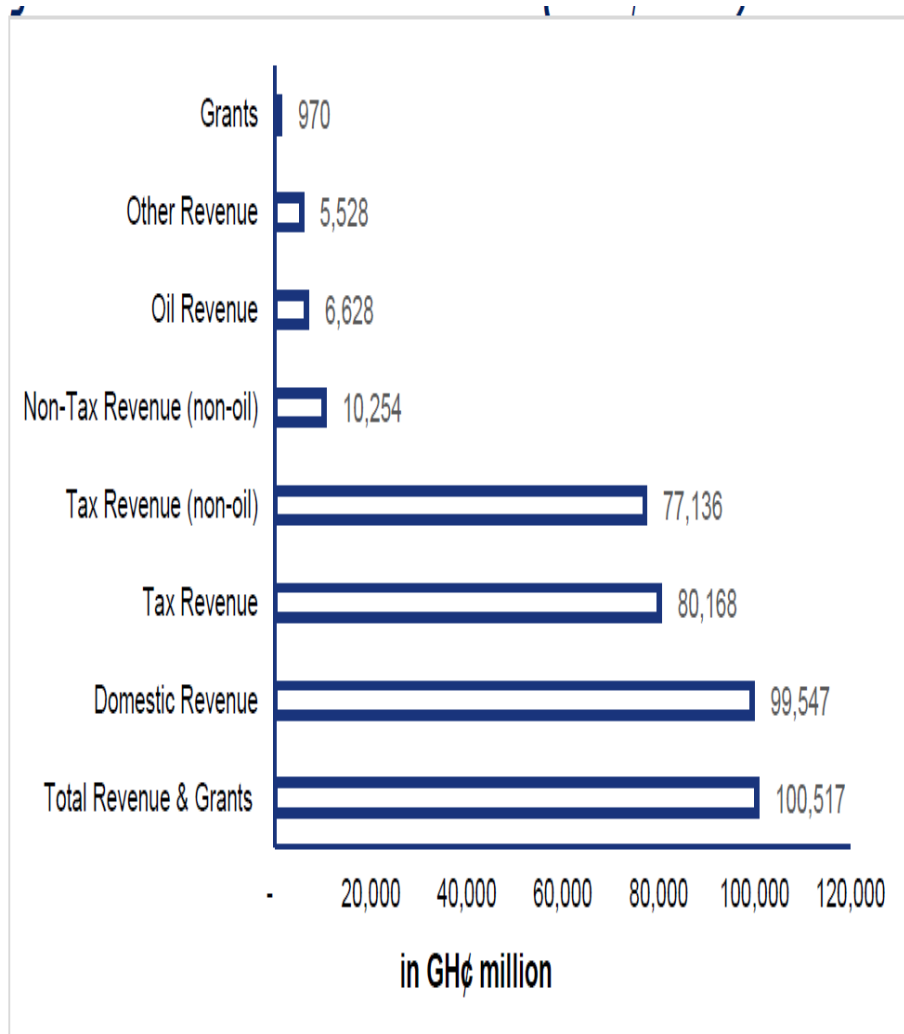
No	Item	2022	2023	2024	2025
		Budget	Proj.	Proj.	Proj.
1	<b>Total Revenue &amp; Grants</b>	<b>100,517</b>	<b>112,406</b>	<b>129,961</b>	<b>144,681</b>
	% of GDP	20.0	20.0	20.5	20.3
	% Change	42.9	11.8	15.6	11.3
2	<b>Total Expenditures (incl. arrears)</b>	<b>137,529</b>	<b>143,516</b>	<b>158,337</b>	<b>174,545</b>
	% of GDP	27.4	25.5	25.0	24.5
	% Change	23.2	4.4	10.3	10.2
3	<b>Overall Fiscal Balance (incl. Finsec Bailout &amp; IPP Cost)</b>	<b>-37,012</b>	<b>-31,110</b>	<b>-28,376</b>	<b>-29,865</b>
	% of GDP	-7.4	-5.5	-4.5	-4.2
4	<b>Primary Balance (incl. Finsec Bailout &amp; IPP Cost)</b>	<b>435</b>	<b>7,135</b>	<b>12,937</b>	<b>14,090</b>
	% of GDP	0.1	1.3	2.0	2.0
5	<b>Total Financing</b>	<b>37,012</b>	<b>31,110</b>	<b>28,376</b>	<b>29,865</b>
	% of GDP	7.4	5.5	4.5	4.2
6	<b>Domestic Financing</b>	<b>27,921</b>	<b>20,170</b>	<b>28,079</b>	<b>29,049</b>
	% of GDP	5.6	3.6	4.4	4.1
7	<b>Foreign Financing</b>	<b>4,551</b>	<b>10,941</b>	<b>296</b>	<b>816</b>
	% of GDP	0.9	1.9	0.0	0.1
8	<b>Exceptional financing (IMF SDR)</b>	<b>4,540</b>			
	% of GDP	0.9			
9	<b>Nominal GDP</b>	<b>502,430</b>	<b>563,175</b>	<b>634,443</b>	<b>712,203</b>

## Memo Items

6	Overall Fiscal Balance (excl. Finsec Bailout & IPP Cost)	-31,988	-26,504	-23,842	-25,427
	% of GDP	-6.4	-4.7	-3.8	-3.6
7	Primary Balance (excl. Finsec Bailout & IPP Cost)	5,459	11,740	17,471	18,528

No	Item	2022	2023	2024	2025
		Budget	Proj.	Proj.	Proj.
	% of GDP	1.1	2.1	2.8	2.6

Source: Ministry of Finance



Source: MoF

# REVENUE MEASURES

## REVENUE MEASURES

1

Two-year tax relief for textile manufacturers for industry growth and employment



2

Limit VAT Flat Rate for retailers with annual turnover up to **GH¢ 500,000**



3

Review temporary benchmark (discount) policy on imports to protect local production



4

Reduce withholding tax rate from **3% to 1.5%** on exports of unprocessed gold by small scale miners



## REVENUE MEASURES

5

Implement common platform for property rate collection and accountability



6

No road tolls on public roads and bridges with no job losses to workers



7

e-Levy on all electronic transactions to widen the tax net and rope in the informal sector.



## e-LEVY



A levy on all electronic transactions to widen the tax net and rope in the informal sector.



Covers electronic transactions on mobile money payments, bank transfers, merchant payments and inward remittances



Rate of **1.75%** shall be borne by sender. Inward remittances to be paid by recipient.



Transactions that add up to **GH¢ 100** or less per day (which is approximately **GH¢ 3,000** per month) are tax exempt.

## Usage of e-Levy

- Entrepreneurship
- Youth employment
- Cyber security
- Digital and Road infrastructure
- Public Transport

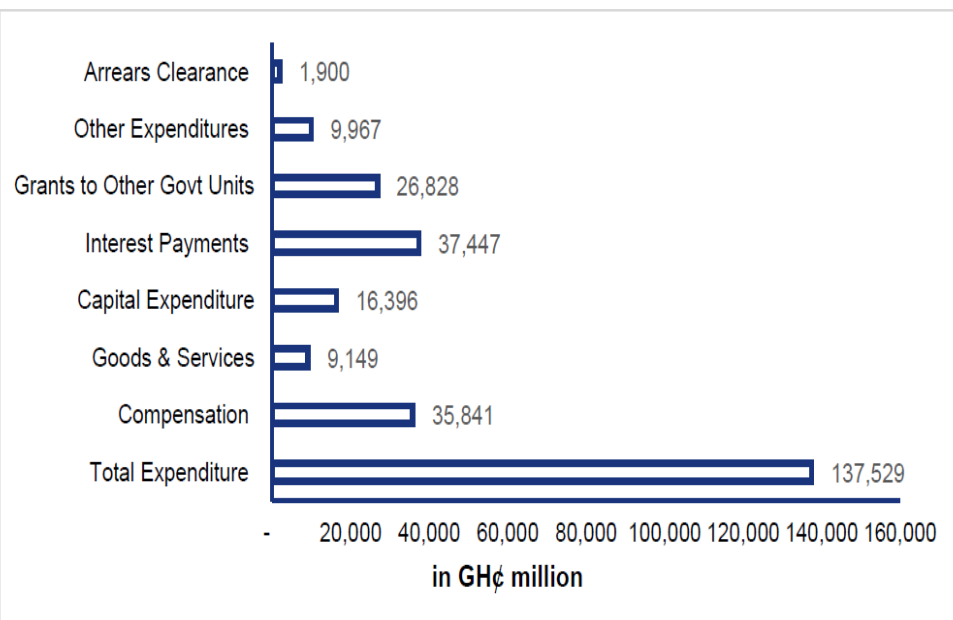
Comes into effect from 1st February, 2022

- Approval for implementation, the revised Exemption Bill.
- Intensify the Revenue Assurance and Compliance Enforcement (RACE) initiative to plug revenue leakages.
- Review of fees and charges (**15% increment**) of MDAs to take effect from 1 January 2022.
- Implement a modified taxation regime in the Income Tax Act by raising the current threshold on turnover from GH¢200,000 to GH¢500,000 for business income of self-employed individual persons.



# RESOURCE ALLOCATION

- The key drivers of expenditure growth include Capital Expenditure, funding of key Government flagship programmes including the **GhanaCares “Obaatanpa” Programme**, wage bill, and interest payment.
- Compensation of Employees is projected at **GH¢35,841 million** -7.1% of GDP (Source of deposit for Consumer Banking).
- Goods and Services is also projected at **GH¢9,149 million** (1.8% of GDP).
- Grants to Other
- Statutory Funds as well as all Other Earmarked Funds is estimated at **GH¢26,828 million** (5.3% of GDP).
- Capital Expenditure (CAPEX) is projected at **GH¢16,396 million** (3.3% of GDP).
  - **GH¢8,601 million** has been estimated for Foreign Financed CAPEX and this will be funded by a combination of Project Grants and Loans.
- Energy Sector Levies (ESL) transfers, payments to Independent Power Producers (IPPs) and Financial Sector costs (GAT capitalisation), is estimated at **GH¢9,967 million**.



Source: MoF

## Top initiatives with likely significant impact on expenditure



Free SHS  
**GHS 2.3bn**



YouStart Programme  
**GHS 1bn**



GhanaCARES Programme  
**GHS 1.033bn**



Planting For Food and Job  
**GHS 614m**



Infrastructure for  
Poverty Eradication  
**GHS 1.025bn**



One District One Factory  
**GHS 216m**

**Total**

**GHS 6.188bn**

# BUDGET FINANCING AND DEBT MANAGEMENT

- Total Revenue & Grants and Total Expenditure (including arrears clearance), the 2022 fiscal operations will result in an overall fiscal deficit (including finsec costs and IPPs payments) of **GH¢37,012 million**, equivalent to **7.4 percent of GDP**.
- The corresponding Primary Surplus of GH¢435 million, equivalent to 0.1 percent of GDP, is also projected for the year.
- Total Foreign financing and Exceptional financing (use of IMF SDR allocation) will amount to **GH¢9,091 million** (1.8% of GDP).
- Foreign financing will include a planned international financing programme to raise at least **US\$750 million** with an option to increase it by a further **US\$750 million** for budget support and liability management (**GCB Securities**).
  - **Regular Eurobond;**
  - **Social Instruments for social bonds & social loans to refinance/refinance MDA projects within eligible social categories;**
  - **Term loan and/ or bridge financing;**
  - **Green instruments for green bonds & green loans to refinance/refinance MDA projects within eligible green categories; and**
  - **Sustainability Instruments for sustainability bonds to refinance/refinance MDA projects within eligible green & social categories.**
- Financing of the deficit from domestic sources including net issuances from debt will amount to **GH¢27,921 million** (5.6% of GDP).-**Investment in long term bonds. Take advantage of government Retap programmes to generate healthy yields.**
- The Exceptional Financing from the use of the newly allocated SDRs by the IMF will augment and reduce domestic borrowing needs.

## **DEBT MANAGEMENT**

- Government financing for 2022 seeks to further develop the domestic market by proposing new instruments to diversify the debt portfolio and increase the debt financing capacity of the domestic market.
- Government would continue to build benchmark bonds, by taping in or reopening medium to long-term bonds.
- To support the insurance industry in the growth of the annuity market, Government will issue longer dated bonds to match assets to liabilities and consistent with the MTDs strategy.
- Treasury bills will continue to be offered for liquidity and cash buffers to account for cash flow demand seasonalities.

# KEY PROJECTS FOR 2022

## YOUSTART- #BEYOUROWNBOS



GH¢1 Billion



1 million Jobs

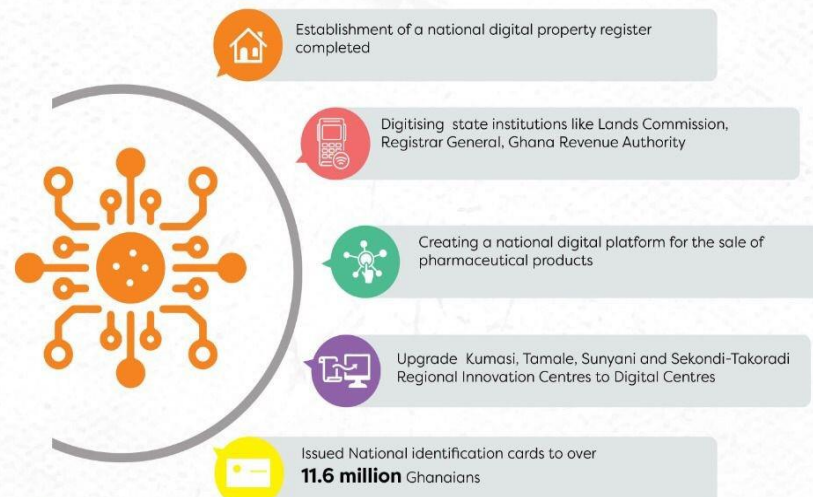
YouBanC is now **YouStart** to serve you better

**YouStart** programme is a vehicle for supporting young entrepreneurs to gain access to capital and technical support to launch and grow their own businesses

### Products of YouStart

- Soft loans
- Capital loans
- A standardised loan package
- Learning programmes
- Enterprise Endowment Funds
- Access to Market

## FAST-TRACKING DIGITALISATION



## CLIMATE ACTION AND TRANSITION TO LOW CARBON ECONOMY



Establish a **multi-million-dollar Green Fund** to support our climate adaptation interventions



From 2024 reduce emissions by some **10 million tonnes of carbon dioxide** equivalent in the cocoa-forest landscape



Encourage participation in low carbon activities and industries.

## ROADS

Major pipeline projects expected to take off in 2022

Accra-Kumasi Dualisation (in sections)

Accra Outer Ring Road

Kumasi South and Western Bypass

Asutwale Junction-Volvo Bridge

Kumasi Outer Ring Road

Eastern Corridor Road (Gbintiri-Kulungugu)

Mamfe-Koforidua Road

Sawla-Wa Road

Oyibi-Dodowa-Somanya-Akuse Jn. Road

Construction of **5 Interchanges** in the Greater Kumasi Metropolitan Area (including Suame, Santasi and Airport Roundabout)

# KEY PROJECTS FOR 2022

- ✓ Guarantees have been provided to three companies in the aviation, hospitality and transport sectors to enable them access bank loans totalling **GH¢89.7 million**.
- ✓ **Homeownership Fund working in partnership** with three universal banks, the Rent to Own Scheme of the Affordable Real Estate Investment Trust, as well as **GCB Capital** to scale up delivery of affordable housing in Ghana.
- ✓ With the support of CARES, the National Homeownership Fund (NHF) is facilitating the use of innovative products to tap into pension and other long-term funds to support homeownership in Ghana.
- ✓ Banking Industry has collectively decided to accelerate their portfolio allocation to qualifying SMEs to help uplift their contribution to economic growth and fast track our pace to aggressive economic recovery post COVID-19.
- ✓ To achieve this noble objective, banks will over the next three years increase their lending to qualifying SMEs by between **GH¢2.5 billion** and **GH¢5 billion** thereby increasing industry SME portfolio from approximately GH¢7.4 billion to approximately **GH¢12.3 billion**.
- ✓ Over the same period, banks will review internal processes and procedures to facilitate and accommodate the planned growth in the SME portfolio.
- ✓ The banking industry will collectively engage in skills development programmes for at least 150,000 young graduates and youth entrepreneurs over the next three years by engaging in activities to:
  - ✓ identify skill gaps in young graduates and youthpreneurs;
  - ✓ develop and embed these skills; and
  - ✓ expose the youth to entrepreneurship opportunities by matching them to SME customers for the furtherance of their abilities to create and sustain jobs in Ghana.
- ✓ The banking industry will, therefore, spend a total of **GH¢75 million** over the next three years on skills development programmes for young graduates and youthpreneurs.

## UPDATE ON GHANACARES "OBAATAN PA" PROGRAMME



### HOUSING FOR ALL



- Provide land to developers
- Build infrastructure at designated affordable housing project sites
- Tax incentives and exemptions.
- Establish credible mortgage system
- Promote residential rent-to-own schemes

### SECURITY



- Retooling Intelligence Agencies with modern tools and software
- Expansion of surveillance capabilities through the installation of more CCTV camera systems nationwide