BUDGET STATEMENT AND ECONOMIC POLICY OF THE GOVERNMENT OF GHANA FOR THE 2020 FINANCIAL YEAR

REVIEW

BY

PROF. PETER QUARTEY

INSTITUTE OF STATISTICAL, SOCIAL AND ECONOMIC RESEARCH (ISSER)

NOVEMBER 2019

1. INTRODUCTION

Colleague senior members and staff, distinguished members of the press, ladies and gentlemen, It gives me great pleasure to present on behalf of the ISSER team, the Institute's comments on the 2020 Budget Statement which has the theme "**Consolidating the Gains for Growth, Jobs & Prosperity for all"** as presented to Parliament by the Hon. Finance Minister. The review will be in three parts: Review of Global developments, macroeconomic targets and outcomes for 2019 and Budget Proposals for 2020. The final section provides our concluding remarks.

Global developments

Development in the global economy is likely to impact on Ghana's economic progress. We note that there has been Global economic slowdown since the last three quarters of 2018 with 2019 projected to grow by 3%. However, 2020 holds prospects with growth projected at 3.4%. Growth in Advanced countries is also projected to slow down to 1.7% in 2019 and 2020. USA is projected to slow down in 2020 due to weak investments and low industrial output resulting from the trade tensions between USA and China. Emerging markets will not escape from the global slow down. However, Turkey and Iran are expected to pick up in 2020 while China is expected to record a decline in output growth from 6.6% in 2019 to 6.1% in 2020 due to escalating tariffs and slow domestic demand in order to contain debt. Growth in India is also expected to slow down due to a decline in the automobile and real estate activities.

In SSA, growth is expected to remain stable at 3.2% in 2019 but expected to moderate at 3.6% in 2020. Three major reasons for this includes challenging external environment, continued output disruptions in oil exporting countries, and weaker than anticipated growth in South Africa. Interestingly, non-resource intensive countries are projected to grow higher than resource intensive countries. Growth in Nigeria and South Africa, the two largest economies are projected to be marginal.

The ECOWAS region grew at 3.4 percent in 2018, compared to 2.8 percent in 2017, and it is projected to increase to 3.8 percent in 2019 and 2020. Growth is projected to remain at least 6.0 percent for 2019 and 2020 in Ghana, Cote d'Ivoire, Benin, Senegal, Burkina Faso, Niger, and the Gambia. Growth in the remaining countries is expected to stay above the regional average, with the exception of Nigeria and Liberia

Global inflation remains contained due to softening energy prices and moderation of economic growth. Inflation in emerging markets is expected to decline except in China where a marginal increase is expected. In SSA, Inflation is expected to decline. The average inflation rate for the ECOWAS region declined from 12.9 percent in 2017 to 9.7 percent in 2018, and it is projected to drop further to 8.9 in 2019 before rising to 9.3 percent in 2020

The global trends above is likely to affect Ghana's economy in 2020. The continued trade and technology tensions between US and China, amidst current trade barriers and threats, are likely to affect major exporting countries in Sub-Saharan Africa, including Ghana. These developments could increase volatility in financial markets, lower investment, disrupt global supply channels, and stifle global growth. This would likely lower commodity prices, adversely affecting resource-dependent countries, including Ghana.

Moreover, the projected growth declines in China and the Euro area may have adverse implications for Ghana, as China and the Euro area account for about 20 percent and 30 percent of Ghana's total trade, respectively.

2. Macroeconomic Targets and Outcomes for 2019

The targets set for 2019 as presented in the 2019 Budget and 2019 Mid-Year Review documents as follows:

• Overall real GDP growth rate of 7.1 percent;
• Overall non-oil real GDP growth rate of 6.0 percent;
• End-period December inflation of 8.0 percent;
• Overall budget deficit (measured on cash basis) of 4.5 percent of GDP;
• Primary balance of 1.1 percent of GDP; and
• End-period December stock of Gross International Reserves to cover at least 3.5 months of imports of goods and services.

A summary of this performance in 2019 is as follows:

• Overall real GDP grew at an average of 6.2 percent in the first half of 2019 against 5.4 percent in same period in 2018;
• Non-Oil real GDP grew at an average of 5.2 percent in the first half year of 2019 (6.0 percent in quarter one and 4.3 percent in quarter two) compared to 4.6 percent in the same period in 2018;
• End-period inflation was 7.6 percent in September, 2019 compared to 9.8 percent at the same period in 2018.
• The overall budget deficit on cash basis was 4.5 percent of GDP in September, 2019 against a target of 4.1 percent of GDP and an outturn of 2.8 percent in the same period in 2018;
• The primary balance recorded a deficit of 0.3 percent of GDP at the end of September 2019, against a targeted surplus of 0.1 percent of GDP and a surplus outturn of 0.7 percent in the same period in 2018;
• The current account balance registered an estimated deficit of 1.2 percent of GDP in September, 2019 compared with a deficit of 1.5 percent in September 2018; and
• The stock of Gross International Reserves amounted to US$8.1 billion at end September 2019 to cover 4.1 months of imports, compared to the US$6.8 billion or 3.6 months import cover recorded in the same period of 2018.

Table 1: Indicators and Outcomes

INDICATOR	2019 TARGET	2019 OUTCOME[1]	COMMENT
Overall GDP Growth (%)	7.1	6.2 (5.4)	
Non-Oil Real GDP Growth (%)	6.0	5.2 (4.6)	
End of Period Inflation (%)	8.0	7.6 (9.8)	
Overall Budget Deficit (%)	4.5	4.5 (2.8)	
Primary Deficit (%)	1.1	0.3 (-0.7)	
Gross International Reserves (mths)	3.5	4.1	
Current Account Deficit		1.2 (1.5)	

Agricultural sector recorded a growth of 3.1% in 2019:6 (not impressive)
Manufacturing sector grew by 6.5% in 2019:6
Construction sector declined by -8.5% in 2019:6 > limited access to credit
Services: ICT grew by 44.9%, financial services by 1.8% and real estate by 12.1% in 2019:6

3. Macroeconomic Targets and Outcomes for 2020

i. Macroeconomic targets for the (2020-2023) medium-term:

• Overall Real GDP growth to average 5.7 percent for the period;
• Non-Oil Real GDP to grow at an average of 5.9 percent for the period;
• Inflation to be within the target band of 8±2 percent;
• Overall fiscal deficit to remain within the Fiscal Responsibility Act Threshold of not more than 5 percent of GDP;
• The primary balance to be in a surplus; and
• Gross International Reserves to cover at least 3.5 months of imports of goods and services.

ii. Macroeconomic targets for the 2020 fiscal year are as follows:

• Overall Real GDP growth of 6.8 percent;
• Non-Oil Real GDP growth of 6.7 percent;
• End-period inflation of 8.0 percent;
• Fiscal deficit of 4.7 percent of GDP;
• Primary surplus of 0.7 percent of GDP; and
• Gross International Reserves to cover not less than 3.5 months of imports of goods and services.

Non-oil projected to grow faster, a sign of diversification?

3.1 The Fiscal Sector

[1] Mid-year 2019 except Inflation which is Sept. 2019

The overall fiscal target for 2019 was a primary surplus of 0.1% of GDP and an overall deficit of 4.5% of GDP. The outturn for the period Jan-Sept 2019 was about 0.3% (deficit) and 4.5% (deficit) for primary and overall balance respectively. Indeed, the target for the overall deficits for the period ending 2019 was 4.1% of GDP, suggesting a worsening of the fiscal position. These provisional outcomes suggest that the overall deficit target for 2019 will not be attained. The 2019 target will be difficult to meet even though we still expect the target of 5% of GDP as per the Fiscal Responsibility Act to be respected.

The worsening fiscal outcomes in 2019 is largely on account of a shortfall in the revenue target – the revenue to GDP ratio was 10.5% compared to a target of 12.1% for the period ending September. Indeed, this was lower than the 11% recorded for the same period in 2018. This in turn is driven by a shortfall in non-oil tax revenue. The lower than expected revenue realized has been associated with a lower than programmed government spending – the government expenditure ratio as at September 2019 was 15% as opposed to the 16.2% programmed for the period. The areas of government spending that have taken the hit include capital spending deviated by 26.7% of target (a shortfall of about 0.5% of GDP), grants to other government units and the use of goods and services (with shortfalls of 0.4% and 0.3% respectively). Thus, the revenue underperformance may be compromising the fiscal and growth prospects of the economy.

The overall fiscal deficit is projected to be 4.7%, with a primary surplus of 0.7% for 2020. This will be on account of a relatively higher growth in revenue relative to expenditure (22.9% and 21.6% respectively). Should these revenue and expenditure targets be met, the fiscal outcome will indeed be commendable. Two complementary factors work in favour of the attainment of this fiscal outcome. First is the fact that, we have consistently seen increased levels of discipline with respect to overall fiscal targets. Indeed consistently, when revenues shortfalls have been recorded, expenditures have been adjusted so that overall deficit targets have been respected. A second factor is that the Fiscal responsibility Act imposes a ceiling on the level of deficits that can be accommodated. These two factors provide some comfort in terms of government meeting its overall fiscal budget target. There are risks however that could potentially compromise the fiscal targets for 2020. A first risk emanates from the revenue target. If the performance of 2018 and the first 3 quarters of 2019 is anything to go by, then the target of 16.9% of GDP in 2020 is a big ask. This is particularly so because the tax policy for 2020 hinges strongly on improving efficiency and effectiveness of the tax administration.

Wages and Salaries and interest payments account for 27.12% and 25.9% in the 2020 Budget thereby limiting the fiscal space for capital spending.

There is no doubt that tax exemptions, high interest payments and revenue shortfalls will continue to pose challenges in 2020 thereby affecting capital spending and stifling growth.

The fiscal deficit target of 4.7% of GDP is unlikely to be achieved – it is economically prudent target but politically unappealing in an election year.

3.2 Monetary and Financial Sector

The Monetary targets is to ensure price stability with an end of period inflation of 8% and Gross international reserves of 3.5 months of import cover. Core inflation, which excludes energy and utility prices, was 6.3 percent in September 2019. The headline inflation, which includes movements in energy and utility prices, also stood at 7.6 percent in September 2019. The inflation forecast of 8.0% for 2020 remains close to the medium-term target of 8±2 percent barring any unforeseen shocks. Can this be achieved in an election year?

Money supply (M2+) moderated around 16.51% in September 2019 and was mainly due to slower pace of growth of Net Domestic Assets. While public sector credit expanded, growth in private sector credit moderated from 17.24% in September 2019. Money market rates remained unchanged since January 2019 while average lending rates ranged between 22-24% but with very little likelihood of declining further in 2020. The Ghana reference rate which serves as the base rate remained flat in 2019 and less likely to decline by a significant margin. The exchange rate depreciated cumulatively to the dollar by 9.22% (as at September 2019) and likely to depreciate much higher in the first quarter of 2020. The GSE Composite Index declined in 2019 but with prospects of recovery in view of expected improvements in financial sector uncertainties.

In 2020, favourable global financing conditions are expected while domestic credit is expected to be strong. The recapitalization exercise will continue to promote sound financial indicators with expected expansion in mobile money and credit without increasing interest rates. Expected developments in the real sector will also propel growth in Net Domestic Assets (NDA) and Net Foreign Assets (NFA).

Financial sector growth is minimal at 1.8% however, total deposits increased while capital adequacy ratios remain high. Reforms of Special Deposit Institutions, the introduction of Deposit Protection Insurance in December 2019 in addition to effective regulation including good corporate governance structures will ensure a much stable financial sector.

In 2020, Outlook risk of government crowding out the private sector and excessive pressure on the interest rate has been noted. Also, increasing debt stock and debt sustainability remains of great concern. Also, concerns about taxing mobile money remains and can affect financial deepening especially the poor who have no access to formal banking services especially with the collapse of microfinance and other non-bank financial institutions

3.3 External Sector

Ghana's trade with the rest of the world is growing, especially in recent times. However, this trade has mainly been driven by the exploitation and export of primary products, chiefly natural resources. Primary commodities have continued to dominate Ghana's exports and export destinations are still concentrated largely in industrialised countries, including the EU. A large part of the Ghana's economic performance of the last two decades has been propelled by booming prices of its main commodity exports. Therefore, Ghana is less likely to gain from trade, as the developmental impact of exporting is crucially dependent on price and income elasticities of demand, both of which are low for primary commodities. Moreover, the dependence on primary commodities subjects exports to the vagaries of a volatile world market, exposing those countries dependent on a narrow range of primary commodities to serious balance of payment problems, especially if these commodities face declining terms of trade. Thus far, trade has not had the desired effects on employment, income and human development: it has not translated into sufficient decent jobs.

There is an urgent need to diversify Ghana's economy towards higher-productivity activities in manufacturing. Industrial output and manufactured exports still account for negligible shares of total output and exports. The challenge facing Ghana, as with many other African countries, is to transform the economy from a resource-dependent one to a dynamic diversified industrial economy.

Developments in the Public Debt

As at end-September 2019, the nominal public debt stock was GH¢208.56 billion (60.55% of GDP), comprising external and domestic debt of GH¢107.16 billion (US$20.15 billion) and GH¢101.40 billion respectively. The rate of debt accumulation as at end-September 2019 was 20.51 percent and 14.33 percent (excluding the financial sector bailout).

We note that this penchant to resort to external borrowing poses a macroeconomic risk. As the debt burden continues to escalate, continuing currency depreciation could lead to a rapid increase in the value of foreign-currency denominated debt and its concomitant interest payments beyond sustainable levels.

The simple policy conclusion is that if Ghana wishes to grow faster it must first mobilize more domestic revenue and put an ice on its appetite for borrowing. If the balance of payments equilibrium growth rate can be raised by making exports more attractive and by reducing the income elasticity of demand for imports, demand can be expanded without producing balance of payments difficulties. Most importantly, Ghana must start to curb the relentless rise of debt.

Further, we argue that it is not just the size of the debt that matters, but what kind of spending we do with the borrowed money. We should also, or rather, be asking about the costs and benefits of government expenditures on different items at different times. Resource misallocation and inefficiencies in government spending are significant sources of distortions in the Ghanaian economy.

Debt as at September 2019 stood at 60.55% of GDP within the 65% DSA threshold.

3.4 Agriculture

Agricultural GDP grew by 2.6% during the first half of 2019 (a whopping 3.6 percentage points below the economy wide growth rate of 6.2% during the same period). Additionally, the 2019 half year agriculture sector growth rate was 2.1 percentage points (or 55%) lower than the rate during the same period in 2018. **Given that Ghana's agricultural calendar has not changed dramatically over the period, it is surprising that the sector is projected to end the year with**

6.9% growth rate, which will be higher than the projected non-oil GDP growth rate of 6%, and 2.1 percentage points higher than the 2018 agricultural GDP growth of 4.8%. It is not clear what the basis for the 6.9% projection is, and it is important that subsequent budgets and economic policy statements provide cogent reasons for such projections. The performance of the agricultural sector is expected to rest mainly on the modernization initiatives being implemented through the Planting for Food and Jobs (PFJ) flagship initiative.

In order to put the review of the agriculture sector component of the budget statement and economic policy of the government for the 2020 financial year in a proper perspective, it is important to ask what the main challenges and opportunities are in Ghana's agriculture sector and whether the proposed budget and economic policy sufficiently addresses them. The challenges relate to three broad areas of productivity, profitability, and sustainability; the main opportunity is the availability of arable land. The budget seeks to address the issue of low productivity (which stems from low levels agricultural modernization) though the PFJ initiative. The main strategy is the use of subsidies. **While the use of subsidies for boosting productivity in African and Ghanaian agriculture is not new, it is important not to lose sight of its potential distortionary effects. Also, the subsidy strategy tends to be unsustainable if the fundamental issue of poor investment incentives is not addressed.**

The next challenge which relates to profitability is hampered by emerging issues of the lack of appropriate post-harvest storage and marketing as output and productivity improves. The PFJ's initiative seems to have led to 'excess' production, which has created the problems of limited market and low output prices. Some farmers who participated in the PFJ have experienced two consecutive bumper harvests without commensurate market uptake. This is in spite of buffer stock and warehouses facilities that have been under constructing since 2016. This presents the issue of locked up capital and disincentive for further investment. The approach where policy initiatives concentrate disproportionately on primary production and treat the rest of the value chain almost as secondary or as an afterthought has been a hallmark of agricultural policy initiatives for decades, and it seems that lessons have not been learned well enough. Linking production to agro-processing is the key to rural transformation, and while this has been recognized by government, there has been much less success with respect to agro-industrialization.

This is partly because the PFJ initiative did not establish facilities for value addition through processing from the outset. The 2020 budget now seeks to address the challenge of production surplus resulting from the PFJ by procuring small to medium scale agro processing machinery to improve value addition. Is this too little too late or better late than never? It seems that the same mistakes could be repeated under the Rearing for Food and Jobs (RFP) initiative that started in 2019 because processing facilities are only being considered for investment in 2020, and it is not clear how long it will take to install the processing facilities. Best practice is to implement production and processing initiatives in tandem. It is not clear why the 1D1F industrial policy was not linked with the PFJ at the very beginning in terms of implementation.

The 2020 budget contains several other impressive initiatives such as the Planting for Export and Rural Development (PERD) that aims to support and promote six tree crops (cashew, coffee, coconut, oil palm, mango, rubber and sheanut). With each tree crop expected to generate US$2 billion in export earnings annually this seems impressive at first sight but here again we seem to be setting ourselves up to maintain the same economic structure of being primary commodity exporters as the case is with the cocoa sector where Ghana manages to get only about 3% of the annual global market value chain of the approximately $100b. Thus, the PERD initiative should be linked with agro-industry from the onset as these are areas where sustainable and decent jobs could be created, particularly for the youth.

Despite some attention to the fisheries and aquaculture sub-sector in the past, the issues of fish stocks decline continue. Indeed, the sub-sector experienced negative growth during the 2019 half year, although it is projected to grow by 3.3% by the end of 2019, a projection that appears unrealistic.

The third challenge of the agricultural sector—the sustainability of production systems—is given much less focus in the 2020 budget and economic policy statement, yet it is important to adopt production systems that are environmentally friendly. Such systems should be directly incorporated into the various components of the PFJ program. Examples of sustainable production methods include the use of biotechnologies.

Finally, in an era of Ghana beyond aid, we note that the agricultural sector is still heavily dependent on the magnanimity of donors. In 2019, at least 55% of allocations to MoFA and Fisheries and Aquaculture Development were expected to come from donors; the share of donor funding is expected to be less in 2020 but still very high (approximately 40%). Whether the reduction in the share of donor allocations to the agricultural sector is a sign of a Ghana beyond aid or not will be seen in subsequent budget statements.

3.5 Industry

Growth in Ghana's industrial sector has mainly been driven by the mining and quarrying subsector, of which oil production has become an important component. The industrial sector has performed poorly in years in which the minerals and oil sector does not perform well and vice versa. The medium-term projections in the 2020 budget indicate that the industrial sector's growth will continue to be largely dependent on minerals and oil production. Industry is expected to grow by 8.6 percent in 2020 but growth will dip to 3.3 percent in 2021 and further to 2.3 percent in 2022. This projected trend is mainly informed by expected sharp decline in oil production from existing fields.

The implication is that government's key policies or programmes for the industrial sector, particularly 1D1F, aimed at revitalising the manufacturing subsector may not be able to produce results that could offset shocks to the mining and quarrying sector, at least, not in the short to medium term. **So while the 1D1F programme generally appears laudable, it seems the 2020 budget presents no clear policy direction on how to address or cope with the dependence on the minerals and oil sector in the short to medium term**. Meanwhile, we know that growth, driven by the mining and quarrying, is generally less inclusive due to the enclave and capital-intensive nature of this subsector. Also, an important question related this issue has do with whether there are opportunities to build labour intensive industries that feed on the output of the mining and quarrying sector and whether such opportunities are being explored. Other concerns include how many of the established and operational 1D1F projects seek to build forward linkages from the minerals and oil sector?

Still on 1D1F, the 2020 budget indicates that there are about 150 districts, for which no private business operator has shown interest in and that government is committed to identifying and supporting private investors for these districts. If no private investor has shown interest in some of the districts after nearly three years of implementing the programme, then, it appears that the perceived return on private investment in these districts may be considerably low among potential investors despite a host of incentives in the form of tax holidays, exemptions from import duties etc. offered by the government. In other words, the economic viability of establishing factories in some of these districts may be very low, begging the question of whether every district should have a medium to large scale factory, as being perused under the 1D1F programme. So, perhaps, it is time to revisit this ambition and focus policy attention on projects that show significant long term viability than to have many projects, of which many may only hold limited long term commercial potential.

3.6 Services

The Services sector continues to occupy the largest share in the Ghanaian economy with a nominal GDP of 46.3% at the year end of 2018. In the first half of 2019, the sector recorded an average growth rate of 6.9% compared with 0.9% recorded in the same period of the preceding year of 2018. The sector recorded an increase in growth from 1.4% and 0.5% in the first and second quarters of 2018 respectively, to 7.2% and 6.5% for the same period in 2019 with a projected end of year growth rate of 5.4%. Growth in the Services sector has been projected to slow down to 5.1% in 2020 from the 7.30% targeted in 2019. The financial and Insurance Activities sub-sector saw a rebound of positive growth rate (1.8%) in the first half of 2019 as compared to the recent declining growth rates in 2017 and 2018. However, the financial intermediation subsector is expected to experience the lowest growth in 2020 at 1.1%. The main drivers of this is the Bank of Ghana (BoG) and Securities and Exchange Commission (SEC) exercises to 'clean up' the financial sector. In spite of these, the Services sector is projected to remain the dominant sector in 2020 with a share of 46.2% to total sectoral value-added national output (GDP) with an expected corresponding growth rate of 5.8% and an average growth of 6.3% over the medium term (2020-2023).

Key developments in the sector and its impact on the private sector and job creation

Education

At the secondary level, the much touted 'Free SHS' is reported to have increased enrolment by 43% between 2016 and 2018. The Education sub-sector is therefore expected to grow from 3.9% in 2018 to 4.5% in 2019 with an average growth rate of 5.7% over the medium term. The key drivers of the Administrative expenditure allocation are: Free Senior High School Program, Electoral Commission and Ministry of Local Government which account for 27%, 12% and 13% respectively. Ministries of Education (63%) and Health (32%) account for approximately 95% of the sector budget for the Social sector in 2020. Further, the government has completed and launched the Tertiary Education Policy which provides guidelines for the structure, planning, development, regulation, operations, governance and accountability of the tertiary sub-sector. **However, it is not clear how much funding has been set aside to build the required infrastructure and employ the requisite number of lecturers in preparation for the huge number of SHS graduates who will be entering the universities in the next 2 to 3 years? What is the plan to employ the SHS graduates who will not gain admission to the tertiary cycle?**

Transportation Services

The Transport and Storage subsector is expected to bounce back from 1.1% in 2018 to 3.7% in 2019 and 5.1% in 2020 with an average growth rate of 5.9% over the medium term. The focus on construction in the 2020 Budget, has implication for the private sector as it provides an avenue to improve the road network, reduce the cost of doing business and create jobs. However, with the narrow fiscal envelope available, the government is expected to be judicious in the use of resources for this increased drive in capital expenditures. The Ministry of Roads and Highways accounts for 44% of the budget allocation for Infrastructure Sector in 2020, GH¢2,275 million in 2020 compared to an allocation of GH¢1,291 million in 2019, representing an increase of 76%. The current politicisation of road infrastructure, ‘No Road, No Vote’, is worrying as we move into the election year. Indeed, the government has described the year 2020 as “The Year of Roads”.

Information, Communication and Technology (ICT)

One of the aims of the 2020 Budget is the digitisation of the Ghanaian economy which will ensure that economy is formalized by leveraging technology. The ICT sub-sector however, is expected to grow but at a slower pace than in the previous years. The sector is expected to grow by 5.9% in 2020 with an average growth rate of 5.3% over the medium term. ICT. The government expects the private sector to benefit from digitized government services to expedite delivery of services, improve the lives of citizens and promote a supportive business environment. The Digital Property Addressing, the Paperless Port System, digitization of the Drivers licenses and vehicle registration, automation of the Registrar General’s Department for Business Operating Permit, renewal of NHIS registration via mobile money and mobile money payment interoperability are among many of these innovations introduced. Although, the government intends to expand the digital stream to start-ups and improve data protection in 2020, the question still remains about the critical impact of the ICT sector on the cost and ease of doing business in Ghana. Has the sector transformed the job market? How much has the government leveraged this sector to create employment for the youth? Are Ghanaians equipped to take advantage of these technological changes and shifts?

Tourism

The government seeks to leverage on the Tourism sector to create additional source of domestic revenue mobilization. The Hotels and Restaurants subsector is therefore projected to grow by 4.7% in 2020 from 3.2% in 2018 with an average growth rate of 5.5% over the medium term. Some of the interventions include the “Eat Ghana, Eat Chocolate” in February and “Wear Ghana” month in March. Are these interventions enough to create jobs for the private sector? How many Ghanaian entrepreneurs are involved in these initiatives? How much of our cocoa is processed? Can we encourage Ghanaians to eat ‘Ghana Rice’ for example as part of our tourism initiatives so that rice farmers in Ghana can have ready market? If our main line sectors work together and not in silos as they are doing now, we will achieve many of our developmental goals. The President's vision of making Ghana a Medical Tourism hub in West Africa is also in the pipeline with a medical tourism policy developed. In 2020, government intends to commence operations of the Hotel, Catering and Tourism Training Institute (HOTCATT) as a professional hospitality and catering skills training centre in the country.

The vision is quite clear from but the bane of our development has always been with the implementation of our policies? The Services sector has the potential to boost our resources and diversify our economy, for that the roadmap remains unclear.

4. Conclusion

In conclusion, the 2020 Budget Statement is ambitious and inspires hope provided these intentions are translated into outcomes. However, these budget proposals are contingent on raising enough domestic revenue and other less costly foreign capital.

GDP growth projections and outcomes for the past three years are encouraging especially non-oil growth. The drive to ensure diversification of the economy should be sustained to avoid over reliance on oil and gas.

Wages and Salaries and interest payments account for 27.12% and 25.9% in the 2020 Budget thereby limiting the fiscal space for capital spending.

There is no doubt that tax exemptions, high interest payments and revenue shortfalls will continue to pose challenges in 2020 thereby affecting capital spending and stifling growth.

The fiscal deficit target of 4.7% of GDP is unlikely to be achieved – it is economically prudent target but politically unappealing in an election year.

In 2020, Outlook risk of government crowding out the private sector and excessive pressure on the interest rate has been noted. Also, increasing debt stock and debt sustainability remains of great concern. Also, concerns about taxing mobile money remains and can affect financial deepening especially the poor who have no access to formal banking services especially with the collapse of microfinance and other non-bank financial institutions

Debt as at September 2019 stood at 60.55% of GDP within the 65% DSA threshold. But interest payments remain very high and accounts for 25.9% of total expenditure in 2020 with severe implications on the fiscal space and the exchange rate

It is not clear what the basis for projecting a 6.9% growth in Agriculture considering the past growth trends. It is important that subsequent budgets and economic policy statements provide cogent reasons for such projections.

While the use of subsidies for boosting productivity in African and Ghanaian agriculture is not new, it is important not to lose sight of its potential distortionary effects. Also, the subsidy strategy tends to be unsustainable if the fundamental issue of poor investment incentives is not addressed.

While the 1D1F programme generally appears laudable, it seems the 2020 budget presents no clear policy direction on how to address or cope with the dependence on the minerals and oil sector in the short to medium term

However, it is not clear how much funding has been set aside to build the required infrastructure and employ the requisite number of lecturers in preparation for the huge number of SHS graduates who will be entering the universities in the next 2 to 3 years? What is the plan to employ the SHS graduates who will not gain admission to the tertiary cycle?

Has the jobs provided under NABCO (about 91,000 jobs), Youth in Afforestation, YEA (91,420 jobs) etc adequate to absorb the teaming youth unemployment challenges?

About 12.4 billion Cedis has been put in the pockets of Ghanaians but the trickledown effect depends on whether one finds himself in the sectors receiving these transfers.