MANAGING BUDGETARY PRESSURES IN GHANA
(The COVID-19 Preparedness and Response)

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PRESENTATION OUTLINE

1. INTRODUCTION

2. IMPACT OF THE COVID-19 ON GHANA’S ECONOMY

3. MANAGING THE ECONOMIC PRESSURES

4. CONCLUSION
INTRODUCTION

Ghana’s Fiscal Year and Calendar Year are in sync and runs from January to December.


Its implementation started on 01 January, 2020 and had barely run for a quarter when the entire world was hit with the Coronavirus (COVID-19) pandemic.
IMPACT OF THE COVID-19 ON GHANA’S ECONOMY

The socio-economic impact of COVID-19 on the economy of Ghana is by direct and indirect routes. These includes **Shortfall in Revenues:**

- **Significant shortfalls in petroleum receipts:**
  
  Crude oil prices declined from US$63.21 in Nov. 2019 to US$16.50.9 per barrel as at 23rd April, 2020. With this fall, Ghana is likely to register a shortfall in crude oil receipts amounting to about GH₵5,679 million.

- **Shortfalls in custom receipts:**
  
  The projected decline in import volumes and values, as well as the slowdown in economic activities, will lead to shortfalls in both import duties and export receipts.

- **Shortfall in other Tax revenue:**
  
  Slowdown in economic activities is likely to result in short fall in non-tax revenue such as Sale of Spectrum, Capital gain taxes and Sale of thermal plants etc.
IMPACT OF THE COVID-19 ON GHANA’S ECONOMY

Increase in Expenditures amongst others:

- **Increased health-related expenditures;**
  
  the procurement of large quantities of PPEs and other health related equipment will surge-up the budgetary cost.

- **Tight financing conditions;**
  
  slowdown in economic activities is likely to result in debt service difficulties (especially from the sectors that are hard hit such as aviation and hospitality Industry) and containment measures such as social distancing may lead to reduced productivity and job losses.

- **Impact on Agriculture;**
  
  disruptions in the supply chain and lower demand activities could lead to slow growth in Agric. Disruptions could limit farmers' access to inputs, insecurity and fear could negatively impact planting decisions; and also reduce the volume of main agricultural exports,
Increase in Expenditures amongst others:

Impact on Trade and Industry:

volumes and values (both domestic and international) are also reducing as a result of the coronavirus pandemic. We are already seeing significant reductions in trade volumes and values with many countries, especially China, which constitutes the highest of Ghana’s imports and the second highest of Ghana’s exports.

Impact on GDP Growth.

menace on the real sector shows that the 2020 projected real GDP growth rate could decline from 6.8% to 2.6% in the event of infected cases and 1.5% in the event of partial lock-down among others.
MANAGING THE ECONOMIC PRESSURES

1. Lowered Ghana’s Stabilisation fund threshold from 300 m to 100 million in accordance with Sec. 23 (3) of the Petroleum Revenue Management Act (PRMA) in order to close the fiscal gap created by the COVID-19 pandemic;

2. Accessed $1 billion from Rapid Credit Facility (RCF) of the IMF to support proposed government priority programmes as well as interest payments.

3. Deferred payment of Interest on Non marketable Instruments.

4. Adjusted downwards expenditures on goods and services and capex (capital expenditure)
MANAGING THE PRESSURES

5. Took Fast track Credit Facility from the World Bank and also aligned part of existing World Bank Facility with COVID response expenditures.

6. Considering the suspension of the fiscal responsibility rules in the Fiscal Responsibility Act, 2018 (Act 982) to enable government exceed the deficit target of five percent of the GDP for 2020 by about 1.1 percent of rebased Gross Domestic Product (GDP).

7. Set up of COVID-19 National Trust Fund: the contributions and donations from the public is being solicited to help support the welfare of the needy and the vulnerable.
7. Parliament approved a Coronavirus Alleviation Programme (CAP) to address the disruption in economic activities, the hardship, and to rescue and revitalize our industries; The CAP include the following:

**Supporting Households**
- Food packages and Hot meals for at least one million people,
- Procurement of food from Ghana National Buffer Stock Company to support the exercise
- Provision of Water and Sanitation: government will make payment of 3 months water bill for all Ghanaian and provide water through water tankers.

**Relief for Health Workers**
- Waiver of Personal income taxes for all Health worker
- Allowance for 50% basic salary for all frontline health workers for 4 months
- Busing of Health workers in Accra, Tema, Kumasi and Kasoa

**600 million Soft loans** for micro, small and medium size business. The soft has one moratorium and two repayment period.
IMPLEMENTATION PROCESS

- MoF Constituted a five (5) member ‘MoF COVID-19 Response Team’

Functions of the Committee

- Ensure quick response to processing of COVID-19 request for payments within 48-72 hours upon receipt;
- Review and validate request for funds to ensure that they meet the standard operating procedures (appendix A) and are eligible under the World Bank Financing;
- Provide feedback/reports to management on the drawdowns of the emergency funds;
- Maintain a matrix of all COVID-19 initiatives for coordinating purposes; and
Guidelines for Accessing Funds

- Requests for Payment for all priority payments should be consistent with Governments COVID-19 Emergency Preparedness and Response plan as well as the World Bank eligible expenditures

- Use the Procurement and PFM systems e.g. Procurement Law provides for emergency procurement processes such as using sole sourcing contracts

- Implementation arrangements under the World Bank financing agreements are also used

- Using Internal Audit units to scrutinize all payment requests at the level of the MDA
FLOW OF FUNDS

Diagram 1 – Funds Flow Under COVID-19 Account

COVID-19 Account

MoF

Service Providers Acc

Operating Acc

MoH

Collaborating Agencies/Beneficiaries
challenges

- Initial Covid-Response plan focused on health related expenditures. New expenditures from other sectors are emerging which is putting pressure on the resources available.
CONCLUSION

• In conclusion, Government is facilitating rapid response to the crisis, improving frontline Health personnel needs to prevent massive outbreaks as well as implement multiple financial management instruments to improve the economy.

• The interventions and measures to improve the business environment and provide the necessary support for the citizenry is to limit the impact of the CoVID-19 among others.

• We are very confident that Government’s measures put forward to address the impact of COVID-19 would be successful although some require Parliamentary engagement and support to enable us improve the Ghanaian citizenry economic fortunes among others.
THANK YOU