GHANA PUBLIC FINANCE REVIEW

Building the Foundations for a Resilient and Equitable Fiscal Policy

VOL. 1 / OVERVIEW

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Acknowledgment

The Ghana Public Finance Review was prepared at the request of the Ministry of Finance of Ghana, in close collaboration with various other line ministries, departments, and agencies. This review provides an in-depth analysis of the efficiency, equity, and impact of public revenue and expenditure, aimed at informing Ghana's fiscal consolidation efforts as the country seeks to recover from successive and overlapping crises. The team extends its gratitude to the government and technical teams for their cooperation and collaboration. The report particularly benefited from exchanges with the authorities at different stages of its preparation.

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Abbreviations and Acronyms

API	Application Programming Interface
CAD	Current Account Deficit
CAGD	Controller and Accountant-General's Department
CIT	Corporate Income Tax
COCOBOD	Ghana Cocoa Board
CSA	Climate-Smart Agriculture
CSO	Civil Society Organization
DRM	Domestic Revenue Mobilization
DSA	Debt Sustainability Analysis
ECF	Extended Credit Facility
ECG	Electricity Company of Ghana
ESRP	Energy Sector Reform Program
EPOC	Economic Programme Oversight Committee
GDP	Gross Domestic Product
GIFMIS	Ghana Integrated Financial Management Information System
GNHR	Ghana National Household Registry
GPE	Global Partnership for Education
GRA	Ghana Revenue Authority
GSFP	Ghana School Feeding Program
HIPC	Heavily Indebted Poor Countries
HR	Human Resource
ICT	Information and Communication Technology
IFMIS	Integrated Financial Management Information System
IGF	Internally Generated Fund
IMF	International Monetary Fund
IPP	Independent Power Producer

ITAS	Integrated Tax Administration System
LEAP	Livelihood Empowerment Against Poverty
LIPW	Labor-Intensive Public Works
LMIC	Lower-Middle-Income Country
MDAs	Ministries, Departments, and Agencies
MoF	Ministry of Finance
MoFA	Ministry of Food and Agriculture
MoH	Ministry of Health
MTDS	Medium-Term Debt Strategy
MTEF	Medium-Term Expenditure Framework
MTRS	Medium-Term Revenue Strategy
NHIF	National Health Fund
NHIL	National Health Insurance Levy
NHIS	National Health Insurance Scheme
PAYE	Pay-As-You-Earn
PBB	Programme-Based Budgeting
PFJ	Planting for Food and Jobs
PFM	Public Financial Management
PIM	Public Investment Management
PIT	Personal Income Tax
PPP	Purchasing Power Parity
PV	Photovoltaic
R&D	Research and Development
SSNIT	Social Security National Income Trust
SSA	Sub-Saharan Africa
TADAT	Tax Administration Diagnostic Assessment Tool
TSA	Treasury Single Account
VAT	Value Added Tax
WEO	World Economic Outlook
WWBI	World Bank Worldwide Bureaucracy Indicators

0 / **Overview**

0.1/ Ghana's fast GDP growth, fueled by debt accumulation, left it highly vulnerable to global shocks

◆ Ghana's progress on poverty reduction and inclusive growth has suffered recent setbacks

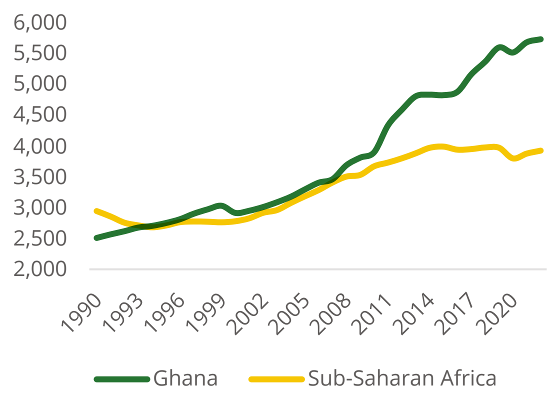
Ghana's development path, although registering past successes, faces a series of current and future challenges. Ghana succeeded in halving its poverty rate between 1991 and 2016, from 87 percent (US$3.65 per day in 2017 purchasing power parity [PPP]) to about 50 percent of the population, outpacing progress across Sub-Saharan Africa (SSA), along with improvements in health and education indicators. However, recent global crises have pushed poverty upward, as the country faces multiple challenges. Ghana needs to provide more and better jobs and foster inclusive productivity growth, especially through investments in human capital. At the same time, the country's growth path is increasingly vulnerable to climate change and climate-related shocks. Tackling these challenges will require fiscal policy to promote macroeconomic stability, create the right incentives, and generate the necessary public investments.

◆ Ghana experienced strong growth before the COVID-19 shock, but at the cost of mounting macroeconomic imbalances

Starting in 2009, Ghana experienced a growth acceleration driven by oil production. An expansionary fiscal policy and rising private credit—both enabled by soaring oil production—underpinned strong growth between 2008 and 2019. Over the period, Ghana's economy expanded by about 6.8 percent per year—versus regional and global averages of 4.4 percent and 2.7 percent, respectively. By 2019, gross domestic product (GDP) per capita in 2017 PPP dollars had reached US$5,540—a level 65 percent higher than in 2007 and 33 percent higher than the regional average (Figure 0.1).

Ghana's per capita GDP rose above the SSA average over the last decade

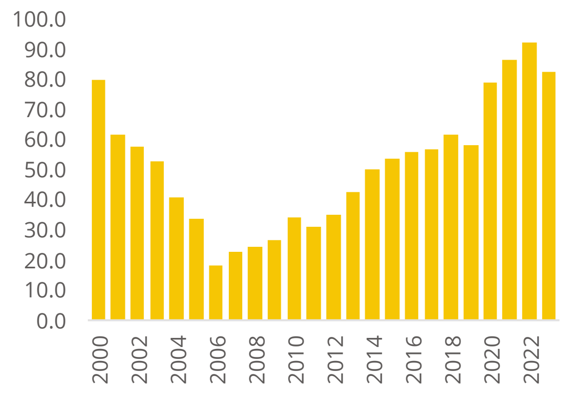
Figure 0.1. GDP per capita (PPP 2017, international dollar), Ghana and SSA



Source: International Monetary Fund (IMF), World Economic Outlook (WEO) (October 2023).

Following heavily indebted poor countries (HIPC) debt relief, Ghana's debt burden rose again as the oil boom began

Figure 0.2. Central Government - Gross debt (% GDP)



Source: IMF WEO, 2000–2019; Debt Sustainability Analysis (DSA), 2020–2023.

Note: 2023 public debt presents a post-domestic debt restructuring/ pre-external debt restructuring scenario.

However, this growth acceleration was sustained by increasing fiscal and external imbalances, which fueled debt accumulation. The total fiscal deficit averaged around 4 percent of GDP between 2008 and 2019—more than twice as much as in 2000–2007—while total expenditures averaged 19 percent of GDP—6 percentage points higher than in 2000–2007. Although public debt had been substantially reduced through HIPC relief during 2002–2004, it returned to an upward trajectory in the decade to 2019, driven by fast-rising external commercial debt (notably Eurobonds). By 2019, public debt had reached 60 percent of GDP, split equally between domestic and external liabilities (Figure 0.2). Annual interest payments almost quadrupled as a share of GDP, from 1.4 percent in 2007 to 5.5 percent in 2019.

◆ The lack of fiscal discipline was marked by weak budgetary institutions, high fiscal liabilities from the financial and energy sectors, and insufficient revenue collection

The fiscal system's weak expenditure controls enabled a vicious circle leading to reduced fiscal space and unsustainable debt accumulation. Ineffective spending controls, frequent budget overruns (notably on the wage bill), and inadequate procurement practices contributed to increasing deficits. These deficits were financed from expensive borrowing on international capital markets, which pushed up debt service. This, in turn, put additional pressure on fiscal space, necessitating further borrowing.

A costly clean-up of the financial sector and ongoing losses in the energy sector increased fiscal pressures. An expensive restructuring of the financial services sector weighed on expenditures, costing the equivalent of 8.3 percent of the cumulative GDP between 2017 and 2021. The chronic shortfalls in the energy sector have resulted from high fuel costs and expensive take-or-pay contracts combined with distribution losses, poor revenue collection, and below-cost-recovery tariffs. Since 2019, the power sector has cost the government an average 1.7 percent of GDP to balance electricity costs and revenues, but the annual revenue shortfall for the power sector in 2023 was estimated at 2.8 percent of GDP.

The fiscal situation was further weakened by declining tax revenue in the years preceding the crisis. Collected revenues as a share of GDP fell from 15.7 percent in 2017 to 12.9 percent in 2019, as collections from most major taxes declined, including a persistent fall in revenue from income taxes and value added taxes (VATs). In addition, the period was marked by an increase in tax earmarking to statutory funds, squeezing the funds available for general spending.

◆ A prolonged and expensive fiscal response to the COVID-19 and repeated global shocks plunged Ghana into a full-fledged crisis in 2022 from which it is now emerging

Pandemic-related spending pressures combined with a deteriorating and unstable international economic environment pushed Ghana into debt distress in 2022. Ghana entered the COVID-19 pandemic already running unsustainable deficits and enacted a strong fiscal response. Fiscal deficits skyrocketed in response to the COVID-19 crisis, reaching 14.7 percent of GDP in 2020, 12.1 percent in 2021, and 11.8 percent in 2022. Ghana continued to tap international markets for financing until 2021, leading to inflationary pressures. Additional external pressures—from supply chain disruptions, rising commodity prices, and monetary policy tightening in advanced economies—pushed Ghana into a macroeconomic crisis. Public debt skyrocketed to 93 percent of GDP in 2022, as fiscal balances deteriorated while growth slowed markedly. Ghana lost access to international capital markets and struggled to roll over domestic debt, so the authorities began tapping into international reserves to finance current account deficits (CADs) and resorted to monetary financing from the central bank.

Ghana is tackling the severe macroeconomic imbalances that peaked in 2022 and has made steady progress toward economic stabilization. In 2023, Ghana negotiated a three-year IMF-supported Extended Credit Facility (ECF) program. The government has taken decisive action, including acceleration of the fiscal adjustment process and sustained progress on comprehensive debt restructuring. The fiscal position is projected to gradually improve, reaching a primary surplus of 1.5 percent of GDP from 2025 onward.

The right set of fiscal rules and institutions could help curb spending pro-cyclicality and strengthen debt sustainability. Ghana's recent fiscal rule framework has been suspended since the beginning of the COVID-19 pandemic. Fiscal rules have been used successfully to promote debt sustainability, create a more predictable fiscal policy framework, and build buffers against adverse macroeconomic shocks (Box 0.1). Policy makers should consider a combination of an expenditure and a debt rule (with well-defined escape clauses), with potential to foster debt sustainability and reduce the pro-cyclicality of government spending. In addition, given the specific macro-fiscal risks linked to external borrowing, the fiscal rule design could consider including a capping mechanism. Finally, the authorities should review the fiscal council framework to strengthen its independence and clarify its mandate.

Box 0.1. Building institutions for fiscal discipline: The case of Jamaica

Following its 2013 debt crisis, Jamaica achieved fiscal discipline, bringing public debt to manageable levels, with a greatly improved primary balance. Its success was possible owing to two key elements.

(1) A fit-for-purpose set of fiscal rules **with a Fiscal Responsibility Framework that set fiscal rules focused on debt accumulation, a medium-term plan, and ambitious fiscal deficit and debt stock targets. It included well-designed escape clauses, balancing transparency and flexibility.**

(2) Various institutional agreements which gave confidence that the burden of the adjustment would be shared fairly. **A social collaboration known as the Economic Programme Oversight Committee (EPOC) included participants from government, the private sector, and civil society organizations (CSOs). Acting as the fiscal council, the committee was provided with data by the government to evaluate the nation's fiscal achievements against set objectives.**

Sources: Serkan, Eichengreen, and Henry 2024; World Bank 2022.

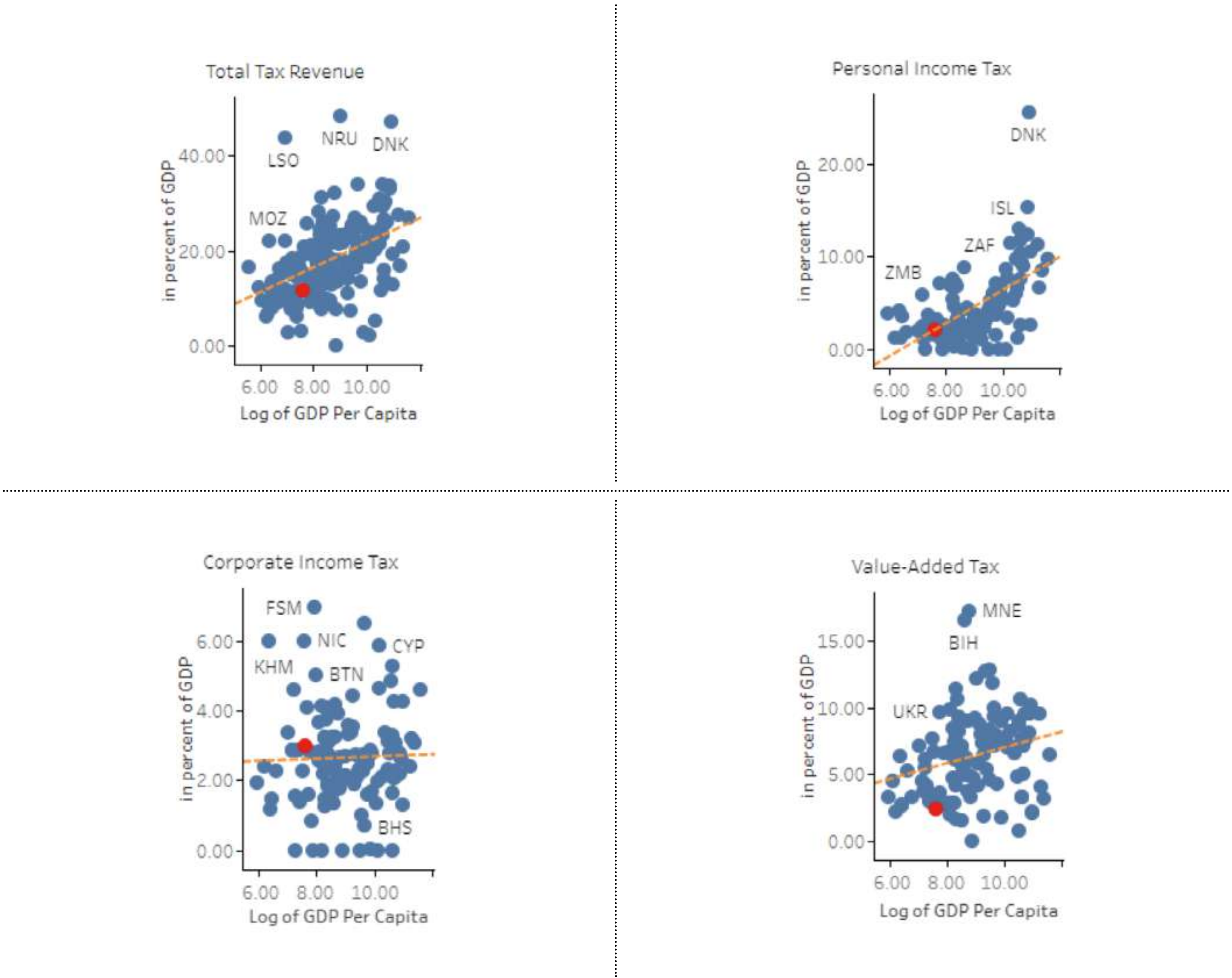
0.2/ Stronger domestic revenue mobilization can create fiscal space

◆ Ghana's recent revenue performance lags peers and has been deteriorating

Ghana's domestic revenue mobilization (DRM) has declined in recent years and remains below structural peers. Collected revenues as a share of GDP declined from 15.7 percent in 2017 to 13 percent in 2021. Except for turnover and excise taxes, collection from all major taxes declined. In particular, the persistent fall in revenue from income taxes and VAT stood in direct contrast with the trends observed in peer countries. Average tax collection stood at 13.2 percent of GDP between 2017 and 2021—8 percentage points short of the country's estimated tax capacity (21.2 percent of GDP as of 2022) and below the SSA average (Figure 0.3). This report discusses instruments and topics which lacked in-depth analysis: personal income taxes (PITs) and tax expenditures oversight. Reforms to indirect taxes, primarily VAT, also hold great promise in augmenting Ghana's revenues and have been comprehensively analyzed elsewhere. VAT reforms are covered in this study under tax expenditures as a significant share of domestic consumption is VAT exempt. Tax administration has been covered in the 2023 Tax Administration Diagnostic Assessment Tool (TADAT) report that provides detailed recommendations.

Ghana's tax collection falls slightly below that of comparators although not for all taxes

Figure 0.3. Benchmarking Ghana's tax revenue performance against countries with similar levels of GDP per capita and trade, by total and individual tax



Source: World Bank Revenue Dashboard.

For PIT, a focus of this analysis, numerous exemptions and the complexity of the PIT system have a detrimental impact on compliance and revenues. PIT accounts for about 15 percent of Ghana's total tax revenues and 2 percent of GDP, below the SSA average of 18 percent of revenues and 3.5 percent of GDP. PIT revenue has failed to keep up with GDP growth, and the system is overly reliant on payroll taxes (more than 99 percent of total proceeds), and in 2022, fewer than 25 percent of Ghanaians of voting age paid payroll taxes under the Pay-As-You-Earn (PAYE) scheme. Ghana's PIT system is progressive, with a seven-band rate structure, but a range of exemptions shrink the already narrow tax base even further, particularly the exemption of retirement funds. Finally, tax complexity and insufficient enforcement efforts contribute to poor compliance.

Other taxes' contribution to overall revenues has also been dropping, partly because of exemptions. VAT's share of Ghana's total tax revenues fell from 34 percent in 2015 to 17 percent in 2021, in contrast with global trends, partly due to a cut to the standard VAT rate in 2018, which was reversed in 2023. The VAT rate is now broadly in line with that of regional peers, but additional levies are imposed for certain items while others (agricultural products and inputs, water and electricity supply, and domestic passenger transport) benefit from exemptions. Revenue from excise duties is about 1.8 percent of GDP, below the 2.1 percent average across low-income countries and at the lower end of the SSA region. More than 90 percent of Ghana's excise tax revenues derive from petroleum products, through the energy fund, sanitation and pollution levy, fuel emission levy, road fund levies among others. The absence of a robust track-and-trace system and factory-gate flow meters likely contributes to noncompliance. Last, Ghana's corporate income tax (CIT) revenue performance improved over the past decade, averaging 2.2 percent of GDP during 2015–2021, although still below regional and structural peers and significantly less than in the best-performing SSA countries. The statutory CIT rate of 25 percent is lower than in key structural peers, while a complex regime of 22 reduced CIT rates complicates the administration of taxes, lowers the effective tax rate, and fosters a misallocation of resources as businesses engage in aggressive tax planning.

◆ The fiscal cost of tax expenditures calls for rationalization while mitigating negative welfare impacts

With an estimated cost of 3.9 percent of GDP, Ghana's tax exemptions from VAT, PIT, and import duties offer fiscal relief but create complexity and distortions. The Tax Exemptions Act, 2022, sets out clear criteria and guidelines, but other pieces of legislation set out further tax incentives that deviate from the notional tax benchmark. The fiscal cost of VAT tax exemptions in 2021 is estimated at 1.9 percent of GDP, or more than 72 percent of actual VAT revenue, with the single largest source of forgone revenue being the VAT exemption on the supply of dwellings and land (33 percent of overall cost). Tax exemptions from PIT are estimated to have cost 1.4 percent of GDP in 2021 or about 62 percent of PIT revenues. The PIT exemption for cocoa farmers had the deepest impact on revenue (0.42 percent of GDP), followed by deductions for pension/ social security contributions (0.37 percent

Credits: World Bank

of GDP), and those for provident fund contributions (0.36 percent of GDP). The fiscal cost of import duty exemptions in 2022 is estimated at 0.2 percent of GDP, or about 21 percent of actual revenues that year, and the most expensive were those granted by Parliament to specific taxpayers, whose value reached 0.14 percent of GDP.

Rationalizing tax expenditures requires striking a balance between revenue growth and social costs, with the following priorities: VAT on lands and dwellings and PIT exemptions for cocoa farmers (with adequate mitigation measures) and on pension contributions. Policy makers should first assess the impact of exemption removals on poverty—and, if needed, suggest appropriate mitigating efforts. For example, removing the VAT exemption on the supply of locally produced foodstuffs and locally raised live animals could reduce demand, harming smallholder farmers. In contrast, removing the VAT exemption on the supply of land and dwellings would likely have a minimal impact on poverty as it would apply disproportionately to richer households. Eliminating the PIT exemption for cocoa farmers could be disruptive in isolation but would enable the introduction of more targeted instruments to mitigate welfare losses among key beneficiaries. PIT exemptions on pension contributions could be rationalized without exacerbating poverty. Box 0.2 summarizes lessons from successful revenue mobilization reform episodes.

Box 0.2. Sustainably improving revenue mobilization: lessons from country experience

The following are some lessons from successful revenue mobilization in Mauritania, Rwanda, The Gambia, and Uganda:

> *The identified cases conducted both tax administration and tax policy reforms as a package.*
>
> *All four countries mainly focused on indirect tax (VAT and excise) reforms and reduction of tax exemptions as an effective revenue booster.*
>
> *Tax administration reforms mainly focused on improving compliance through strengthening taxpayer segmentation and automation.*
>
> *High-level political commitment and buy-in from key stakeholders played a critical role for reform success.*

Source: Il Jung 2023.

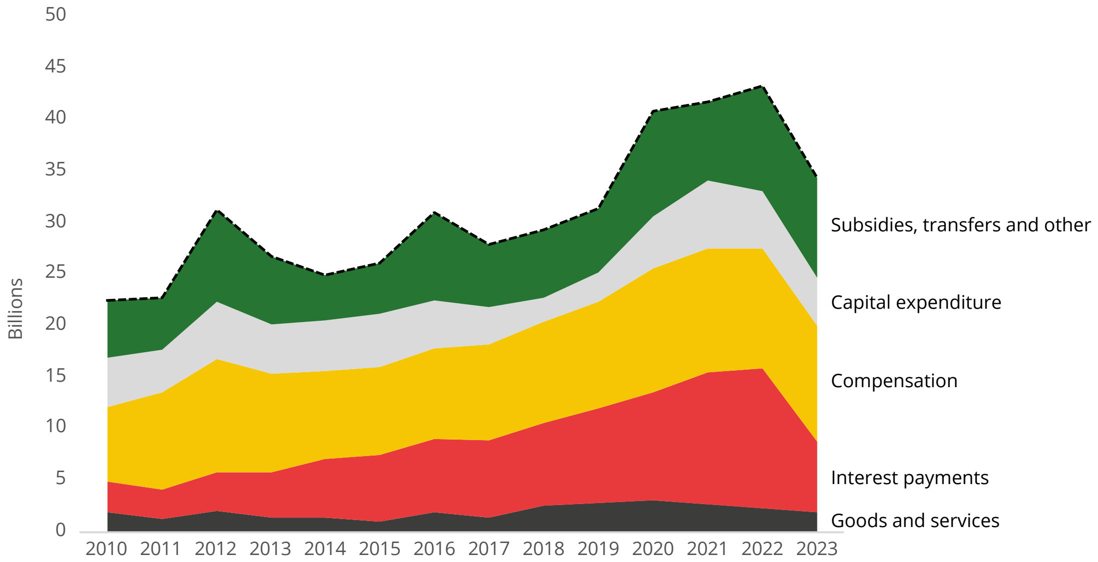
0.3/ Public expenditure, fast-growing and burdened by interest payments on debt, falls short on spending efficiency

◆ A lack of budget discipline since 2010 has resulted in booming public spending marked by volatility, high interest payments, and mounting rigidities

Overall spending has risen sharply while non-discretionary spending has severely limited the fiscal space. Government expenditure in Ghana nearly doubled between 2010 and 2022, surpassing the pace of economic growth and reaching unprecedented levels. Overspending during election years, contingent expenses in the financial and energy sectors, and efforts to address the COVID-19 pandemic all boosted spending (Figure 0.4). Public spending has displayed volatility and lacked effective targeting, with insufficient investments in infrastructure and social development. From 2010 to 2023, 70 percent of total expenditure (15.8 percent of GDP on average) was dedicated to three spending items: public sector wages, interest payments, and earmarked transfers to statutory funds. Accounting for nearly 100 percent of total annual revenues, this rigid allocation hindered the agility and responsiveness of fiscal policy. In 2023, the economic adjustment program and a moratorium on debt service have helped put spending on a declining trajectory.

Government spending almost doubled during 2010–2023 as interest payments ballooned

Figure 0.4. Government spending by economic category, 2010–2023, ₵ billions (constant, 2010)



Source: Ministry of Finance (MoF) Ghana, World Bank calculations.

As Ghana's borrowing became more expensive, a growing interest burden started crowding out capital expenditures. Between 2010 and 2021, Ghana spent two to four times more on interest payments than key comparators, highlighting a growing debt service burden to bilateral and commercial creditors. Spending on public sector salaries and benefits—33 percent of total spending and 7 percent of GDP, on average—was broadly in line with the levels recorded in lower-middle-income countries (LMICs) and the SSA region, as well as in aspirational and structural peers, but wages remain the largest single expenditure item and a frequent source of budgetary overruns. At the same time, high debt service crowded out capital expenditures, which averaged around 16 percent of total spending and 3.5 percent of GDP over the same period versus close to 20 percent of total spending and 5 percent of GDP across LMICs and the SSA region. As a result, public investment in infrastructure has been insufficient, especially since capital spending often undershoots budgeted levels, revealing systemic issues around public investment management (PIM). Key infrastructure bottlenecks have emerged, including depreciated power distribution and transmission assets and limited road connectivity in the northern regions of the country.

◆ Benchmarking spending efficiency indicates that Ghana could achieve more with its current spending

In a difficult macro-fiscal environment, it is critical to maximize the efficiency of public spending in areas critical to growth and inclusion, such as education services and infrastructure. Overall, Ghana outperforms its structural peers on efficiency of public spending, although it lags aspirational peers. However, the country is far from the efficiency frontier for level of education,[1] indicating potential for better outcomes with the current level of public spending. Even partial improvements in efficiency of education public spending could significantly boost outcomes (Figure 0.5). Similarly, Ghana's public spending on infrastructure is far from the efficiency frontier, and significant gains in infrastructure quality, especially in roads and electricity, could be attained by partial improvements in spending efficiency (Figure 0.6).

Even partial improvements in spending efficiency could lead to significant progress in education levels and infrastructure quality

Figure 0.5. Level of education gains from partial improvements in spending efficiency, Ghana and comparators (scale of 100)

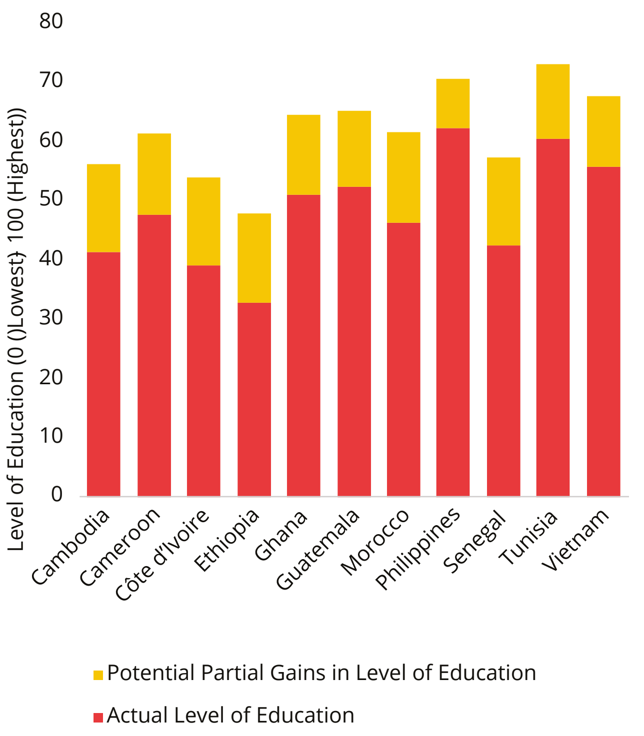
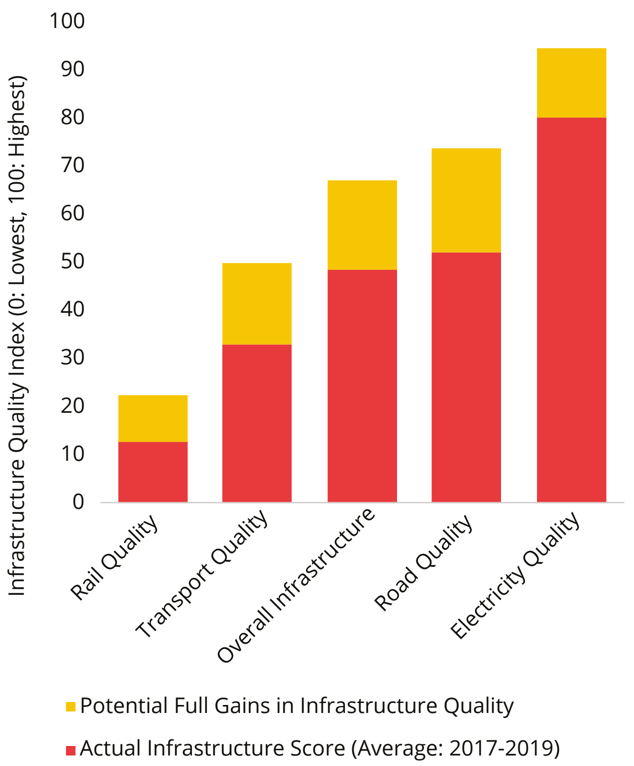


Figure 0.6. Infrastructure quality gains from partial improvements in spending efficiency, by infrastructure type (scale of 100)



Source: World Bank calculations.

Note: For education, an increase in Ghana's efficiency score from 0.67 to 0.84 would deliver 13.3 percentage points in its level of education. For infrastructure, an increase in efficiency to match the score of the 90th percentile of developing countries would deliver 11.4 percentage point improvement in the quality of Ghana's electricity supply.

1 A measure of education (WEF) assessing the general skills level of the workforce and the quantity and quality of education; it includes quality factors such as digital literacy, interpersonal skills, and critical and creative thinking.

Credits: World Bank

0.4/ Lackluster public financial management has undermined fiscal policy effectiveness

◆ Major elements of public financial management (PFM) are in place, but implementation is incomplete

Ghana's PFM reforms, including the enactment of the PFM Act, 2016, and the ongoing PFM Strategy 2022–2026, have yielded some success, but major challenges remain. Notably, (a) the budget preparation schedule routinely suffers significant delays; (b) indicative budget ceilings are often ignored when determining final expenditure allocations; (c) the Medium-Term Expenditure Framework (MTEF) and Program-Based Budgeting (PBB) estimates are not comprehensive or reliable, and (d) relevant IT systems are highly fragmented and often duplicative, hindering inter-institutional collaboration and efficiency.

Despite a relatively well-established process, the MTEF does not currently inform the medium-term budget. The out-year estimates of ministries, departments, and agencies (MDAs) are not binding and not always used as starting points for the development of the following year's MTEF and budget. Due to this disconnect, MDAs have policies and plans that are not adequately costed or projects that are pipelined but not financially accounted for. As a result, the government is exposed to potential future liabilities that are not factored into medium-term projections. Moreover, PBB performance information neither determines nor influences the actual allocation of resources, and the relevant outcome indicators and targets have significant shortcomings that limit their usefulness.

Budget credibility is low, with revenue and expenditure outturns persistently off target. Revenue projections have consistently been overly optimistic (especially for domestic sources such as tax revenue, social contributions, and non-tax revenue), while expenditure and commitment controls have been ineffective. Moreover, budgetary allocations to MDAs are subject to institutional bargaining over which the public has little visibility, and actual allocations routinely deviate from the indicative ceilings initially assigned to each MDA by the MoF.

Actual expenditure and revenues can deviate significantly from budgeted amounts

Figure 0.7. Total expenditure (₵, millions)

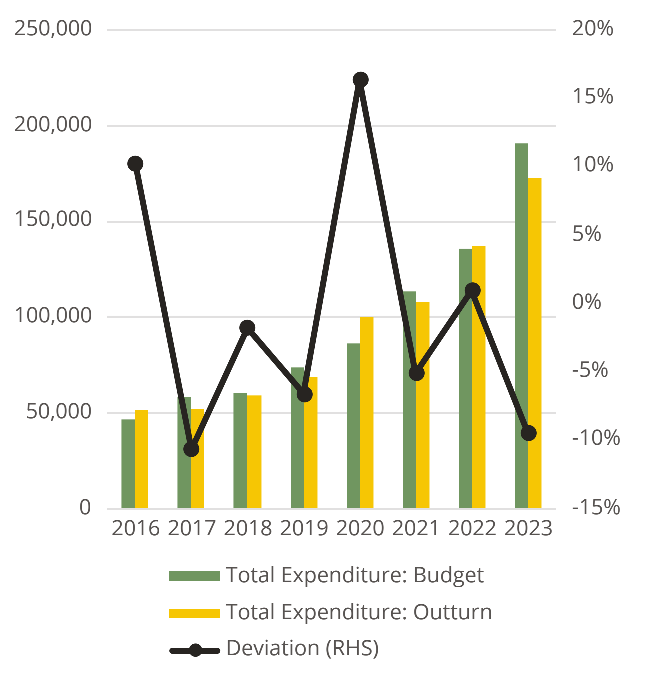
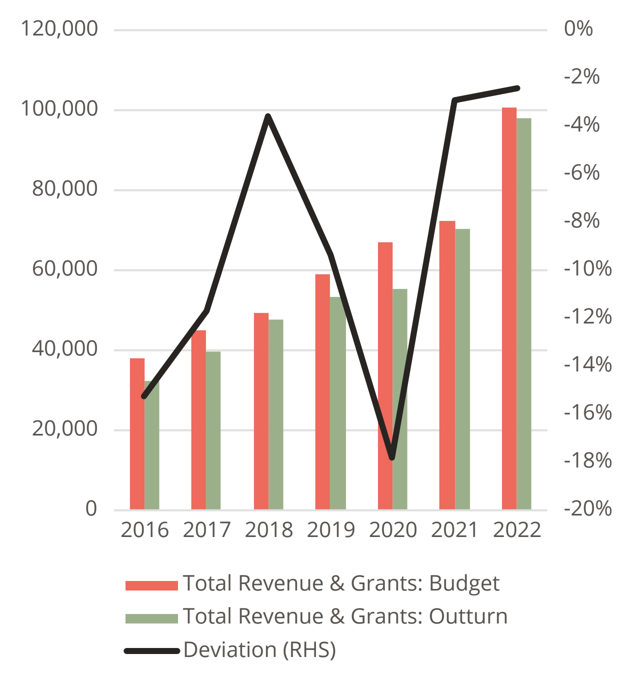


Figure 0.8. Total revenue and grants (₵, millions)



Source: Budget Statements (2017–2024), Government of Ghana.

Substantial spending through statutory funds and tax earmarking further constrains budgetary flexibility and transparency. Spending through statutory funds and by institutions reliant on internally generated funds (IGFs) amounted to around 3.7 percent of GDP and 17 percent of total expenditures, on average, between 2010 and 2021. Statutory funds are legally established government funds financed through dedicated revenue sources—for example, earmarked taxes or transfers allocated for specified spending categories. These funds have independent governance structures outside the full remit of the Controller and Accountant-General's Department (CAGD), causing a transparency gap around their management and spending priorities, and they are not fully integrated into the budget process. Five statutory funds capture half of the total spending allocated to this category: the National Health Fund, the Road Fund, the Ghana Education Trust Fund, the District Assembly Common Fund, and the Energy Fund. In the case of health, the institutional status of the National Health Fund (NHIF) is consistent with good practice in middle- and high-income countries, while in some other sectors the logic underpinning an independent fund is much weaker.

◆ Recent fiscal pressures have shed light on PFM weaknesses related to expenditure commitment controls and cash management and led to significant arrears accumulation

Weak commitment controls and cash management have led to cash rationing and the accumulation of significant arrears. For instance, expenditures tend to overshoot budget targets at the beginning of the year and undershoot them at the end. The Ghana Integrated Financial Management Information System (GIFMIS) is designed to be the backbone of public funds management. However, constraints in data availability and quality, due partly to the outdated software version and IT infrastructure, do not allow GIFMIS to inform policy makers in a timely manner. The information automatically captured on GIFMIS should be improved to include more types of expenditures such as compensation of employees, pensions, and interest payments, which are currently entered manually. In addition, many institutions reliant on IGFs have commercial bank accounts and are outside of the Treasury Single Account (TSA), thereby limiting full visibility of the government's cash position. Collectively, these weaknesses have led to the accumulation of expenditure arrears, with non-energy sector arrears standing at 5.8 percent of GDP as of end 2022, and have contributed to Ghana's fiscal crisis. A reform strategy can draw lessons from places where technical solutions have been adequately deployed and used, such as Kenya (Box 0.3).

Box 0.3. Improving cash management and commitment controls: The case of Kenya

Despite having a strong Integrated Financial Management Information System (IFMIS) used by all national MDAs, Kenya had frequent in-year budget deviations and supplementary budgets. Expenditure controls were focused on payments rather than commitments.

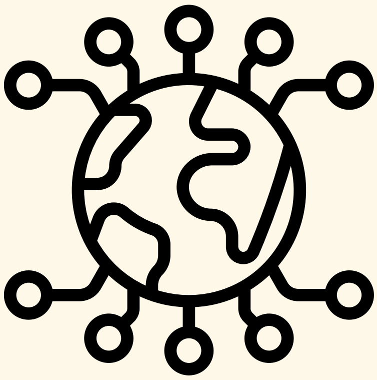
Approach. Resolving these issues involved extensive problem identification through a PFM Strategy, with a focus on prioritizing expenditures. A complex prototype tool was developed using Google Sheets to integrate various functions such as MDA cash plans, consolidation, and prioritization controls. The intention was to migrate these functions to IFMIS once the prototype was stable. This initiative led to a broad understanding of the problem, which facilitated the development of a Cash Management Framework.

Results. What worked well was the transfer of data and processes to IFMIS, which was informed by the prototype. The establishment of MDA cash plans and their integration into the budgeting software improved compliance and ease of use. The budget, cash plan, and allotment are now aligned within one system that includes a protocol for prioritizing expenditures. Challenges included the slow speed of the process, missing skills to manage the complex tool, and a lack of high-level leadership.

Source: Il Jung 2023.

Ghana's PFM cycle is supported by a range of disparate IT systems, managed by different institutions and lacking interoperability. None of the systems in use provides fully up-to-date information; several of them have overlapping remits and functions and feature automation gaps that leave them vulnerable to human error. In a context of insufficient inter-institutional cooperation, this situation contributes to inefficient budget releases, weak commitment control, and poor cash management while negating the ability to extract and present meaningful data to decision-makers. Appropriate and integrated technology is critical to strengthening PFM (Box 0.4).

Box 0.4. Strengthening PFM and accountability through technology: The case of Estonia



Estonia is regarded as one of the most successful countries in embracing digital transformation to leapfrog traditional bureaucratic hurdles. It is also among the front-runners in PFM, including adoption of results-oriented budgeting, accrual accounting, and accrual budgeting. Digital solutions support the entire PFM cycle, providing real-time data to help policy makers, integrating financial management processes into a single digital platform, allowing electronic filing of taxes and customs declarations, improving accuracy of financial reporting, and enhancing procurement transparency and efficiency.

Digital solutions are backed by strong political commitment and a supportive legal and regulatory environment, which ensure that the systems deliver as intended. Improved service delivery and the digitalization process fostered greater citizen participation and resulted in greater trust in government institutions, helping make Estonia one of the least corrupt and most transparent countries in the world.

Sources: e-Estonia; Digital Innovation in PFM, Bill and Melinda Gates Foundation; Corruption Perceptions Index, Transparency International; PFM and the Digitalization of Payments, Center for Global Development; GovTech Maturity Index 2022, World Bank.

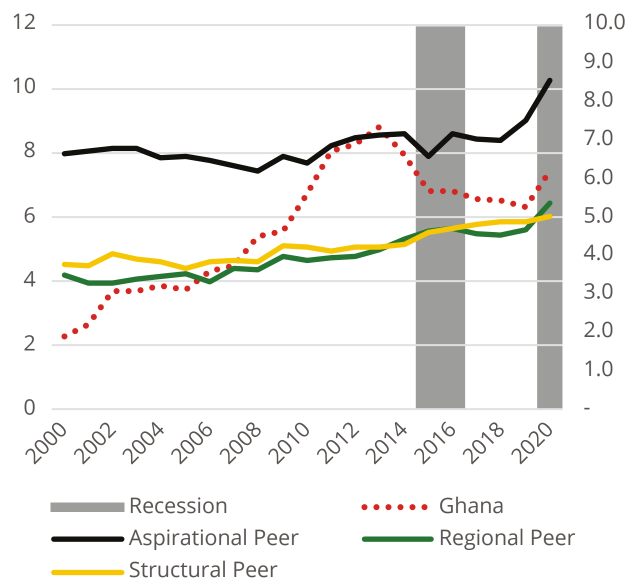
0.5/ The public sector wage bill, large and unpredictable, fails to provide the civil service Ghana needs

◆ Public spending on compensation weighs on the budget and has lacked comprehensive planning and monitoring

Ghana's public sector wage bill accounts for a significant share of both GDP and government revenues and has been highly volatile. Ghana's public sector wage bill rose from 2.0 percent of GDP in 2000 to a peak of 8.8 percent in 2013, then fell back to 6.0 percent as of 2019. The wage bill-to-GDP ratio temporarily spiked in 2020 as the COVID-19 crisis depressed GDP growth but has since returned to pre-pandemic levels. Crucially, although roughly in line with those of peer countries, Ghana's wage bill-to-GDP ratio has been far more unstable over time (Figure 0.9). This outcome may indicate challenges around the effective management of public sector personnel costs, potentially stemming from factors such as periodic adjustments in compensation policies or inconsistent workforce planning. Moreover, although Ghana's public sector is not oversized, its wage bill absorbs a greater share of government revenues than observed in many of the country's peers.

Ghana's wage bill-to-GDP ratio is broadly in line with those of most peers, but it has been more volatile

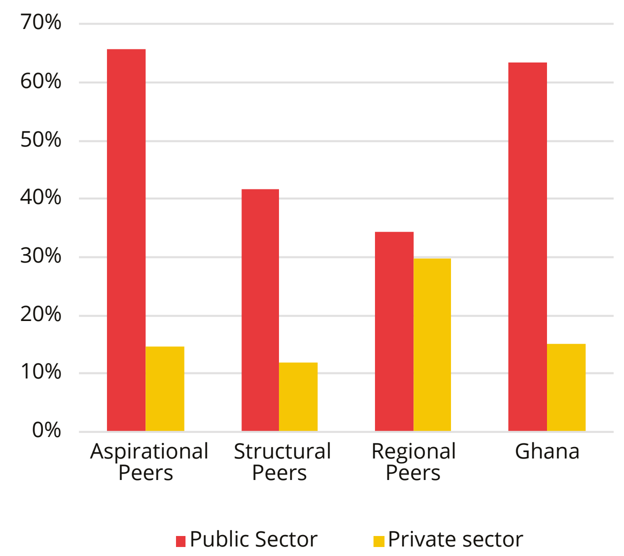
Figure 0.9. Wage bill, Ghana and comparator groups (% of GDP), 2000–2020



Source: World Bank estimates based on World Bank Worldwide Bureaucracy Indicators (WWBI) and IMF WEO data, 2023.

A large share of public sector workers in Ghana have completed tertiary education

Figure 0.10. Figure 0.10. Individuals with tertiary education, by public and private sector (% of total)



Source: World Bank calculations from CAGD, AHIES, WWBI, 2023.

The wage bill is hard to manage in the absence of clear policies on employment and compensation and without complete information. Due to the lack of a long-term policy framework on public sector employment, as well as inconsistent recordkeeping and antiquated information systems, Ghana's public sector struggles to forecast its wage expenditures. Moreover, decisions relevant to public sector employment are often reactive in nature and driven by political considerations, rather than by a calculated assessment of future organizational needs and fiscal resources. As a result, wage bill growth has outpaced employment growth within the civil service. Notably, the average civil servant's gross salary rose by 30 percent between 2017 and 2022, largely through increments in allowances rather than in base pay. Reliance on allowances fosters opacity in the salary system and has been driving regional disparities in civil servant compensation.

Although relatively small by international standards, Ghana's public sector is a major domestic employer, especially for highly educated workers. The public sector employs 6 percent of the workforce in Ghana, 7 percent on average in its regional peers, and larger shares in its structural and aspirational peers. Importantly, as of 2021, nearly 76 percent of all public sector workers were professional and technical staff in service delivery roles. The share of Ghanaian public sector employees who have completed tertiary education stands at 63 percent, higher than in both Ghana's private sector and the public sectors of most peer countries. Overall, Ghana's public sector employs 44 percent of the country's labor market participants who have completed tertiary education (Figure 0.10). Although a significant presence of skilled personnel in the provision of critical public services is valuable, this employment pattern raises concerns around potential skills shortages in the private sector.

Public sector jobs in Ghana tend to be better paid than their private sector equivalents, especially for skilled workers. On average, the public sector offers a 20 percent wage premium relative to the private sector, which is consistent with the levels observed in Ghana's peers. Specifically, the premium amounts to 58 percent for employees with secondary education and to 22 percent for those with tertiary education—underscoring the risk of overconcentration of highly educated individuals in public service. Nearly two-thirds of public sector workers are in the top two quintiles of the national wage distribution. Against this background, the public sector's remuneration structure does not appear immune from gender bias: female employees tend to earn less than their male colleagues in most branches of the public sector, with the notable exception of the health care system. These findings underscore the disparity in remuneration between the public and private sectors as well as the importance of a strategic review focused on wage equity in the former.

Credits: World Bank

0.6/ Human development spending must rise but with stronger pro-poor allocation across subsectors and programs

◆ Public spending on education is falling short and is overly weighted toward secondary and tertiary levels

Ghana has made significant progress in the education sector, but since 2021, the country's spending on education has fallen short of international benchmarks. School enrollment remains high at the primary level (with gross enrollment at near 100 percent) and has increased at the secondary level of education (to about 66 percent). Ghana has made significant strides in gender equity, achieving a balanced ratio of girls to boys at preprimary, primary, and secondary levels. However, the education budget, which was 24 percent of total public spending in 2018, has fallen to 14 percent of total spending budgeted for 2024. Although not out of line with SSA and LMIC education outlays, this level of spending, 3.1 percent of GDP, falls well below the Global Partnership for Education (GPE) benchmark of 20 percent of government expenditure in the education sector and even falls short of the UN minimum recommendation of 15 percent of total government expenditure and 5 percent of GDP.

In an environment of fiscal constraints, Ghana's education resources are disproportionately allocated to the secondary and tertiary levels. Only about one-quarter of government education spending goes to preprimary and primary levels, and at the primary level, Ghana's public spending per student as a percentage of per capita GDP is equal to just over half the average of its aspirational peers. In contrast, Ghana spends more than comparators on secondary and tertiary education. The increasing share of total public education spending allocated to the tertiary level raises concerns about equity since the gross enrollment ratio is only 17 percent (although well above the SSA average of 9 percent) and tertiary students are less likely to come from disadvantaged backgrounds.

Most education funding is used for staff compensation, leaving little for classroom materials or infrastructure improvements. Ghana's education expenditure, particularly the portion allocated from the central government's budget, largely goes toward staff compensation. There is a sizable teaching workforce, and earnings for teachers are relatively high, above those of the average wage worker in Ghana and higher than in most of its West African neighbors. As a result, in 2020 and 2021, more than 70 percent of the education budget was allocated to staff compensation, leaving very little for non-salary expenditures on teaching and learning materials and for improvement and maintenance of school infrastructure. Improving teacher management and teaching practices within public classrooms to deliver better learning outcomes is critical to maximize the efficiency of public spending on education. Not only is spending on goods and services (18 percent of the education budget) and on investment (12 percent) constrained, but the majority of these funds flow to secondary and tertiary levels. One outcome is that the pupils-to-textbook ratios for English, mathematics, and science in public primary schools are just shy of 2:1, far above the prescription of one book per child set out in the government's strategic framework for education—Education Strategic Plan (2018 to 2030). Capital spending was primarily channeled through the Ghana Education Trust Fund, sustained by an earmarked tax.

Despite the complete removal of school fees, households continue to make large out-of-pocket payments for education, notably for food and lodging expenses. Important objectives of public spending are to lower financial barriers to access services and reduce the burden on households for financing education. In 2017, household spending on education expenses at the pre-school level was equivalent to about 40 percent of government spending per student and at the primary and junior secondary levels, to about 50 percent. Programs intended to reduce the burden on households—capitation grants to schools and the Ghana School Feeding Program (GSFP)—have been chronically short of funds sufficient to cover household expenses.

◆ Ghana's National Health Insurance Scheme (NHIS) faces financing shortfalls that are undermining progress in health and protection of vulnerable groups

Ghana's progress in health and nutrition outcomes has been supported by public funding, and the country has stood at the forefront of health financing reform in Africa. Ghana has made substantial progress toward universal health coverage, and the country's health outcomes compare well with those of its regional and economic peers. Public funding, through the budget of the Ministry of Health (MoH) and the NHIS launched in 2003–2005, is the major source of financing for the health sector in Ghana, accounting for about 50 percent of total spending. While public spending on health in Ghana is slightly lower than would be expected given its economic level, it is higher than in other countries in SSA (excluding high-income countries). Out-of-pocket payments for health services by households were estimated to account for about 35 percent of total health spending as of 2016, although there is evidence that these payments have been on the rise in recent years. Development assistance for health accounted for the remaining 15 percent of total health spending and is particularly used for capital investments and non-salary expenditures.

The NHIS has protected households from the financial burden of health care costs, but out-of-pocket spending by households on health care has been increasing in recent years. There are two main mechanisms to reduce the financial burden on households for health care. The first is free-of-charge provision by government health services of selected interventions, notably reproductive and child health services. The second is the NHIS, primarily financed by an earmarked tax, which covers 60 percent of the population (2022) and aims to cover the costs of a larger set of services (provided by the government and empaneled private providers) for enrolled individuals. Introduction of the NHIS in 2003–2005 led to a substantial decrease in household out-of-pocket payments for health care, with great benefits for the poor. However, achievements in financial protection for households may be eroding—out-of-pocket payments remain common and account for a growing share of the revenues of health care facilities.

Appropriately, community, primary, and secondary levels of care receive more than half of public health resources. The community and primary levels deliver the highest-impact and most cost-effective interventions. These interventions are also provided at the secondary level which is also essential for addressing high-priority health challenges, notably maternal mortality. Combined, the community, primary, and secondary levels of health care receive more than half of the public resources (channeled through both the MoH and the NHIS), which is consistent with Ghana's demographic and health profile.

Financing shortfalls for NHIS are undermining progress in health, and two distinct financing gaps explain recent stagnation in NHIS spending. First, the NHIS no longer receives its full National Health Insurance Levy (NHIL) allocation, due to a capping law passed in 2017 that limits flows to statutory funds as a share of total government revenues. Although limiting the use of statutory funds to protect the pre-eminent role of MDAs may be appropriate in other sectors, it is less so in the case of the NHIS, whose model of 'purchaser-provider split' with the MoH is consistent with best practice in health financing across middle-income countries. The second shortfall in NHIS spending derives from the gap between budgeted allocations and actual cash received from the MoF.

◆ Social assistance programs are well-targeted to the poor, but their impact is limited by low benefit levels

Due to the small size of their outlays, Ghana's social assistance programs have had modest effects on poverty and inequality. At 1.4 percent of GDP, Ghana's spending on public social protection programs is lower than the SSA average, but additionally, most of this spending goes through social insurance programs not targeted to the poor. Ghana's Social

Security National Income Trust (SSNIT) provides pensions which, until recently, were limited to retirees who worked in the formal sector, and the NHIS is meant to be universal, not focused on the poor. The main social assistance programs in Ghana are the Livelihood Empowerment Against Poverty (LEAP) program, the Labor-Intensive Public Works (LIPW) program, and the GSFP. These programs use a variety of targeting mechanisms to reach the poor. The targeting of the LEAP program, which provides unconditional cash transfers to households in impoverished geographic areas, and the GSFP, which provides food at schools, in particular, is both technically sound and effective at reaching the poor. However, such programs have had a limited impact on poverty and inequality due to low levels of spending and their erosion in real terms caused by inflation. For example, spending on LEAP, the main program supporting extremely poor households, is less than US$0.04 per day per person. Altogether, spending on these programs is equivalent to just 0.2 percent of GDP and 1.0 percent of overall government spending, far below the averages of comparator countries (1.5 percent of GDP).

External funding is critical to these programs, to supplement resources available domestically. The LEAP program receives partial funding from external sources, constituting 50 percent of its financing in 2023. The LIPW program is fully financed by the World Bank. To have a significant impact on poverty and to build on their effectiveness, these programs need to continue expanding coverage and value of benefits.

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0.7/ Agriculture, critical for rural Ghanaian livelihoods and for export earnings, could greatly benefit from more efficient and better targeted government support

◆ Despite a strong performance, future agriculture growth is stifled by a lack of inputs and infrastructure

Agriculture is a major source of employment and export earnings in Ghana. Between 2012 and 2021, agriculture accounted for 21 percent of Ghana's GDP and employed 41 percent of the workforce—including almost 67 percent of the rural population as of 2019. The value of agricultural exports averaged US$3.23 billion in 2012–2021, or 24 percent of total export earnings. Ghana is the second-largest cocoa bean producer in the world; cocoa and related products account for 74 percent of its agricultural exports and cocoa beans alone for 56 percent. At the same time, the country relies heavily on imports of certain key food items, especially cereals.

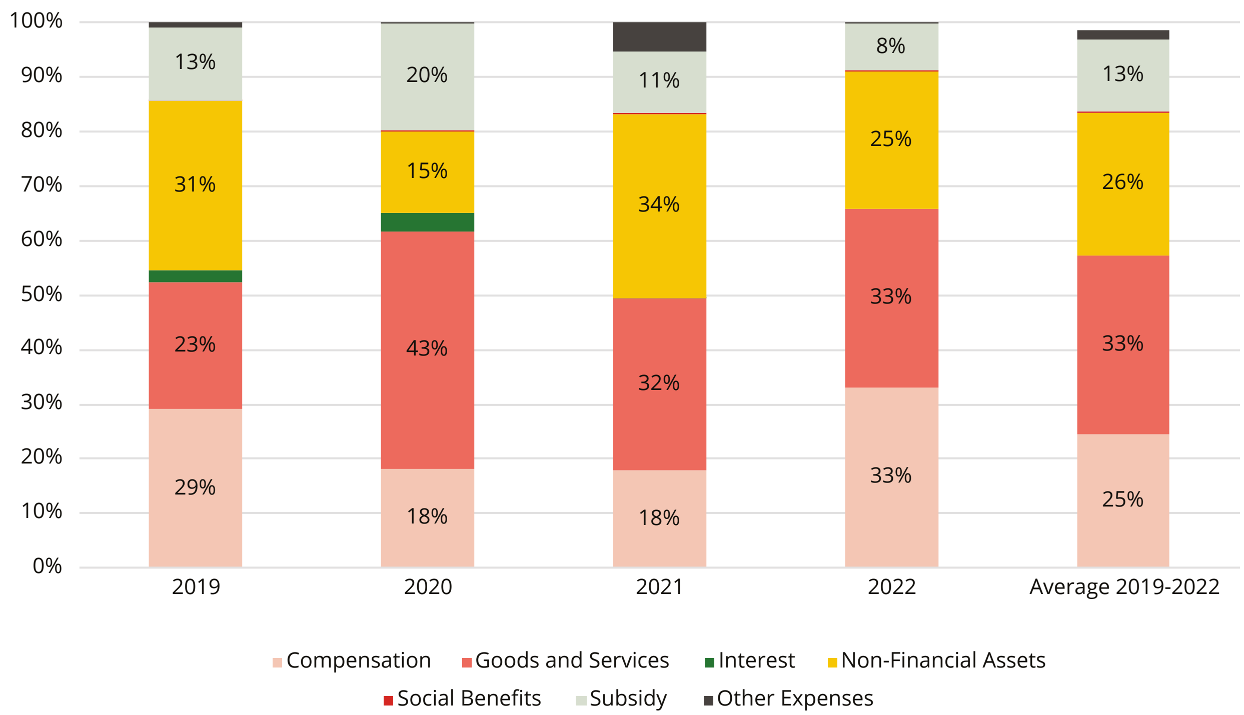
Agriculture has grown robustly in recent years, even during the pandemic, but future growth needs modern inputs, services, and infrastructure. The agricultural sector's real value added grew by an average of 4.5 percent per year between 2012 and 2021, owing to both intensification and extensification efforts. As the COVID-19 shock disrupted Ghana's economy in 2020, the value-added growth rate in agriculture rose from 4.7 percent in 2019 to 7.3 percent in 2020 while suffering major drops in industry and services. However, further agricultural development is stifled by significant challenges, especially around the supply, demand, and adequate use of modern inputs (such as agrochemicals and certified seeds) and complementary services (such as extension, credit, and mechanization), as well as the absence of key infrastructure (for example, for irrigation, transport, and storage).

◆ Agriculture spending has been declining and is inefficient, largely targeted toward input subsidies

The share of government resources dedicated to agriculture has been shrinking while being largely absorbed by current expenses. Government expenditures on agriculture have stagnated in absolute terms (growing by 0.41 percent between 2019 and 2022) and fallen to 2.1 percent of total expenditures—although they still exceed the SSA average on the latter benchmark. The level of government spending on agriculture stands well below the sector's contribution to GDP. Moreover, the gap between budget allocations and actual agricultural expenditures is wide, indicating inefficiencies in the implementation of the budget. Almost 75 percent of the central government's agricultural expenditures between 2019 and 2022 went toward current expenses, with only 26 percent allocated to much-needed capital investment. Input subsidies, in particular, entailed a heavy fiscal burden, accounting for over half of the expenditures by the Ministry of Food and Agriculture (MoFA) (excluding project-related spending) over the same period (Figure 0.11).

Government spending in agriculture has neglected capital investment

Figure 0.11. Economic composition of central government agricultural expenditures—2019–2022



Source: World Bank calculations based on data from MoFA and the Ghana Audit Service.

Planting for Food and Jobs (PFJ), the government's flagship agricultural program outside the cocoa sector, has had mixed success. The PFJ, implemented between 2017 and 2022, has been linked to increased availability of certified seeds and fertilizer, and the output of some of its key target crops—maize and cassava—grew by more than 10 percent per year between 2016 and 2019. The program has improved food security, reduced poverty, ensured the availability of selected food crops on the market, and provided job opportunities within the agribusiness value chain. However, the PFJ suffered from a range of shortcomings, from ineffective beneficiary targeting and crowding out of commercial input sales to low input use efficiency and poor marketing support to farmers. The second phase of the PFJ, started in 2023, has shifted from a model based on direct input subsidies to one focused on targeted credit provision, reducing the MoFA's spending on agricultural inputs by 98 percent between 2022 and 2023.

◆ The cocoa sector has accumulated large debts and its governance needs to be reformed

Ghana Cocoa Board (COCOBOD) has accumulated large annual losses over the years and needs to implement a comprehensive turnaround strategy. The Board is a state-owned company solely responsible for Ghana's cocoa industry, controlling the purchase, marketing, and export of all cocoa beans produced in the country. It has accumulated large losses due to high rollover cost of outstanding cocoa bills, high operational costs, and elevated quasi-fiscal operations (for example, fertilizer provision and rural roads development). To restore profitability and financial viability, a turnaround strategy is under preparation, with expenditure consolidation measures including the rationalization of cocoa roads, the phasing out of the fertilizer input subsidy to farmers, the reform of the Producer Price Review Mechanism, and enhanced fiscal discipline. To be effective, this strategy should examine COCOBOD's governance structure and explore pathways for modernizing the sector.


Credits: freepik

0.8/ Policy recommendations: To implement a fair and sustainable adjustment, Ghana needs to shift from short-term crisis response to long-term structural reforms

Ghana has taken decisive steps to stabilize the economy since 2022. With World Bank and IMF support, it embarked on an ambitious fiscal consolidation, a comprehensive debt restructuring, and enhanced monetary policy discipline; this will reduce external financing needs and ultimately help restore debt sustainability. Ghana now needs to stay the course on ongoing reforms and deepen some of them, such as the implementation of the Medium-Term Revenue Strategy (MTRS) and the strengthening of commitments controls and cash management.

Since the required fiscal adjustment is significant—and may need to be even larger—it is critical to ensure that it is both fair and efficient. Ghana's current crisis recovery plans hinge on an ambitious fiscal consolidation and significant debt relief. Ghana's fiscal adjustment should be sustainable and equitable. It needs to rely on an overall improvement of the fiscal policy framework, including both expenditure and revenue measures, to ensure that the structural fiscal deficit is reduced in the long run. The burden of the adjustment should not fall on its poorest and most vulnerable citizens.

◆ In the short term (by next year), Ghana needs to ensure that the adjustment is fair and efficient

In the current fiscal crisis, it is important to protect pro-poor and pro-growth spending. Fiscal measures should be assessed not only in terms of their immediate fiscal savings but also with regard to their potential impact on the poor and on growth (their fiscal multiplier). Expenditure control measures, for instance, should not result in lower spending on social protection, public health, or public education: these spending categories help promote equity and protect the most vulnerable Ghanaians during this crisis. Similarly, public investment should not bear the brunt of spending adjustment as it would have a long-lasting negative impact on the growth potential. Instead, it is critical to enforce expenditure controls, notably by ensuring that all major public institutions (including those reliant on IGFs) are on the GIFMIS. Revenue enhancing measures should also favor expanding the tax base and relying on efficient taxes, in line with the recently adopted MTRS.

◆ In the medium (next 3 years) to long term (by 2030), Ghana needs to tackle the root causes of the crisis and build the foundations of a robust fiscal system which can support its long-term development goals

To this end, four high-level policy priorities emerge from this report's analysis.

1 Entrenching fiscal discipline via a fiscal rule to limit pro-cyclicality, more effective spending controls, and better oversight of contingent liabilities

Strengthening the fiscal rule and the fiscal council while building demand for fiscal transparency would improve fiscal discipline. Ghana should explore replacing the current fiscal balances rules by the combination of an expenditure and a debt rule (with well-defined escape clauses and limits on external borrowing). It should strengthen the fiscal council's institutional independence and clarify its mandate. Finally, Ghana should build (with technical assistance from its international development partners) demand for fiscal data and analysis, for instance, by engaging with Parliamentarians, CSOs, think tanks, and the media to help them access quality budget data and strengthen their capacity to conduct fiscal policy analysis.

PFM should be strengthened, and the quality of available fiscal data enhanced. Ghana should enact structural PFM reforms to support fiscal discipline and bolster transparency, including improving the budget preparation process to enhance its credibility, strengthening commitment controls and cash management (notably by expanding the scope of the GIFMIS and the TSA) to improve budget execution, and ensuring a greater results orientation via full implementation of the MTEF and PBB. The use of technology could further enhance accountability and increase trust in the government. Critically, Ghana should also address the shortcomings in data availability identified by this study, such as those related to the coverage of budget execution data and detailed sectoral data.

Ghana's ability to contain contingent liabilities and reduce rigid expenditure will be crucial to sustaining the consolidation efforts. It is key to consolidate and deepen sector reforms to limit contingent liabilities, notably in the energy and cocoa sectors. The high and increasing level of public spending of the last decade calls for strategies to contain non-priority expenditure. Key measures to this effect, some of which are already envisaged by the government, include reducing rigid expenditures by containing the public sector wage bill, rationalizing public spending on goods and services, and limiting transfers to government units; consolidating and deepening energy sector reforms to contain energy subsidies; and revising the prioritization of capital investment projects.

2 Sustainably enhancing DRM to reduce external financing needs and support Ghana's development goals

Ghana needs to sustainably and equitably improve DRM. This will require the steadfast operationalization of the country's MTRS and the implementation of key reforms, including removing VAT exemptions, reforming the CIT by phasing out tax holidays and exemptions and strengthening safeguards against profit-shifting, reducing customs exemptions, and enhancing the progressivity of PIT. The oversight of tax expenditures should also be strengthened to accurately assess their fiscal cost and benefits as well as manage them transparently.

3 Carefully managing the financing mix to match the return of investment with financial costs

Ghana should ensure that its financing sources minimize macro-fiscal risks and are adapted to its financing needs. In the period leading up to the current crisis, Ghana has increasingly relied on non-concessional external financing, which contributed largely to create the macroeconomic vulnerabilities that led to the current crisis. Going forward, Ghana's Medium-Term Debt Strategy (MTDS) should carefully weigh the benefits and risks of foreign borrowing. It should carefully assess the rationale for non-concessional external borrowing, for instance, ensuring that it supports infrastructure investments or public expenditure categories which require significant imports of goods and services.

4 Ring-fencing investment spending and prioritizing public goods spending that supports human development, economic transformation, and resilience

In the medium term, fiscal policy will need an increased focus on human development, growth-enhancing expenditure, and climate resilience. Fiscal policy should be more closely aligned with Ghana's long-term human and economic development objectives, by focusing on the following:

- **Human capital and equity:** Along with protecting social assistance programs, maintain and improve financing for primary-level education and health services, which have the highest impacts on learning and health outcomes and are also more likely to benefit the poor. Prioritize specific high-impact and targeted interventions: in education this includes stronger teaching practices, teaching at the right level for strong learning outcomes and support for out-of-school children; in health, one prominent example is child immunization. LEAP is highly effective in supporting the ultra-poor. Improve the quality and management of human resource (HR) to improve efficiency and address quality and equity challenges.

- **Agricultural transformation:** Focus on four policy areas: (1) enhance the provision of public goods through more capital expenditures, (2) provide farmers with comprehensive support including technical assistance, (3) improve the planning and execution of public spending and the government's capacity to monitor and measure agricultural expenditures accurately, and (4) bring the cocoa sector to profitability and improve its transparency.

- **Economic transformation:** Improve transport and trade-related logistical services, particularly inland connections and trade facilitation. Invest in mobility, connectivity, and urban planning. Finally, support the development of information and communication technology (ICT) infrastructure (notably broadband internet and universal service) and promote research and development (R&D), technological innovation, and digital upgrading in Ghana's private sector (in the form of competitive grants or cost-based income tax incentives for R&D).

- **Climate-resilient and low-carbon development:** In the medium term, given financing constraints, invest in 'no regret' climate actions that also deliver economic benefits (for example, integrating agriculture development, forest, and water management; planning for resilient cities and infrastructure; setting the foundations for low-carbon development in energy and transport). In the long term, consider boosting climate resilience through sectoral interventions, deepening financial and disaster preparedness to shocks, and setting the foundation for a low-carbon transition in energy and transport.

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Table 0.1. Summary of Key Policy Recommendations

Measures	Timeframe ST	Timeframe MT	Timeframe LT
Priority 0 - Staying the Course on the Current Adjustment and Improving its Quality			
Containing Spending in a Fair Way			
Contingency planning: Prepare a set of additional contingent revenue and expenditure measures (notably in case of election overspending).	X		
Quality of adjustment: Protect equity-enhancing social spending and public investment so that the burden of the adjustment does not fall on poor Ghanaians and avoid jeopardizing growth prospects.	X		
Budget execution: • Enforce sanctions under the PFM Act and improve compliance with other frameworks for the national budget.	X		
• Expand coverage of GIFMIS and the TSA to all budget entities, including those with IGFs, and finalize an inventory of all public investment projects.		X	
Ensuring Short-Term Revenue Mobilization Measures' Efficiency			
MTRS: Finalize governance arrangements for the MTRS implementation, ensure the Ghana Revenue Authority (GRA) cleans the taxpayer register and ledgers, complete the installation of the Integrated Tax Administration System (ITAS).	X		
Tax Exemptions Act (2022): Ensure steadfast implementation of the provisions of the act, notably those related to reporting to Parliament and the periodic review of exemption regimes.	X		
Priority 1 - Entrenching Fiscal Discipline and Maximizing Value for Money in Public Spending			
Shoring-up Fiscal Institutions' Effectiveness			
Fiscal rule: Explore replacing the current fiscal balances rules by an easily enforceable and monitorable combination of an expenditure and a debt rule, with limits on external borrowing.	X	X	
Fiscal council: Review the fiscal council framework to strengthen its independence and clarify its mandate to focus on assessing budget performance and compliance with the fiscal rules.	X	X	
Demand for fiscal transparency: Support various stakeholders (Parliamentarians, CSOs, think tanks, media) to access quality fiscal data and build capacity to analyze fiscal policy.		X	
Enhancing PFM, Results Orientation, and Accountability			
Budget ceilings: Introduce hard budget ceilings to replace the indicative ceilings circulated at the beginning of budget preparation.	X		
MTEFs and PBB: Issue guidelines to streamline and standardize the preparation of MTEFs by MDAs, streamline policy outcome indicators and focus on high-level strategic outcomes, and expand the coverage of public investment plans.	X	X	
Climate-informed budgeting: Strengthen the existing climate budget tagging system and increase transparency of climate spending. Incorporate climate-smart appraisal guidelines into PIM regulations. Develop and implement green public procurement guidelines.		X	
IT ecosystem / Use of technology • Improve interoperability of IT systems, introduce a unified project identification number across systems, develop application programming interfaces (APIs). • Develop a strategy to leverage technology to enhance budget transparency and results orientation.		X	X
Fiscal data availability • Expand the expenditure data automatically captured by GIFMIS to include compensation, pensions, and interest payments.		X	
• Ensure the collection and publication of exhaustive fiscal data, readily usable for analysis (notably by updating the BOOST database and making it public).		X	

Measures	Timeframe		
	ST	MT	LT
Improving Allocative and Technical Spending Efficiency			
General government spending efficiency and rigidity • Limit revenue earmarking and transfers to government units (notably to statutory funds).			
• Review and rationalize 'unspecified' expenditures under general government services in the GIFMIS as well as goods and services spending on the executive and legislative organs.			
Energy sector contingent liabilities • Fully estimate the costs of energy sector support needs and integrate them into the budget. • Sustain and deepen implementation of the Energy Sector Reform Program (ESRP): improving the Electricity Company of Ghana (ECG) commercial and technical performance, adjusting tariffs (according to the multi-year tariff order) to protect vulnerable consumers, completing negotiations with independent power producers (IPPs).			
Capital spending efficiency/ PIM: Improve the evaluation and prioritization of public investment projects.			
Improving the Management of the Public Sector Wage Bill			
Wage bill planning and control mechanisms • Define a long-term framework for public sector employment policy to support public organizations for cohesive strategy design and implementation.			
• Mandate the development, improvement, and utilization of data management systems with robust HR data integrated with payroll data to support evidence-based strategic planning of workforce.			
Strategic HR management: Strengthen establishment controls, guarantee more transparent and evidence-based recruitment practices, and move toward strategic approaches to workforce planning.			
Public sector compensation practices: Mandate public disclosure of public compensation structure and updates, conduct periodic assessment of the wage bill, benchmark salaries against the private sector, and regularly review compensation levels, promote more equitable remuneration, and perform effective performance management and monitoring.			
Cost-of-living adjustments and inflation indexation: Strengthen existing mechanisms that allow for a uniform, predictable, and fiscally sustainable adjustment of civil servant wages that are more in line with the experienced inflation in the economy.			
Priority 2 - Sustainably Enhancing DRM to Reduce External Financing Needs and Support Development Goals			
Personal Income Tax			
Employee benefits: Review definition of employment income to include allowances and compensation currently excluded, benefits on motor vehicles, and taxation of fees paid to directors.			
PIT return filing threshold: Reduce the administrative burden on the GRA, eliminate obligation to file annual PIT return for those who only earn employment income from a single source, or set an income threshold below which employees do not need to file a return.			
Rental income: Limit tax avoidance opportunities and expand the tax base by setting common 15 percent tax rate on rental income from residential and commercial properties.			
Taxation of capital gains: Enable capital gains taxation on personal assets that can appreciate, ensure that capital losses can only be offset against capital gains, and limit the carry-forward of capital losses.			
PIT reliefs: To simplify the PIT regime and reduce the compliance gap, rationalize and/or reduce the number of available reliefs, tax rates (for example, overtime tax), and tax bands (from seven to about three).			
Tax Expenditures			
Import duty exemptions: Review and rationalize import duty exemptions granted by Parliament.			
VAT: Remove VAT exemptions on inputs that do not allow to lower the cost of goods and services for final consumers and reduce market distortions; remove the VAT exemption on land and dwellings.			

Measures	Timeframe ST	MT	LT
Cocoa sector: Remove PIT exemption on earnings from cocoa farming.			
Taxation of pension contributions and benefits: Reform the triple-exemption model on contributions to retirement funds, favoring a model that includes such contributions in the tax base.			
Priority 3 - Carefully Managing the Financing Mix to Match the Return of Investment with Financial Costs			
Medium-Term Debt Strategy (MTDS): Ensure that the MTDS clarifies the expected amount of external borrowing, its intended uses, and the associated risks.			
External borrowing policy: Develop a policy on non-concessional external borrowing, clarifying its acceptable usage and measures to mitigate risks (in connection with the revised fiscal rule).			
Priority 4 - Ring-fencing Investment Spending and Prioritizing Public Goods Spending that Supports Human Development, Economic Transformation, and Resilience			
Education			
Budget level and allocation • Increase the share of non-salary expenditure in the education budget and sustain and enhance financial support for primary-level education.			
• Ensure that education spending does not fall below 20 percent of the government budget.			
Support to out-of-school children: Identify and address barriers to enrollment and provide flexible learning options and offer tailored support to reintegrate out-of-school children into formal education settings.			
Learning outcomes: Improve pedagogical practices at primary schools through instruction, teacher coaching and mentoring, and universal design for learning and expand teacher capacity for play-based learning and ensure a conducive learning environment in kindergarten.			
Health			
Budget level and allocation • Emphasize critical non-wage expenditures (adequate supply of vaccines, essential medicines, and so on). • Enhance the timely allocation and transfer of earmarked funds to the NHIS.			
Strengthen the primary health care service delivery system • Shift IGFs toward preventive and promotive services at the district level, develop Networks of Practice, align the Ghana Essential Health Service Package with the NHIS benefits package.			
• Revisit the NHIS' benefit package and tariffs.			
NHIS coverage: Identify barriers to registering and renewing membership for the indigent population, focus resources on enhancing enrollment in lagging regions, and investigate the prevalence of informal co-payments among both NHIS members and non-members.			
Consolidated budget planning and reporting • Ensure the regular production of the national health account, publish timely annual financial reports, and review the 2015 health financing strategy.			
• Develop implementation plan with measurable goals and timelines to transition away from external financing for critical commodities/activities.			
• Deploy the GIFMIS at the district and sub-district levels of health care.			
Social Protection			
Benefit levels of key social programs • Ensure inflation indexation of LEAP grant is implemented in 2025, as committed by Cabinet.			
• Increase the value of the GSFP grant by a further 50 percent in 2025 and index it to inflation to maintain its nutritional value for children.			
Shock-adaptive programming: Ensure that the Ghana national household registry (GNHR) is regularly updated with current information and is interoperable with other administrative registries to become a more dynamic registry.			

Measures	Timeframe		
	ST	MT	LT
Expand coverage of targeted programs while exiting ineligible beneficiaries • Finalize the GNHR scale-up and reassessment of the LEAP beneficiaries to improve coverage and targeting of all the extreme poor and develop a strategy to ensure periodic reassessment.	■		
• Expand enrollment of informal sector workers and social program beneficiaries onto the NHIS and SSNIT's informal sector schemes.		■	
Agriculture			
Composition of agriculture spending: Repurpose subsidies toward capital expenditures and mobilize financial resources from development partners, the private sector, and climate finance.		■	
Farmer support / technical assistance: Use digital tools to enhance cost-effectiveness of knowledge dissemination and promote non-public extension systems such as farmer-to-farmer extension.		■	
Cocoa sector viability: Ensure implementation of key measures from the COCOBOD turnaround strategy and make cocoa-related expenditures normalized and transparent under MoFA's reporting.	■		
Economic Transformation			
Spatial transformation: Prepare a public/private investment plan to develop transport and trade-related logistical services, particularly inland connections, and improve trade facilitation as well as mobility, connectivity, and urban planning.		■	
Technological transformation: Support development of ICT infrastructure (for example, broadband internet and universal service) and promote R&D, technological innovation, and digital upgrading in private sector (in the form of competitive grants or cost-based income tax incentives for R&D).			■
Climate Change Adaptation and Mitigation			
No regret actions (with economic benefits) • *Integrate agriculture development, forest, and water management:* Support climate-smart agriculture (CSA) and integrated water management, reduce deforestation, strengthen land rights. • *Create the conditions for resilient cities and infrastructure:* Integrate risk data into land use and city-wide infrastructure plans, reduce urban sprawl, and introduce zoning in flood risk areas. • *Set the foundations for low-carbon development in energy and transport:* Increase solar photovoltaic (PV) generation, improve vehicle regulations and fuel standards, and improve traffic management.		■	
Boosting climate resilience via sectoral interventions and investments • *Infrastructure:* Promote a clean energy transition and modernize transport. • *Urban development:* Build more sustainable cities and resilient infrastructure systems. • *Agriculture:* Strengthen integrated agriculture, forest, and water management and invest in CSA.			■

Credits: World Bank

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