

Good morning distinguished Ladies and Gentlemen of the Media fraternity. Danquah Institute (DI) is happy to outline its official position on the 2022 Budget Statement and Economic Policy presented by the Minister of Finance to the Parliament of Ghana on Wednesday 17th November, 2021.

1. **Background**

His Excellency Nana Addo Dankwa Akufo-Addo began his first term of office as President of the Republic of Ghana on 7th January, 2017 and at the time the economy was growing at 3.4% (in 2016). Two years before his assumption of office, Ghana had entered into an IMF extended credit facility arrangement. Among other things, Ghana was tasked to clean its ailing financial sector while putting proactive measures in place to restore the deteriorated fiscal position of the economy. Nana Akufo-Addo's Government was immediately called to action and it responded promptly by registering a positive primary balance for the first time in 15 years at the end of the 2017 fiscal year! A positive primary balance was recorded again, in 2018 and in 2019 to suggest the Government's excellent performance in debt management. By dint of hard work, the Ghanaian economy was growing at 6.5% at the end of 2019 – which was quite impressive. Debt-to-GDP ratio which was 57.6% (2013 constant prices), however, increased to 62.8% at the end of 2019 fiscal year.

Unfortunately, the unforeseen COVID-19 pandemic disrupted the otherwise prudent fiscal management exhibited by the government. Economic growth declined to 0.4% in the 2020 — the lowest since 1983! The Government, however, immediately put together a number of programmes and projects to help the economy recover immediately from the heavy fall. By the end of 2020, debt-to-GDP ratio was at 76.1%. Fiscal deficit had increased to 11.7% without the financial sector and energy sector related expenditures.

Danquah Institute is happy to note that the recovery strategies implemented by the NPP government in the wake of the COVID-19 pandemic have yielded dividends. The economy grew at 3.1% and 3.9% respectively during the first two quarters of this year. On average therefore, **the economy grew at 3.5% during the first half of the year** – which is higher than the 2016 growth rate! Therefore, even though the adverse effects of the COVID-19 pandemic still remain, the Ghanaian economy is growing faster than it was when the current NPP Government took over power in January 2017.

Fiscal management

The second term of office of the NPP government started with the challenge of having to pay a gargantuan 35 billion GHS as interest payment [interest rates paid on loans previously procured by past and present governments) as well as allocating 30 billion GHS for workers' remuneration. Indeed, as noted by the Finance Minister, Hon. Ken Ofori-Atta, while presenting the 2022 budget, interest payments and compensation payments alone at the end of September 2021 amounted to 48.7 billion GH¢– which is 103.3% of total revenue and grants received at the time. In other words, Government would have to definitely contract loans to take care of critical expenditure, including goods and services and capital expenditure.

This condition where only two expenditure items (interest payments and remuneration) consume almost all revenue has been with Ghana for many years and Danquah Institute is excited that this government consistently made efforts to reverse the trend until the onset of the COVID-19 pandemic. For instance, (and as already indicated), with good fiscal management response (i.e. controlling expenditure while improving domestic revenue mobilization), Ghana recorded a positive primary balance for three years in a row (2017, 2018 and 2019). Even though this feat could not be accomplished in the 2020 fiscal year and most likely will not be achieved in the 2021 fiscal year, projections that have been made suggests a positive primary balance in the year 2022. We therefore commend the Government for the determination to relentlessly reverse overreliance on debt financing.

- **Economic Growth**

1. **The economy has 3 sectors and we will now discuss developments within each sector**

Historically, most economies started with the primary sector (agricultural sector) as the leading contributor to GDP growth. Then as they developed, the secondary sector (industrial sector) took over before settling on the tertiary (services sector). Unfortunately, most emerging market economies (including Ghana), have been 'leap frogging' by changing the baton of 'leadership in GDP growth' from the primary sector straight away to the tertiary. In other words, the industrial sector of most of these economies receive little or no priority in the development process.

Significantly as a result, unemployment and under-employment have become key features of such economies. Well aware of these developments, the NPP Government has since 2017 rolled out several policies to revive the primary and the secondary sectors to assume their rightful positions in the development of the Ghanaian economy. These policies have contributed in reviving the real sector of the economy:

4. **Primary Sector (Agricultural sector):** Agricultural sector consists of the following sub-sectors – crops, livestock, fishing, forestry & logging and cocoa. The entire agricultural sector grew at 4.9% at the end of the first half of the year compared to 8.1% growth rate in 2020. The under performance of the sector is significantly because of bad rainfall pattern during the early part of the year (mid-March to June) when farming was intense in most parts of the southern and middle zones of the country. We therefore use this opportunity to recommend that the 'one-village-one-dam' policy is extended across all the vegetational zones in the country. Forestry and logging recorded the highest average growth rate of 5.8% during the first half of the year [compared to negative 8.1% growth during the same period last year]. Government's efforts to further invest in the afforestation program is highly commendable as this will have long term impact on climate change and food production and of course food security– which has attracted global attention for the past few weeks.

Additionally, the decision to continue with the Planting for Food and Jobs, Planting for Exports, Rearing for food and jobs, and other policies in the agriculture sector is welcomed. Experts have, however, warned about the potential for global food insecurity leading to possible food price hikes, largely due to climate change. This will have dire consequences on countries who are not net producers of food. It is in light of this that we commend the Government for these intentional policies that seek to significantly invest in the crops and livestock subsector. The supply of improved seeds and fertilizers will directly contribute to ensure that Ghana is food secure. DI, however, recommends that efforts must be put in place to look into assertions on the smuggling of subsidized seeds and fertilizers to neighbouring countries. One way to look at this will be to embark on aggressive re-formation of farmer-based organizations (FBOs) and strengthening of farmer cooperatives to ensure that the support gets to the right people and of course at the right time through accountable and transparent established mechanisms.

Despite the dwindling global cocoa prices, government has kept faith with cocoa farmers and maintained the cocoa producer price of the 2020/2021 crop season in the 2021/2022 crop season. This decision coupled with the cocoa sector productivity enhancement initiatives is expected to translate into increased yields which will improve the country's foreign exchange earnings.

Overall, DI would like to encourage the youth to embrace the opportunities that the Government is making available to Ghanaians in the agricultural value chain by getting involved and to improve on their current and future economic situations.

1. **Secondary Sector (Industrial sector):** Industrial sector is made up of the following subsectors: water & sewage, electricity, construction, mining & quarrying and manufacturing. The sector appears to be recovering significantly from the negative impacts of the Covid-19 pandemic. It grew at a negative 1.3% during the first half of the year [compared to the negative 3.2% the same period in 2020].

Ladies and gentlemen, DI is excited to note that the manufacturing subsector grew at 7.2% during the first half of the year [compared to the 2.3% during the same period last year]. It is significant to also note that the high positive growth rates achieved by the manufacturing subsector in the last few years (especially this year) did not come out of the blue. A total of 278 1D1F projects (in 134 districts) are at various stages of implementation, out of which 106 factories are operational.

DI wishes to use this opportunity to urge the Government to build more factories.

Industrialization has never received attention, since the days of Kwame Nkrumah, as it is today. It has the potential to create more jobs while deepening Government's revenue mobilization efforts – with an overall aim of reducing the country's dependence on AID! The African Continental Free Trade Agreement (AfCFTA) which commenced on 1st January 2021, of which Ghana is the host – provides us a huge platform to boost our industrialization effort. We need an industrialized Ghana and not Ghana that depends on loans!!

The mining and quarrying subsector [where oil and gas are located] grew negatively by 11.2% and 18.9% respectively in the first and the second quarters of the year [compared to a contraction of 8.8% and 11.6% during the same period last year]. DI suggests that government should take advantage of the rising global oil prices to increase oil production.

Tertiary Sector (Services sector): The services sector consists of several subsectors including: education, health, hospitality, trade and information & technology. The sector has recovered significantly from the negative effects of the COVID-19 pandemic. Growing at a rate of 2.3% during the first half of the year in 2020, the sector pulled up an impressive growth of 7.2% during the first half of the year under review. The Information and communication subsector was the highest growing subsector – growing at 21%. Indeed, even in the midst of the intensity of the COVID-19 pandemic, the information and communication subsector still grew impressively. This

has been a dominant sector employing many young Ghanaians. DI observes with concern, the low level of local stake in the ownership of the subsector. As a result of this, capital flight from the sector has been massive. DI recommends that strategies are put in place to attract more Ghanaian investors in the sector.

1. **Sector Specific Measures in the 2022 Budget**

1. **Health**

The huge economic burden most countries have had to endure due to the COVID-19 pandemic has been a clear indication to all stakeholders that health is very critical to economic growth. In this regard, the 2022 budget statement has a focus on preventive healthcare measures to curb any recurrent wave of the pandemic since such a wave will take a heavy toll on the current promising post-COVID economic growth rates already alluded to.

The National Vaccination and Deployment Plan (NVDP) that was developed by the Ministry of Health using the core principles of the World Health Organization (WHO), Strategic Advisory Group of Experts on Immunization (SAGE) as well as the comprehensive strategy and action plan for local vaccine production, are very important measures in the fight against COVID-19. The estimated target of 20 million persons earmarked to be vaccinated by the end of this year together with the extension of vaccination age to include 15 years of age will put Ghana in place to achieving herd immunity by the end of 2022. This will keep our society safe and open for business and it will boost the economy, thereby putting Ghana on track to reclaiming its enviable position as the fastest growing economy that it was before the COVID-19 pandemic. DI, however, notes with concern that the target of 20 million people being vaccinated by the end of this year is likely not to be met, and thereby urges the government to re-strategize to achieve the herd immunity we all so desire.

On the front of achieving Universal Health Coverage (UHC), the Government's focus on expanding access to healthcare through massive infrastructural projects like the "Agenda 111" hospital project is very commendable. Furthermore, the budget provision of a new fleet of 100 ambulances for the Ghana Ambulance Service is a very important move that will improve access to emergency care. Another highly commendable initiative envisaged in the 2022 budget statement is the innovative idea of establishing a piloted "Bed Bureau Unit" at the Cape Coast Teaching Hospital to help curb what is popularly known as the "no bed syndrome". This

innovative policy when expanded together with the massive infrastructure regime will make healthcare easily accessible at the primary, secondary and tertiary levels.

The issue of mental health and associated abuse of mental health patients has been a subject of great concern to various stakeholders. It is thus very refreshing to note that the Ministry of Health has clearly set out an agenda in the 2022 budget to establish what it calls Mental Health Tribunals to protect mental health patients from abuse. We are very much interested in this initiative and will follow up with the Ministry as well as other relevant stakeholders to monitor progress in the implementation of this laudable initiative.

An important issue worth highlighting is the great effort that the Government has made since coming into power, in recruiting the needed health care professionals to serve the health care needs of Ghanaians. Every now and then the ministry gets financial clearance to recruit doctors, nurses and all the various categories of allied health professionals. The Ministry of Health has estimated that so far President Akufo-Addo's Government has since coming into office recruited 120,367 different categories of health care professionals. This figure represents the highest recruitment of health professionals by any Government in the history of our country, and this is highly commendable.

1. **Water and Sanitation**

Management of our water resources lie at the heart of every well-meaning Ghanaian. Data provided by Ghana Water Company and Community Water and Sanitation Agency which does not include private or self-supply water, shows that in 2018 66.64% of Ghanaians had access to drinking water sources; This improved to 68.9 in 2020. The target is 79.3% in 2024. There are still people who do not have access to clean drinking water. As such reports on improvements in turbidity rates in the Pra, Ankobra and Birim rivers in specific locations are welcoming. The wish is that we will continue to put more resources in the fight against bad mining practices especially that greatly affect our rivers. It will take time but if we continue to remain resolute and resilient in this fight, the rewards will definitely be enormous.

It is appreciative and commendable that the Water Resources Commission in this budget is being charged to work more on restoration schemes in the buffer zones such as tree planting to restore natural watersheds and to reduce the impact of human activities. We ask that more attention is paid to the kind of encroachment around our wetlands, to name a few in Accra i.e. the Kpeshie

and Sakumono areas. The impunity with which non-law-abiding citizens who have no regard for the natural habitat continue to build in these areas is alarming. We are anxious about how authorities charged with the responsibility of prevention will allow for it to occur before taking steps to fire fight the situation. We commend the Regional Minister Honourable Henry Quartey for the steps he has taken to make Greater Accra work again. Ayeeoko!! We trust you will succeed.

The recent demolition exercise along the Kpeshie lagoon is worth mentioning. What happens next? Over a period of time sand and clay have been deposited along the banks of the lagoon in an attempt to reclaim land from marsh and mangrove which are essential watersheds that help contain excess rainfall. So even though these structures have been demolished, the burden of desilting still remains and if not tackled, it will result in severe floods. Such activities will continue to remain a burden on government expenditure when they can be avoided altogether. Though the budget speaks to several desilting works at various stages of completion, we believe that early detection and prevention also needs to be looked at and this is not just for government but also for all citizens to build at rightly designated sites.

Linked to this is the evident challenge of sanitation and waste disposal in our country. In 2018 number of communities that had achieved open defecation free status was 12% and this improved to 18% in 2020 and the target is 26% in 2024. Proper disposal of solid waste was at 75% in 2018 and in 2020 it improved to 80%. The target is 85% in 2024. Improvements in sewerage especially in our major cities Accra and Kumasi are therefore steps in the right direction. Once again, we reiterate the role to be played by the regulatory agencies who allow the occurrence of waste disposal at the wrong places.

1. **Housing**

Two main issues characterize the housing problem in Ghana. These are availability and affordability. As a nation, we struggle to keep up with demand for decent accommodation. We are glad that Government under the Ministry of Finance is considering options to complete the Saglemi Project despite the rising cost of execution. The more we build, the higher the likelihood that we can drive prices down. We are also glad that government is looking into more affordable ways of construction and mortgage financing to improve levels of affordability. With the new land policy in place, we are looking at a future of less land disputes which should also encourage more people to invest in housing and real estate generally.

1. **Transport**

A well developed and efficient transport network has both tangible and intangible benefits. The 2022 budget shows a clear and strategic path to creating such a network for Ghana. By touching on the rehabilitation of roads, construction of strategic interchanges in various parts of the country, and with support for private public partnerships for financing and management of road infrastructure, government continues to show serious commitment to developing Ghana's road network.

The comprehensive improvements in the rail network is also an evident indication of the drive to provide a well linked transportation network. We are especially happy to see the building of local capacity to maintain the rail system. The Ghana-Burkina Faso railway project is very significant as it will not only improve the trade relations between the two countries but will also reduce the pressure on roads from the constant haulage of goods to Burkina Faso. We believe that to further reduce the constant burden of road rehabilitation, it is important that government invests in more efficient systems at checkpoints to ensure the correct weight is being carried. This is imperative and must be considered as an urgent matter. Besides, this will reduce accidents on our roads. In addition, the rail network will complement the growth of mineral development. With the expansion and modernization in port facilities, Ghana has obtained an even more competitive urge in the sub-region.

1. **The Mining Sector**

National Alternative Employment and Livelihood Programme in – this Policy is timely. The devastating effect of the Galamsey activities necessitated the ban which led to job losses for some artisanal miners and related activities in the sector. The ban on the informal industry of artisanal and small-scale gold mining therefore has had rippling effects.

Government is not lost and is concerned. Estimates are that through the **NAELP**, a total of **346,300** direct and indirect jobs will be created through various modules and schemes such as the community mining, National Land Reclamation and Re-afforestation, Agriculture & Agro-processing, Apprenticeship, among others. NAELP also presents a good opportunity to reduce the unemployment gap and to provide alternative livelihoods and improvement in the living conditions of especially the youth and women who have been affected. This will indirectly reduce the social impact such as criminal activities in the larger sense while contributing to the quality of lives, improved and cleaner environment, among others. We do commend the Ministry of Lands and Natural Resources, originators of this great initiative for this. We believe that existing mechanisms should be strengthened to ensure the success and desired impact of the

programme. There should be commitment to realistic targets and a clear and well-defined monitoring and evaluation mechanism to examine the impact of the project in the medium to long term for continuous improvements and sustainability in the sector.

1. **Youth employment and skills challenge**

In as much as COVID-19 has set back most economies around the world, which Ghana is no exception, the Nana Akufo-Addo-led government has recognized that job creation, restoring macro-fiscal balance, energising all sectors, reforming the business environment, and restructuring the financial sector are key to putting the economy of Ghana back on track for prosperity for all. It has therefore embarked on ambitious and transformative flagship programmes to drive economic growth and improve the livelihoods of all Ghanaians, and not just a select few. The GhanaCARES "Obaatan Pa" Programme, NABCo, National Afforestation Programme and GEA (formally NBSSI) have all created significant job opportunities for the youth and MSMEs. Through these innovative programmes, hundreds of thousands of jobs have been created, with over 35,000 young people having secured permanent jobs or acquiring relevant workplace skills and experience.

At this point, ladies and gentlemen, we would like to emphatically commend the government for taking the time to understand the youth employment challenge, embarking on extensive consultations with stakeholders including youth associations and educational institutions across the country and developing the YouStart initiative as a key vehicle to create 1 million jobs in 3 years under the GhanaCARES programme. This initiative, which is set to be operational in March 2022, is holistic and will provide one of the permanent solutions to the youth unemployment challenge the country has faced over the years under successive governments. The YouStart initiative is the vehicle for supporting young entrepreneurs to gain access to capital, training, technical skills and mentoring to enable them launch and operate their own businesses. In time, the youth who were hitherto, members of the Unemployed Graduates Association will become employers who will in turn employ other youth.

Through the YouStart initiative, entrepreneurs can apply for support through a dedicated YouStart online portal. After successful application, the youth can access:

- Skills **Training** and Development, Entrepreneurial Support and Business Advisory services;
- Competitive Credit and Starter Packs;

- Mentoring and Access to Markets including Portals to facilitate “digital linkages” between youth-led enterprises and other businesses and relevant Government agencies.

They will also be eligible for:

- Soft loans of up to GH¢50,000 to help start-ups (for young graduates and school leavers) and small businesses to expand;
- Starter packs for equipment acquisition up to GH¢50,000 for individuals and GH¢100,000 for associations and groups;
- A standardised loan package between GH¢100,000 to GH¢400,000 at concessional rates for SMEs from financial institutions;

Without a doubt, the YouStart initiative will tackle youth unemployment from its roots and prevent the perennial problems of the teeming youth who graduate from school and have to cart their CVs around for non-existent jobs. This is a clear indication of the government’s commitment to secure the future of the youth by creating a robust financing eco-system capable of supporting businesses from the early to mature stage. On this note, ladies and gentlemen, DI wishes to encourage the youth to take advantage of the many initiatives outlined, some of which are already being implemented.

Moving Forward

With regards to the implementation of the 2022 budget, the Institute especially endorses the following action plans moving forward:

It is the belief of DI that the Ghana Beyond Aid Agenda will change our narrative as a country. As part of this agenda, more factories will be built to create jobs for the youth. Technical and vocational education will be deepened to provide the needed human capital for the industrialization drive. A stronger macroeconomic environment is already being built [among other things; the cedi has been performing relatively better, cost of credit is now far lower than it was in 2016 (policy rate declined from 25.5% in December 2016 to now 13.5%), gross international reserve has increased from 2.8 month import cover to now a 4.9 month import cover; inflation has declined from 15.4% in 2016 to now 11%. With a strong macroeconomic foundation, local production is set to increase to:

1. Involve more Ghanaians in production
 2. Widen the tax net (to reduce overdependence on aid)
- Reduce imports and rather increase exports (to ensure a stronger cedi)

Government's efforts in digitalizing the economy will surely enhance domestic revenue mobilization. To the least, it will promote efficiency in revenue collection while reducing corruption associated with such activities. DI fully supports the digitization and digitalization efforts of the Government. The Institute recommends frequent engagement with the general public to ensure smooth progress.

Government's determination through the (Ghana Revenue Authority) to assist the MMDAs to implement a common platform for property rate administration to enhance property rate collections and its accountability is highly commendable. This will undoubtedly increase revenue mobilization for MMDAs and release resources for provision of basic infrastructure.

DI, however, suggests that a mechanism is designed to make sure landlords and landladies who rent out rooms pay tax on the income received. Build-for-renting has become a booming business, especially in Accra and Kumasi. Millions of Ghana Cedis exchange hands through renting out of rooms each day in Ghana. Unfortunately, owners of the houses go to the tenants to collect rent directly without paying a pesewa to the Government. DI urges Government to set up rent control agency at every electoral area of the major cities to be in charge of renting. In other words, owners of rooms/houses will register with these agencies while those who need rooms will go there to make payments for their choice. Through this initiative, the rent paid could be taxed. Government could start this project through the comprehensive involvement of all stakeholders.

The introduction of a levy on all electronic transactions to widen the tax net and rope in the informal sector is in truth a commendable initiative. The phenomenal growth and resilience that has occurred in this sector even in the midst of the Covid-19 pandemic is worth noting. From the projections made, government is looking to make 6.9 billion from Electronic Transactions Levy (E-levy) in 2022 alone. Comparing this figure with what government is projected to get as import duty on all imports projected to come into the country in 2022 (i.e. 9 billion as duties levied on all imports that will come into the country) the e-levy is a powerful means for the government to raise revenue. The levy therefore provides a broad-based platform for government to raise

needed revenue. In essence, the levy is a transactional tax. Yes it is an extra commission that is being charged, but this time it will not be going to enrich the service provider. It will be going into government coffers to support entrepreneurship, pay for our roads and other developmental projects and all that it has been earmarked to do. So from a revenue generation perspective, the e-levy is a powerful tax revenue raising handle, and government should be able to implement it for that purpose.

DI commends the Government for making the levy pro-poor (exempting those whose daily transactions do not exceed GHS 100 (or GHS3000 a month) and further suggests that further prospective tax payers could be categorized into about 4 groups, each group being made to pay a different percentage in accordance with the amount transacted. For instance, Level one pays a certain percentage for those whose daily transaction ranges from above GHS 100 to GHS 300, level two pays a higher percentage for transactions from GHS 300 to GHS 500 a day, level three again higher and etc.

DI notes with concern the fact that the e-levy in its current form, risks people engaging in more cash transactions. Lessons from other African countries that attempted to or did introduce such levies is far from encouraging, although the percentages of the levies in those countries was in excess of the proposed 1.75% in Ghana. For instance, in Uganda, it was realized that patronage of Mobile money transactions fell drastically when the idea of taxing mobile money transactions was mooted. In Tanzania, there is evidence to suggest that the idea to tax Mobile money transactions did not go well in terms of revenue generation. There is similar evidence in Kenya.

We recommend that Government holds broad based consultation with the myriad of stakeholders so as to make the levy acceptable to the populace. We need to remember for instance that, when the VAT on financial services was first introduced, it was suspended and not implemented immediately. It took over a year or two for government to do a lot of consultations, before coming out with an indicative list of fees based financial services. There was extensive consultation before implementation of the VAT on fee based financial services. The proposition has been made. Let us come together to make it work!

In conclusion, J. B. Danquah, the famous in whose honour I stand today on August 12, 1950 said and I quote "Where is our national vision? Why do we not think twice before we attack someone for thinking ahead of the many, in the interest of the nation? It is said in the Bible that where there is no vision, people perish. Our country is to be pitied for unless we act with the vision of Statesmen, that Bible Prophecy may make us gnash our teeth" (Unquote)

DI humbly calls on all Ghanaians to support the budget agenda. Such an opportune moment to disentangle the economy from dependence on aid must not be allowed to slip by. The Institute therefore urges Government to continue to deepen the current efforts in transforming our economy. God Bless our homeland Ghana and continue to make it great and strong. Ladies and Gentlemen, thank you for your attention.