

**LAURUS  
AFRICA**



# 2024 Mid-year budget review

Highlights

August 2024



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**Commentary**



# Commentary [1/2]



In comparing the first halves of fiscal years 2023 and 2024, the Finance Minister highlighted significant fiscal and economic improvements in 2024.

The key macroeconomic indicators the Minister presented to underscore the Government and his Ministry's achievements include:

- **Exceeding Growth Expectations:** Real GDP growth reached 4.7% in Q1 2024, compared to 3.1% in Q1 2023.
- **Declining Inflation:** End-of-period inflation stood at 22.8% in June 2024, reflecting a 31% reduction from approximately 54% at the end of December 2023. This suggests that achieving the 15% target for December 2024 is feasible.
- **Stable Exchange Rate:** The Ghana Cedi's depreciation against the US Dollar was 18.6% in H1 2024, compared to 22% in H1 2023.
- **Improved Gross International Reserves (GIR):** Import cover improved to 3.1 months at the end of H1 2024 from 2.5 months in H1 2023.

The Minister credited these achievements to the Government's strategic decisions, effective policy implementation, and the rapid execution of key programs, including growth-enhancing initiatives in the first half of the year. He highlighted several actions taken:

**Successful IMF Programme Review:** The second review under the IMF programme was concluded, resulting in a disbursement of US\$360M under the Extended Credit Facility (ECF).

**Completion of Debt Restructuring with the Official Creditor Committee (OCC):** This led to debt relief of approximately US\$2.8B and suspended debt servicing from 2023 to 2026.

**Negotiations with Eurobond Holders:** These negotiations concluded with a reduction in the normal value of the outstanding Eurobonds by US\$4.7B and additional debt service relief of US\$4.4B during the 2023–2026 fiscal period.

**Agreements with Independent Power Producers (IPPs):** Agreements with five out of seven IPPs will result in savings of US\$6.6B over the lifetime of various Power Purchase Agreements (PPAs).

**Controlled Government Expenditure and Enhanced Revenue Collection:** Efforts to maintain expenditure within the 2024 Budget Appropriation and boost revenue collection led to a 3.7% excess over the mid-year non-oil revenue target. This performance bolstered the Minister's confidence in meeting the 2024 primary surplus target of 0.5% of GDP as agreed under the IMF programme.

# Commentary [2/2]

The government fell short of its total revenue and grants target for the mid-year, achieving GH¢74.7B instead of the projected GH¢76.1B, marking a 1.9% shortfall. This decrease in revenue was primarily due to lower oil receipts and underperformance in taxes on domestic goods and services.

However, this decline was mitigated by strong performances in non-oil corporate and direct taxes, as well as increased revenue from import duties. In response, the Minister revised the total revenue and grants target for the mid-year budget upward by 0.5%, from GH¢176.4B to GH¢177.2B. This adjustment is based on expectations that taxes on income and property, boosted by strong performance in non-oil corporate and direct taxes, and higher import duties, will exceed projections by the year's end.

Earlier in the year, the government had announced new tax measures aimed at improving compliance, supporting local industries, and reducing environmental impact. These measures included expanding the tax-free income band for residents, introducing a 5% VAT rate on certain properties, zero-rating VAT on locally produced sanitary pads, waiving import duties on electric vehicles for public transportation, introducing an emissions levy, and implementing the Special Voluntary Disclosure Programme (SVDP) for undeclared foreign income. While most of these laws have been passed, not all measures have been fully implemented.

For the remainder of the year, the government will prioritize the implementation of existing tax measures, such as the electronic invoicing system (e-VAT) and developing guidelines for the emissions levy.

There will be a focus on engaging stakeholders in implementing Ghana's National Revenue Policy and the Medium-Term Revenue Strategy (MTRS), with monthly business environment surveys to address tax administration issues. Additionally, new measures, such as broadening pharmaceutical exemptions, offering tax credits for road project supporters, and formulating regulations for the Exemptions Act, will be considered.



A close-up photograph of a person's hands writing on a notepad. The person is holding a blue pen in their right hand and has their left hand resting on the notepad. The notepad has a grid pattern and some faint handwriting. The background is a dark, textured surface. The image is overlaid with a semi-transparent teal filter.

**02**

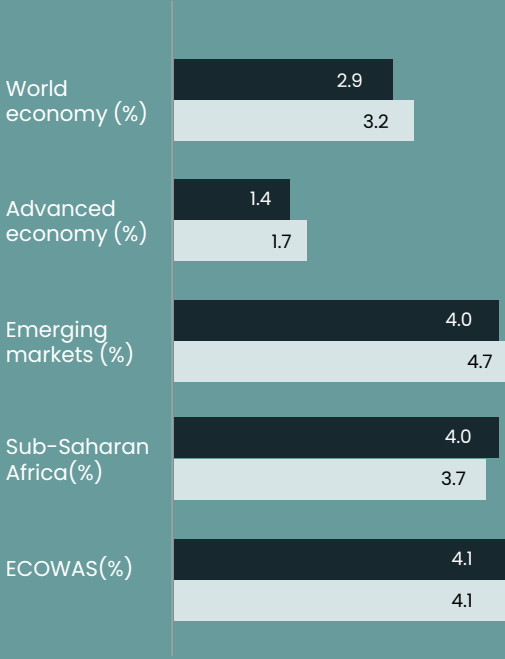
**Executive  
Summary**

# Executive Summary [1/2]

Mid-Year Review at a Glance

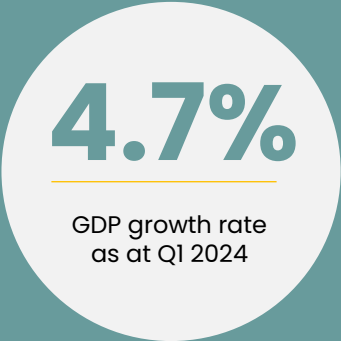
## The Global Economy

GDP growth rate



■ 2024 budget    ■ 2024 revised target

## The Domestic Economy



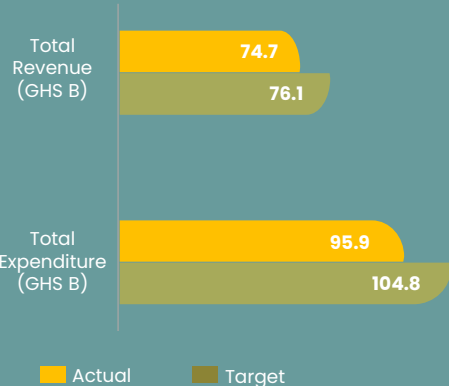
**22.8%**

Inflation as at June 2024

**29.0%**

Monetary Policy as at June 2024

## Fiscal Developments: H1 2024



■ Actual    ■ Target

## Currency Developments: H1 2024

**18.6%** ▼

Depreciation of the Cedi against the USD: June 2024

**17.9%** ▼

Depreciation of the Cedi against the GBP: June 2024

**16.0%** ▼

Depreciation of the Cedi against the EUR: June 2024

# Executive Summary [2/2]

Revised Targets

**3.1%**

GDP Growth rate revised upwards from 2.8% to 3.1%

**15.0%**

Revised inflation target for 2024

**≥3 months**

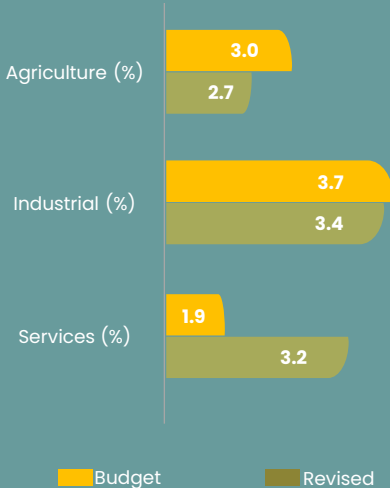
Revised import cover target for 2024

## Revised Non-Oil Real GDP

**2.8%**

Non-oil real GDP Growth rate revised upwards from 2.1% to 2.8%

## Revised Sector GDP Growth



## Revised Fiscal Targets for 2024



**GH¢ 177.2B**

Total revenue and grants



**GH¢ 219.7B**

Total expenditure

**4.2%**

Fiscal deficit (% of GDP) revised downwards from 4.9% to 4.2%

Total Revenue and Grants for 2024 have been revised upward by 0.5% to GH¢177.2B (17.4% of GDP), compared to the original budget target of GH¢176.4B (16.8% of GDP). This revision is primarily due to an increase in Non-Oil Non-Tax Revenue, which has been raised from GH¢14.8B (1.4% of GDP) to GH¢15.6B (1.5% of GDP), reflecting dividends from interest accrued in the Energy Sector Levy Act (ESLA) accounts.

Total Expenditure (commitment) has been revised downward by 2.1%, from the original budget projection of GH¢226.7B (21.6% of GDP) to GH¢219.7B (21.5% of GDP). This adjustment is primarily due to a reduction in Interest Payments, which have been revised downwards by GH¢7.9B. This reflects the positive impact of the external debt restructuring on external interest payments.



**03**

# **The Global Economy**



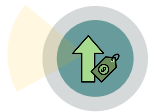
# The Global Economy



## • Economic Growth

The World Economic Outlook (WEO) July 2024 update projects a moderation in global growth from 3.5% in 2022 to 3.3% in 2023. This trend is expected to continue with a slight variation, forecasting growth rates of 3.2% in 2024 and 3.3% in 2025.

Sub-Saharan Africa will experience an uptick from 3.4% in 2023 to 3.7% and 4.1% in 2024 and 2025 respectively. This growth is supported by the reversal of earlier anticipated weather-related shocks and ongoing improvements in supply conditions.



## • Inflation

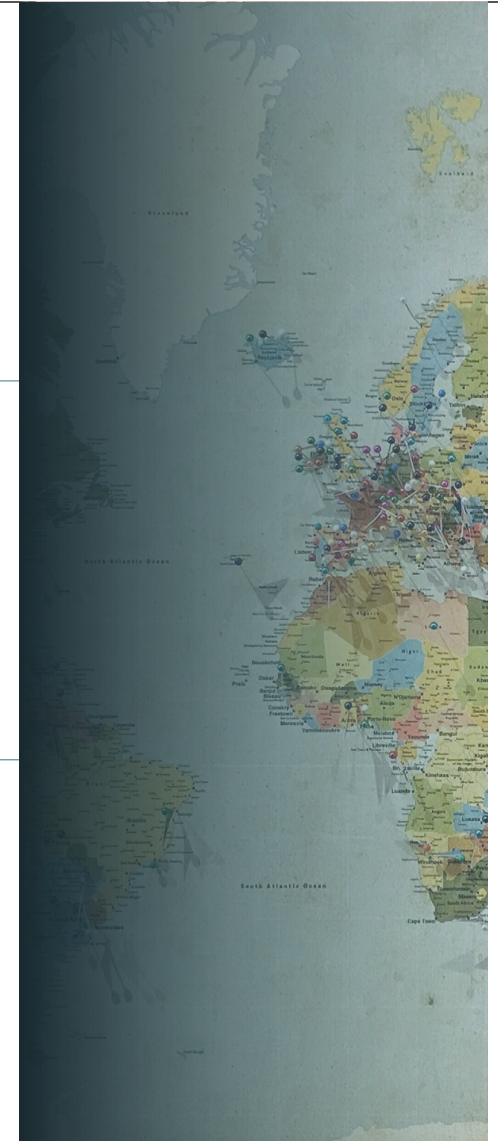
According to the July 2024 World Economic Outlook update, global headline inflation is projected to decline from 6.7% in 2023 to 5.9% in 2024, and further to 4.4% in 2025.

In Sub-Saharan Africa, headline inflation is projected to decrease from 10% in 2023 to 6% in 2024. However, approximately one-third of the region's countries will continue to experience double-digit headline inflation, primarily due to the pass-through effects of significant currency depreciations.



## • Commodity Prices

Gold prices have reached record highs, rising by 8% annually due to safe haven flows and robust central bank buying. Prices are expected to increase moderately to US\$2,100/oz throughout 2024.



**04**

**Domestic  
Economy**






# Macroeconomic Snapshot

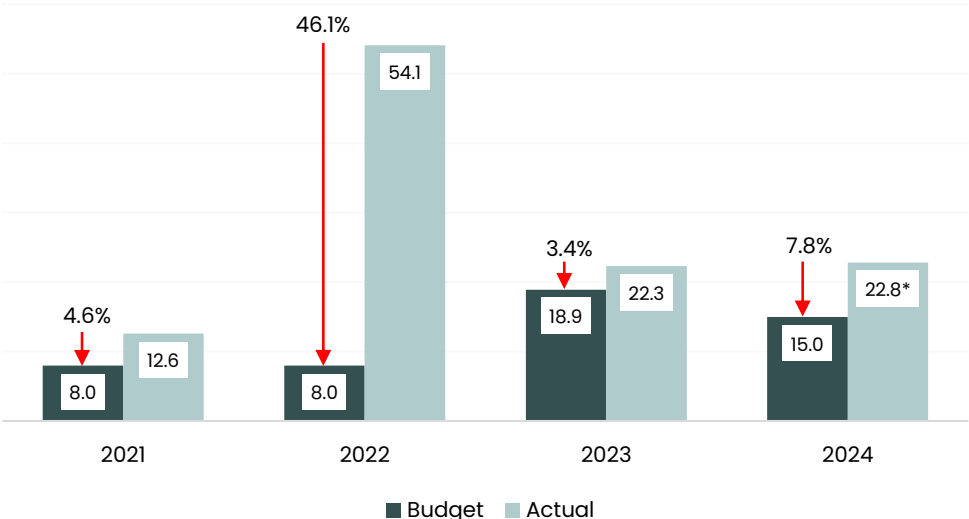
Economic indicator	2024 revised target	2023 revised target	2022 revised target
Overall GDP growth rate	3.1%	1.5%	3.7%
Non-oil GDP growth	2.8%	1.5%	4.3%
End of period inflation	15.0%	31.3%	28.5%
Fiscal deficit (% of GDP) – cash basis	5.3%	6.4%	6.6%
Primary balance (% of GDP)	0.5%	-1.2%	0.4%
Import cover – number of months	≥3	0.8	>3.5

# Macroeconomic Performance

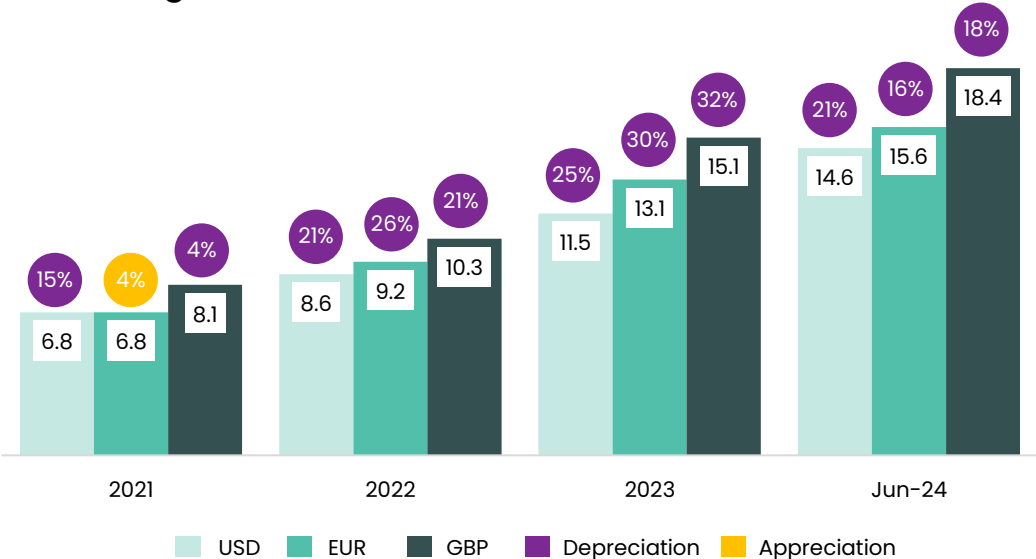
## Sectorial Growth Rates

Sector	June-2024			2023			2022			2021		
	Revised	Budget	Variance (%)	Actual	Budget	Variance (%)	Actual	Budget	Variance (%)	Actual	Budget	Variance (%)
 Agriculture (%)	2.7	3.0	▼ -0.3	4.5	3.2	▲ 1.3	4.2	5.3	▼ -1.1	8.4	4.0	▲ 4.4
 Industry	3.4	3.7	▼ -0.3	-1.2	-1.2	-	0.9	6.3	▼ -5.4	-0.5	4.8	▼ -5.3
 Services	3.2	1.9	▲ 1.3	5.5	4.6	▲ 0.9	5.5	5.6	▼ -0.1	9.4	5.6	▲ 3.8

## Inflation Rates (%)



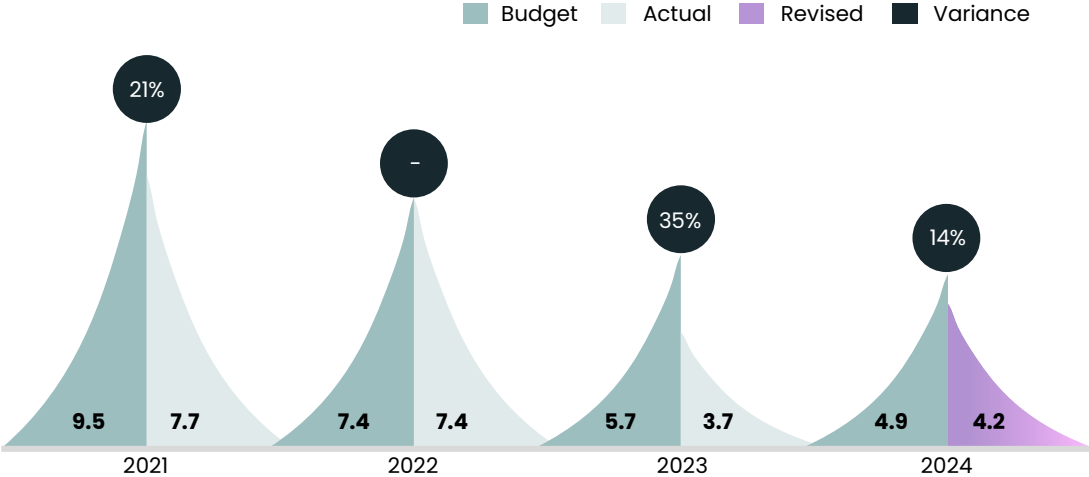
## Exchange Rates



\* As at June 2024  
 Source: Mid-year budget review 2024, BoG economic data

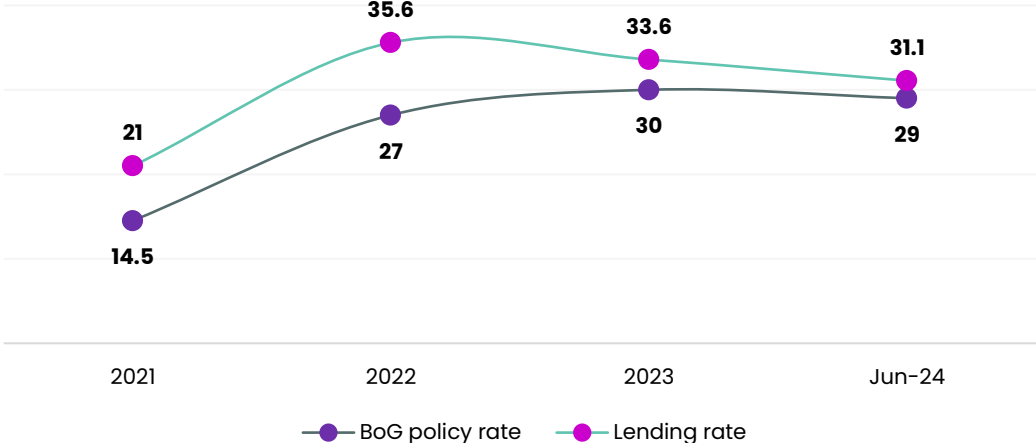
# Fiscal Sector Performance

## Fiscal Deficit (% of GDP)

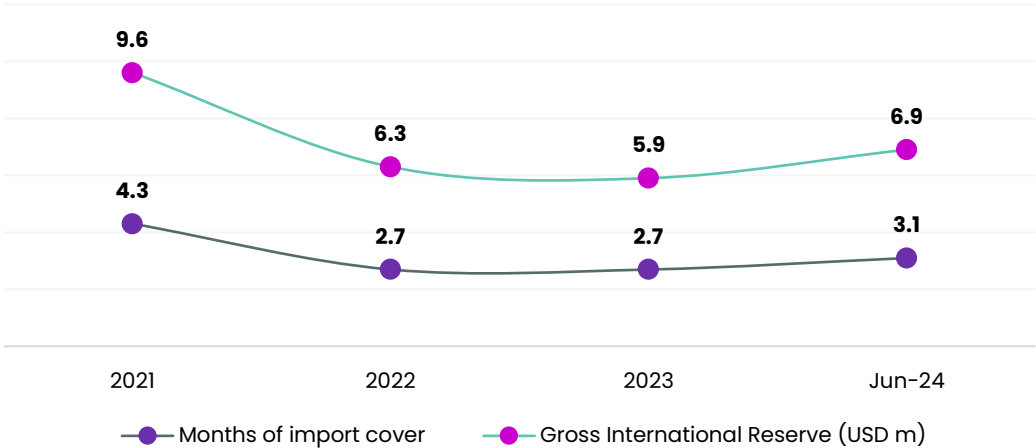


## Interest Rates

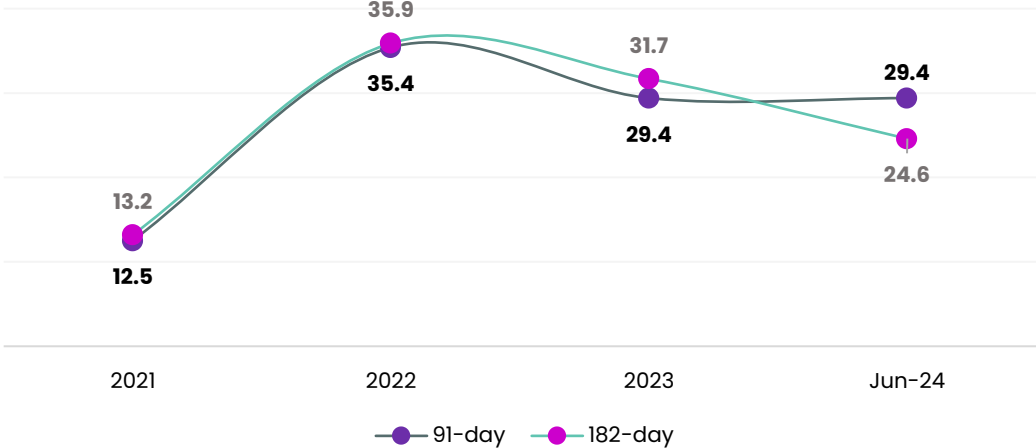
BoG policy rate (%) Vs Commercial banks average lending rate (%)



## Gross International Reserve



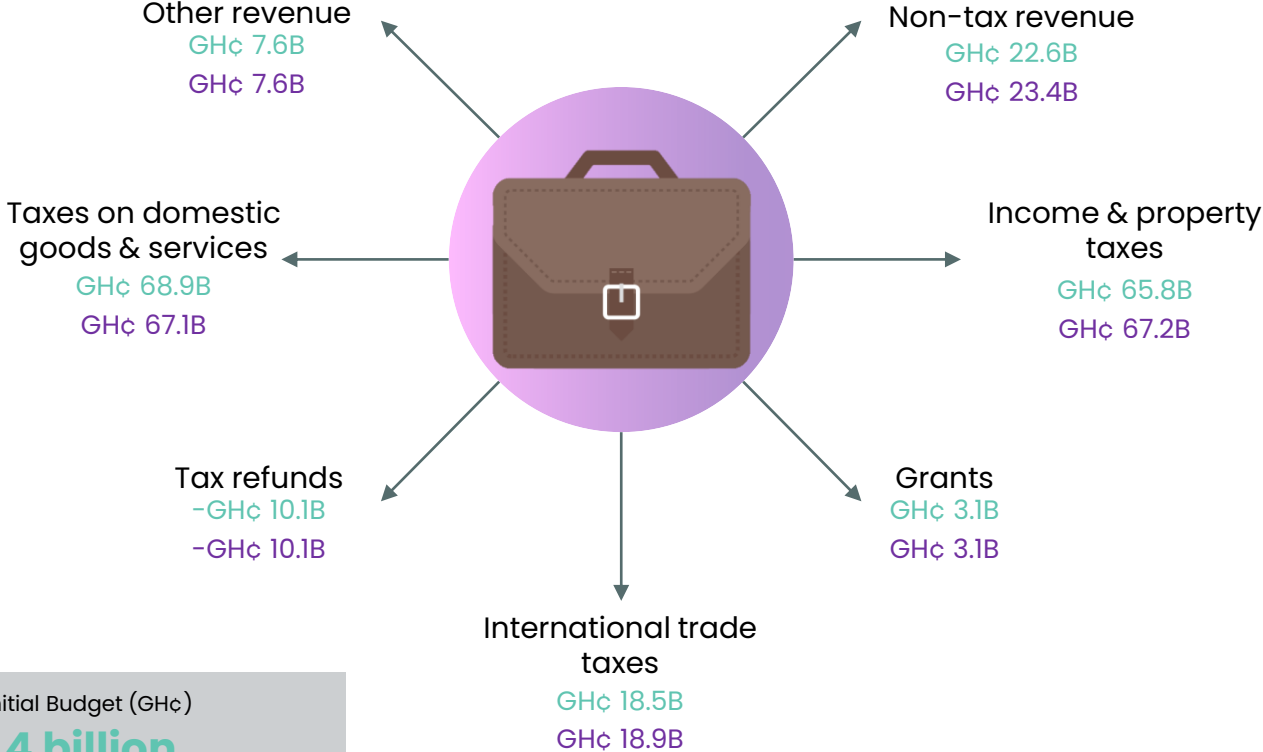
## Treasury Bill Rates



Source: Mid-year budget review 2024, BoG economic data

# Revenue Mobilization

## Government Revenue Sources



2024 Initial Budget (GH¢)  
**176.4 billion**  
 2024 Revised Budget (GH¢)  
**177.2 billion**

## Outlook

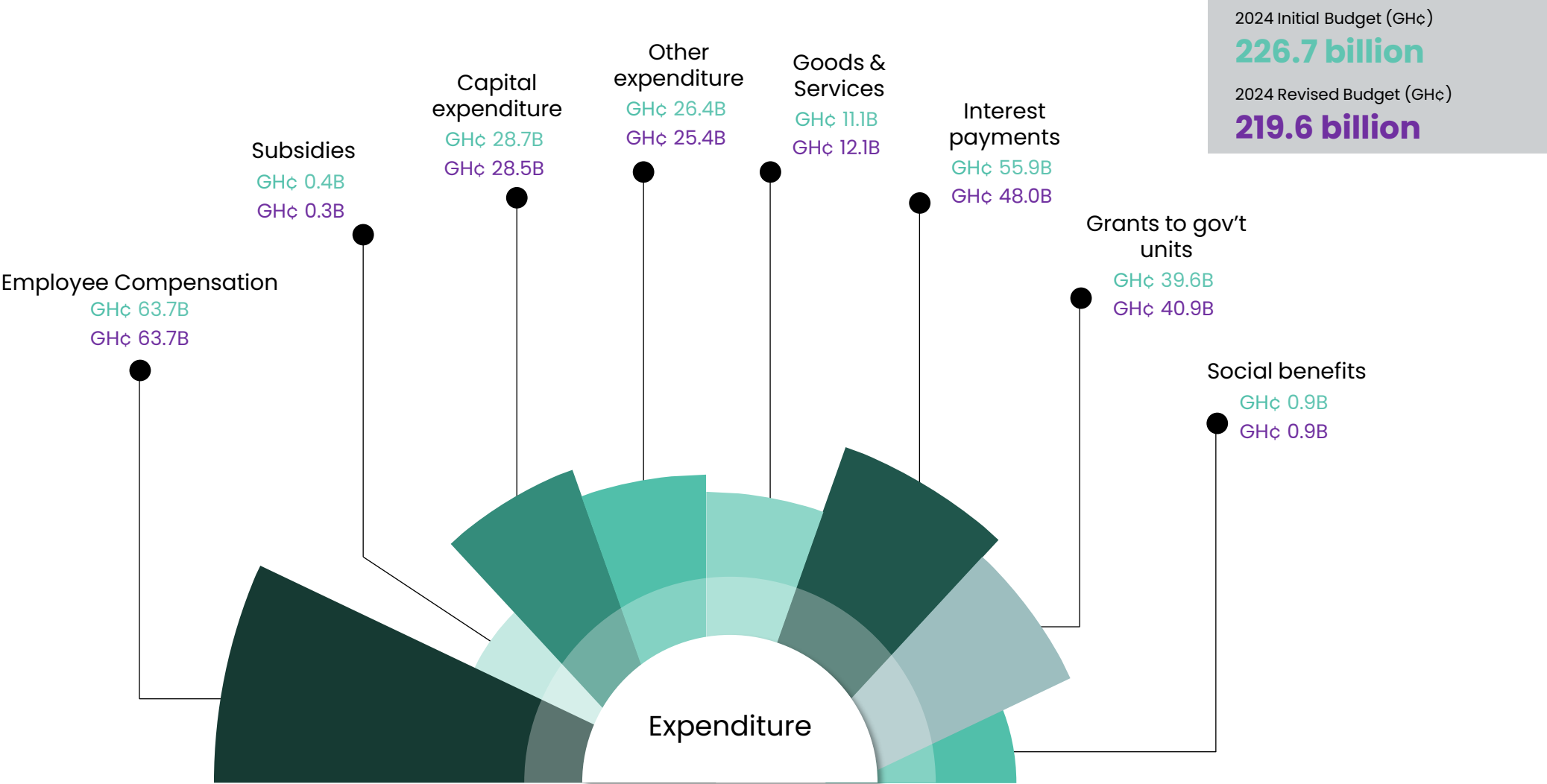
According to the Finance Minister, the Ministry of Finance will deepen its collaboration with relevant stakeholders to meet revenue targets. To broaden the tax base, a digital solution for the modified taxation scheme and an electronic bookkeeping system will be deployed. Additionally, 2,000 more taxpayers will be onboarded onto the e-VAT system.

The GRA will enhance the taxpayer register, onboard more taxpayers electronically, and improve data sharing with other tax jurisdictions. An integrated property tax system will be reinstated by creating a comprehensive digital property record database, improving property tax efficiency.

The Ministry will also incentivize IGF-reliant entities that exceed their revenue targets and continue deploying the Ghana.Gov Payment Platform across public institutions. The full rollout of GIFMIS for IGF expenditures is expected by year-end.

Additionally, a framework for reintroducing Road and Bridge Tolls will be developed to modernize the tolling system, starting in 2025.

# Expenditure Developments





**05**

# **Ghana's Debt Situation**



# Public Debt Developments

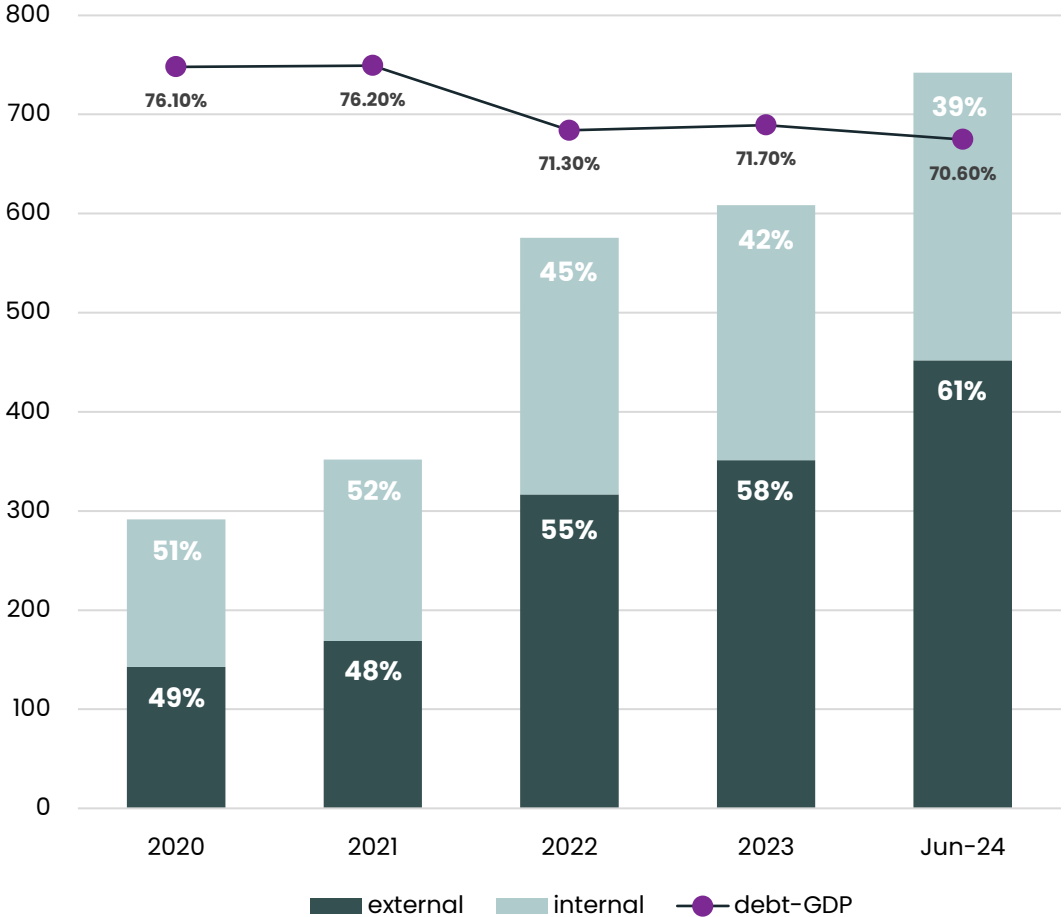
## Ghana's Debt Situation

As of December 2023, the nominal value of Ghana's debt stood at GH¢608.4B, representing 71.7% of the country's GDP, up from GH¢575.7B at the end of 2022. Between 2021 and 2023, the debt stock grew at an average annual rate of 29.9%. By the end of 2023, the composition of external and internal debt relative to the total debt stock was 58% and 42%, respectively.

As of the end of June 2024, Ghana's provisional total central government debt stood at GH¢742.0B, equivalent to 70.6% of GDP. This marks a 22.0% increase, largely due to the Cedi's depreciation and creditors' disbursements. The debt stock comprises GH¢452.0B in external debt and GH¢290.0B in domestic debt, representing 60.9% and 39.1% of the total debt stock, respectively. As percentages of GDP, external and domestic debt account for 43.0% and 27.6%, respectively.



## Public Debt Levels



# Debt Restructuring and Related Matters

## 01 Domestic Debt Exchange Programme

The government has made substantial progress since the completion of the Domestic Debt Exchange Programme (DDEP) in September 2023.

Two coupon payments have been successfully honored, with the second payment of about GH¢5.9B in February 2024, and the third payment of GH¢6.1B on track for August 2024.

Timely payments of these coupons are expected to improve investor confidence in the domestic market and bolster the overall economy.

## 02 Official Bilateral Debt

The government and the Official Creditor Committee (OCC) reached an agreement in principle on January 12, 2024, outlining the broad parameters for the restructuring of official bilateral debt.

On June 11, 2024, the Government and the OCC agreed on an MoU covering the restructuring of about US\$5.1B of official bilateral debt.

This agreement resulted in debt service relief amounting to US\$2.8B

## 03 Eurobond

On June 24 2024, the Government reached an agreement in principle with the Eurobond holders committees to restructure approximately US\$13.1B of outstanding Eurobonds. This agreement reduces the nominal value of the outstanding Eurobonds by US\$4.7B and provides debt service relief of about US\$4.4B during the programme period.

The debt restructuring will result in reducing the present value of public debt to 55% by 2028, as embedded in the IMF-supported PC-PEG programme.

## 04 Other Commercial Loans

The Government of Ghana remains committed to engaging in good faith negotiations with other commercial external creditors, including private banks and suppliers or contractors that have provided commercial loan facilities.

The objective is to finalize restructuring agreements with these creditors that uphold the principle of comparability of treatment and address Ghana's requirement for debt relief, ensuring a comprehensive and sustainable approach to external debt obligations.

**06**  
**Tax**  
**Highlights**



# Tax Highlights

There is currently no plan to introduce new taxes for the second half of 2024. Despite missing the mid-year target for total revenue and grants by GH¢1.4B, the government exceeded its tax revenue target of GH¢59.3B by GH¢0.3B, achieving GH¢59.6B.

To mobilize an additional GH¢102.5B in the second half of 2024, the government will implement the following revenue-enhancing measures:

**01** The government plans to broaden the tax base by launching a streamlined digital solution and an electronic bookkeeping system in the second half of 2024. These initiatives aim to strengthen the implementation of the modified taxation scheme, making compliance easier and more efficient for taxpayers.

**02** Onboarding an additional 2,000 taxpayers onto the electronic invoicing system is expected to boost compliance and enhance revenue generation by expanding the e-VAT platform's reach.

**03** The government aims to boost revenue mobilization in the second half of 2024 by enhancing data sharing with other jurisdictions. Tax residents in Ghana will be required to report and pay taxes on their worldwide income.

**04** Develop a framework for the re-introduction of road and bridge tolls in 2025.

**05** The government plans to expand the Ghana Automotive Development Programme to include manufacturers of two and three-wheeled electric vehicles. Currently, manufacturers and assemblers of semi-knocked and completely knocked down vehicles benefit from three and ten-year corporate tax holidays and import duty waivers.

**06** Finalise draft Regulations to facilitate the work of the Independent Tax Appeals Board (ITAB).

**07** The Minister indicated that the government will develop and finalize guidelines for implementing an emissions levy and environmental taxes on plastics. This measure is commendable and will offer clarity to taxpayers and stakeholders on the impact of these levies on business operations.

**08** The government plans to broaden the scope of VAT exemptions to include active pharmaceutical ingredients, excipients, and other finished pharmaceutical products.

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