

BRIEF COMMENTS ON THE 2022 BUDGET

The finance minister has just presented the Budget and Financial Statement of the Akufo-Addo/Bawumia government for the 2022 financial year. Pending the debate on the details of the budget in Parliament and full analysis of the final economic out-turns for 2021 in the first quarter of next year, the Minority Caucus in Parliament wishes to make the following initial comments.

1. The 2022 budget has been presented at a time when the Ghanaian economy is in deep crisis and in complete shambles. The key issues affecting the economy in the run up to the presentation of this budget include.

- A huge and unsustainable public debt leading to loss of access to the international financial market, deteriorating credit ratings and a complete loss of confidence in the Ghanaian economy.
- Unprecedented budget deficit of 15.6% and primary deficit of 8.8% (including financial sector clean up and energy sector payments) in 2020 which has led to more borrowing.
- Severe hardships and extremely high cost of living caused by the imposition of a raft of taxes
- Rapidly depreciating currency
- Ever-increasing fuel prices and general food inflation.
- Massive unemployment
- Large Arrears accumulation and nonpayment
- Poor quality of government expenditure and misuse of scarce resources on ostentation and creature comforts of officials

2. It was absolutely imperative for the 2022 budget to respond to these critical issues and bring the economy back on track. Unfortunatel, what

has just been presented falls far below what is required and the crisis within the economy is set to deepen for the following reasons.

FISCAL DEVELOPMENTS AND MISSED TARGETS

The 2021 budget set the following macroeconomic targets:

- Overall Real GDP growth of at least 5.0%.
- Non-Oil Real GDP growth of at least 6.7%.
- End-period inflation of 8.0%.
- Fiscal deficit of 9.5% of GDP.
- Primary deficit of 1.3 percent of GDP; and
- Gross International Reserves to cover not less than 4.0 months of imports of goods and service
- Revenue target of GHS 72.452 billion

Even as we await the end-year outturns after the first quarter of next year, there is ample evidence in the provisional outturns presented for the first three quarters of the year to show that many of these targets will be missed. Already, inflation for October 2021 is 11%, three clear percentage points off the target. It can be anticipated that the rampant increases in the prices of food and basic items and the additional taxes imposed in this budget will push inflation way beyond the 8% target set in the 2021 budget.

Also, revenue is underperforming, with a shortfall of GHS 4 billion recorded by the third quarter of this year. Based on this trend, we will most likely miss the GHS 72.452 billion target set in the 2021 budget.

DEBT SUSTAINABILITY

- According to the Finance Minister, Ghana's public debt stood at GHS 341.76 billion as of September, 2021. This marks an increase of GHS 221.76 billion over the GHS 120 billion inherited in 2017 with a debt to GDP ratio of 56%. This huge debt increase is the result of borrowing occasioned by a record 15.6% fiscal deficit and primary deficit of 8.8% in 2020 which in turn was caused by reckless election related expenditure intended to secure re-election for the Akufo-Addo/Bawumia government at all costs.
- The huge and unsustainable debt overhang has led Ghana to lose access to the international financial market due to total loss of confidence in our ability to meet further debt service obligations.
- We had expected that the 2022 budget will show clear signs of how government intends to reduce the public debt burden and regain the confidence of investors. Unfortunately, the budget presented by the finance minister does not offer much hope that this will happen.
- In view of the above, we project that the public debt will hit GHS 355 billion by close of 2021 representing 82% of GDP, which is the highest since HIPC.
- The budget indicates that the situation will worsen in 2022 as the public debt will reach GHS 426 billion at the end of 2022 representing debt to GDP ratio of 85%. Based on this trend, we concur with Fitch's recent projection that the general government debt to GDP ratio will reach 90% by 2023.

HARDSHIPS AND HIGH COST OF LIVING

Ghanaians are currently going through unbearable hardships, pain and suffering due to mismanagement of the economy. The hardships stem directly from rising cost living, constant increases in the prices of basic items, fuel price increases and excessive taxation. By way of a reminder the following taxes and levies have been imposed by the Bawumia-led economic management team between 2017 and 2021 despite a clear promise to reduce taxation during the 2016 election campaign.

1. Increased VAT by 5% and this affected all items (through the decoupling of NHIL and GETFund Levies)
2. Luxury car tax
3. 3% VAT flat rate
4. COVID-19 tax
5. Sanitation tax
6. 5% National Fiscal Stabilization Levy (should have expired in December, 2017 but was extended indefinitely making it a new tax)
7. 2% component of Special Import Levy (extended beyond 2017 sunset clause making it a new tax)
8. Increased ESLA by 30% and extended it for another 15 years
9. Increased Communication service tax by 50%
10. Increase the VAT Flat rate from 3% to 4%
11. Financial Sector Levy of 5% on all Banks
12. Price Stabilization and Recovery Levy on fuel increase by 40%
13. The Unified Petroleum Pricing Formula has been increased by 164%

14. BOST margin has increased from 3 Pesewas to 9 Pesewas representing 200% increase.

15. The fuel marking margin levy has also been increased by another 233%

Together with other non-tax revenue sources, this government has received about GHS 249.3 billion between January, 2017 to September 2021. Added to the GHS 221 billion in debt addition, this government has had over GHS 400 billion at its disposal. These resources have been squandered on misguided consumption expenditure especially in the 2020 election year, creating a huge hole in our finances.

In a desperate bid to plug this hole, the Bawumia led economic management team has sought to impose more suffering and pain on Ghanaians by punishing them with additional devastating taxes and other fiscal measures in this budget. This has been aimed at raising GHS 15 billion in one year and will severely distort economic activities.

Among others, government has done a catastrophic reversal of the populist benchmark values discount despite loud protestation from sector players, importers and the Ghanaian public.

The reversal of the benchmark value discount will immediately result in a 25-30% increase in the prices of essential imported commodities which will make life almost impossible to live for millions of Ghanaian households. This Christmas will go down as the most bitter and painful for Ghanaians as they will struggle to put food on the table for their families due to this draconian fiscal policy.

All the justification the Vice President gave for the discount have proven to be mere propaganda and cheap politicking. He has completely failed Ghanaians with his misleading claims on the economy.

As if this was not enough, the following taxes have also been imposed on Ghanaians in the 2022 budget.

- Electronic Transactions Levy affecting Mobile Money, Bank Transfers, and Inward Remittances
- 15% increase in all government charges and fees

These new taxes measures will bring great suffering to Ghanaians who have already been choked with taxes. It is designed to add GHS 15 billion to revenue and move taxes from GHS 55 billion to GHS 80 billion in one year and has been done to mislead investors. The Electronic Transactions Levy will not only exacerbate hardships but will significantly compromise inward remittances which is relied upon heavily by many Ghanaian households.

We wish to assure the people of Ghana, that we will vigorously oppose these killer taxes that will impinge adversely on them if allowed to stand.

The number of taxes and levies imposed by this government since 2017 marks a shocking betrayal of the trust and confidence reposed in the Vice President who is on record to have said in 2016 that taxes hurt businesses and households.

We wish to ask him why he has now chosen to hurt Ghanaian businesses and households with such terrible taxes and other fiscal measures? The short answer is that he has so badly mismanaged the Ghanaian economy as head of the economic management team.

The much-vaunted slogan of “moving from taxation to production” has turned out to be merely deceptive rhetoric couched to swindle an

unsuspecting populace. The only movement we have seen has been from taxation to more taxation to even more taxation.

3. DEPRECIATING CURRENCY

After what has proven to be empty assurances by the Vice President that the exchange rate has been stabilized and that the dollar had been arrested and kept in the custody of the IGP, the Ghana Cedi has taken a nosedive and is depreciating quite rapidly against major international currencies. It is currently exchanging at GHS 6.35 to a dollar from GHS 3.92 at end 2016. It also exchanges at GHS 8.46 against the British pound and GHS 7.28 against the Euro. This steep depreciation has been partly responsible for the rampant increases in fuel prices and other essential commodities.

4. RISING UNEMPLOYMENT

A major issue confronting millions of Ghanaians especially the youth is unemployment which has reached epidemic levels in our country and is creating frustration and desperation amongst our people. In the 2021 budget, the finance minister recited fanciful and impractical slogans like “Ghana Cares Obaatanpa” programme as his solution to the acute unemployment situation. We pointed out that, the sloganeering and lack of specificity in government’s proposals was only going to worsen the situation.

True to our prediction, very little has been achieved in the area of employment creation. The ad hoc and clearly unsustainable NABCO programme has failed to address the problem and only led to more uncertainty among recruits who are told different things everyday about their fate.

This year's budget is also filled with even more slogans woven around so-called digitalization, skills training and entrepreneurship which will not solve the unemployment situation. Even if we were to place any confidence in the job creation proposals in this budget, the absence of clear funding lines in the budget, the harsh economic environment, the excessive taxes and general high cost of doing business will make these proposals dead on arrival.

5. ARREARS ACCUMULATION

One of the most serious problems that the self-inflicted cash-crunch has caused is the accumulation of massive arrears running into billions of cedis. Almost all statutory funds like the GETFund, Road Fund, DACF, Health Insurance among others are in arrears of several quarters.

This is starving the various sectors of desperately needed funds to operate. This is the reason schools have erratic academic calendars, roads are in deplorable state and district assemblies are virtually non-functional.

The 2022 budget offers little hope that this very serious situation will improve as only GHS 1.9 billion has been earmarked for arrears payment out of the almost GHS 30 billion owed to contractors and other creditors of government. These contractors and creditors will be in for a very tough time next year. To make matters worse, government has announced in this budget that it would be taking property rates at the center instead of leaving it at the local government level. This will further stifle local development across the country and deprive rural dwellers badly needed development projects.

6. WASTAGE OF SCARCE PUBLIC RESOURCES

In spite of the self-inflicted but severe cash crunch due to which government has failed to pay arrears and other commitments, we note with dismay, that a staggering GHS 3 billion has been allocated to the Office of Government Machinery.

Based on the established pattern of behavior of this government, we are set to witness more misuses of scarce resources on the opulent lifestyle of the President and his staff. It is clear that unjustified and excessive expenditure on foreign travels amidst the hiring of luxurious executive jets will dominate these expenditures.

We wish to serve notice at this point that we will demand a full breakdown of all expenditure returns between January and September 2021. We also wish to serve notice, that we will demand prudence and modesty in the use of public resources especially at this time when the people of Ghana are going through such hardships and suffering.

As a clear demonstration of our resolve, we wish to state that until the National Security Minister appears before Parliament to provide long-overdue answers to questions on the cost of hiring the luxurious jets for President Akufo-Addo's recent travels, we in the Minority will not approve the budgetary allocation to the Office of the President.

As you may be aware, we have as part of our oversight responsibilities, tabled a motion for a Parliamentary Inquiry into COVID-19 expenditures. We hope to use the opportunity of this inquiry to exact maximum accountability to the very last pesewa from those who expended taxpayers' money during the pandemic. We believe that through this process we can lay down a blueprint for dealing with future emergencies in a structured and accountable manner.

CONCLUSION

We had hoped that the terrible state of the economy would compel government to propose policies in the budget that address the most pressing concerns of unsustainable debt, hardships, high cost of living, fiscal indiscipline, unemployment, arrears clearance and misuse of public resources.

To the surprise of the people of Ghana, the Akufo-Addo/Bawumia government has failed to show that they have solutions to these problems in this budget. This budget is not responsive to the most important issues affecting the economy.

The people of Ghana have been left entirely to their fate and have to brace themselves for even more severe hardships this Christmas into the new year. Unemployment is expected to rise, our debt will keep rising and much-needed investor confidence will be further eroded.

In the circumstance, it is obvious that a review budget will be required to correct the serious fiscal imbalances and distortions that this budget will create. By every indication, this budget will worsen the plight of Ghanaians and drive them into more hardships, suffering, pain and poverty

We call on Vice President Bawumia to walk his lofty talk in opposition and clean up the mess he has created in the Ghanaian economy to ensure an immediate end is brought to the hardships and suffering of our people. He must admit that his policies have failed and the Ghanaian economy is in a crisis that this budget cannot salvage it from.

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