



Bank of Ghana Monetary Policy Report

Fiscal Developments

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2.0 Highlights of Budgetary Developments

Broad Coverage

Preliminary data on the execution of the 2013 budget show that for the period January-June 2013:

- Total revenue and grants realised for the first half of 2013 was equivalent to 10.7 per cent of GDP below the budgeted target of 12.0 per cent of GDP.
- Government spending (including payments for arrears and outstanding commitments) was equivalent to 15.2 per cent of GDP falling short of the programme ceiling of 16.5 per cent of GDP.
- These developments resulted in a budget deficit equivalent to 4.5 per cent of GDP same as the target for the period. We note that for a similar period in 2012, the budget recorded a deficit equivalent to 5.2 per cent of GDP.
- The deficit was financed largely from domestic sources (75.9%)

Table 1: Fiscal indicators (GH¢ million)

	2012	2013	2013
	Prov.	Prov.	Prog.
	Jan-Jun	Jan-Jun	Jan-Jun
Overall balance (incl. Divestiture and Discrepancy)	- 3,718.45	- 3,996.59	- 3,999.28
(per cent of GDP)	- 5.2	- 4.5	- 4.5
Total Revenue & Grants	7,591.94	9,501.28	10,641.23
(per cent of GDP)	10.9	10.7	12.0
Grants	790.76	507.62	871.84
(per cent of GDP)	1.1	0.6	1.0
Total Expenditure	8,374.67	11,519.93	13,425.78
(percent of GDP)	12.0	13.0	15.1
Recurrent Expenditure	6,694.87	9,561.93	11,178.00
(percent of GDP)	9.4	10.8	12.6
Capital Expenditure	1,679.80	1,958.00	2,247.77
(percent of GDP)	2.4	2.2	2.5
GDP	71,106.00	88,764.00	88,764.00

NOTE: Total expenditure in above table excludes payments for arrears and outstanding commitments

2.1 Revenue Performance: January-June 2013

Total revenue and grants fell short of the budget target by 10.7 per cent mainly on account of lower than anticipated domestic revenue collections as well as low disbursement of grants.

Total revenue and grants realised in January-June, 2013 was GH¢9,501.3 million (10.7% of GDP) compared with the budget target of GH¢10,641.2 million (12.0% of GDP). The shortfall was mainly due to lower than anticipated domestic revenue collections as well as low disbursement of grants from our development partners.

For the review period, although domestic revenue totalling, GH¢8,993.7 million was 32.2 per cent higher than the outturn for the same period in 2012, it was 7.9 per cent lower than the target of GH¢9,769.4 million. The observed nominal growth was mainly the result of higher than anticipated non-tax revenue.

Tax revenue amounted to GH¢6,707.5 million (7.6% of GDP), compared with the target of GH¢7,653.6 million (8.6% of GDP). In nominal terms, tax revenue was 15.4 per cent higher than the outturn recorded for a similar period in 2012. The poor performance of tax revenue was mainly as a result lower imports and a general slowdown in economic activities.

Non-tax revenue for the period amounted to GH¢2,232.2 million, 9.6 per cent higher than the budget target of GH¢2,036.9 million and 161.4 per cent higher than the outturn for the same period in 2012.

Grants disbursements amounted to GH¢507.6 million, representing 41.8 per cent of the budgeted target. The lower than expected outturn of grants is due to the non-disbursement of budget support by the Multi Donor Budget Support (MDBS) partners.

Table 2: Total Revenue & Grants (GH¢ million)

	2012	2013	2013
	Prov.	Prov.	Prog.
	Jan-Jun	Jan-Jun	Jan-Jun
Total Revenue & Grants	7,591.94	9,501.28	10,641.23
(per cent of GDP)	10.9	10.7	12.0
Domestic Revenue	6,801.18	8,993.66	9,769.39
Tax Revenue	5,813.16	6,707.47	7,653.56
Taxes on Income and Property	2,583.02	3,094.95	3,448.38
Company Taxes	1,063.06	1,084.21	1,474.86
Company taxes on oil	-	229.80	77.61
Other direct taxes	1,519.96	1,780.94	1,895.91
Taxes on Domestic Goods and Services	1,932.06	2,285.13	2,561.46
Excises	260.83	339.96	431.48
VAT	1,316.36	1,527.70	1,698.35
National Health Insurance Levy (NHIL)	268.88	327.74	358.31
Communication Service Tax	86.00	89.73	73.32
International Trade Taxes	974.50	1,327.39	1,643.73
Import duties	911.33	1,012.27	1,163.29
Export duties	63.17	-	-
Import Exemptions	323.58	315.13	480.44
Social Contributions	72.20	54.00	78.92
SSNIT Contribution to NHIL	72.20	54.00	78.92
Non-tax revenue	853.91	2,232.18	2,036.90
Grants	790.76	507.62	871.84
Project grants	327.01	255.72	241.52
Programme grants	332.34	44.56	456.72
HIPC Assistance (multilaterals)	42.57	135.19	86.70
Multilateral Debt Relief Initiative (MDRI)	88.85	72.15	86.92
International Monetary Fund	-	-	-
World Bank	88.85	72.15	73.73
African Development Bank	-	-	13.19

2.2 Expenditure Outturn: January-June 2013

Total expenditure including payments made for the clearance of arrears and outstanding commitments fell low the budget target by 8.5 per cent mainly as a result of a slowdown in discretionary payments.

Total expenditure (excluding payments made for the clearance of arrears and outstanding commitments) for the review period amounted to GH¢11,519.9 million (13.0% of GDP) compared with targeted amount of GH¢13,425.8 million (15.1% of GDP). This comprised recurrent expenditure of GH¢ 9,561.9 million and capital expenditure of GH¢1,958.0 million.

Total expenditure, including payments made for the clearance of arrears and outstanding commitments for the first half of 2013 amounted to GH¢13,497.9 million (15.2% of GDP) compared with the budget target of GH¢14,640.5 million (16.5% of GDP). This outlay was 12.5 per cent higher than the outlay for the same period in 2012. The high growth in expenditure was mainly due to the strong growth in interest cost and the wage bill as a result of the migration of more public sector workers unto the Single Spine Salary Structure.

Interest payment for the period totalled GH¢2,171.4 million, 38.9 per cent high than the budget target and 1.15 times higher than the outlay for the same period in 2012. Of this amount domestic interest was GH¢1,826.6 million, 44.8 per cent higher than the budget target of GH¢1,261.2 million. On a year-on-year basis, domestic interest grew by 128.9 per cent, reflecting very high domestic borrowing in 2012 to finance the deficit and the high interest rate associated with it.

Compensation of employees for the review period amounted to GH¢4,660.4 million, 7.2 per cent over the budget ceiling of GH¢4,345.7 million and 37.5 per cent higher than the outturn for the same period in 2012.

Table 3: Total Expenditure (GH¢ million)

	2012	2013	2013
	Prov.	Prov.	Prog.
	Jan-Jun	Jan-Jun	Jan-Jun
Total Expenditure	8,374.67	11,519.93	13,425.78
(percent of GDP)	12.0	13.0	15.1
Compensation of Employees	3,390.31	4,660.35	4,345.66
Wages & Salaries	3,128.10	4,306.45	3,587.30
(percent of GDP)	-	4.85	4.04
Social Contributions	262.22	353.90	758.36
Use of Goods and Services	259.96	297.17	604.39
o/w Recurrent Expenditure share of ABFA from Oil (30% of ABFA)	68.60	26.36	42.53
Required Fiscal Measures			
Transfers into Oil Fund			
Interest payments	1,007.91	2,171.41	1,563.50
Domestic	797.94	1,826.57	1,261.18
External	209.96	344.84	302.32
Subsidies	86.40	10.47	609.54
Grants to Other Government Units	1,047.86	1,783.38	3,121.78
Social Benefits	-	0.18	19.40
Other Expenditure	902.42	638.96	913.73
Acquisition of Non-Financial Assets	1,679.80	1,958.00	2,247.77
Domestic financed	875.60	230.33	638.74
Foreign financed	804.20	1,727.67	1,609.04
HIPC-financed Expenditure	-	-	-
MDRI-financed Expenditure	-	-	-

2.3 Budget Balance and Financing (January-June 2013)

Fiscal deficit was equivalent to 4.5 per cent of GDP same as planned for the review period and 5.2 per cent for a similar period in 2012.

As a result of government budgetary operations, the overall budget balance on cash basis including divestiture and discrepancy showed a deficit of GH¢3,996.6 million (4.5% of GDP) compared with the budgeted target of GH¢3,996.3 million (4.5% of GDP). This compares to an overall budget balance of a deficit of GH¢3,718.5 million (5.2% of GDP) during the corresponding period in 2012.

The deficit was financed mainly from domestic sources (75.9%) through the issuance of domestic bonds and bills. We note that net domestic financing of the budget was GH¢3,033.0 million (3.4% of GDP) was 5.3 per cent lower than programmed.

Table 4: Budget Balance and Financing (GH¢ million)

	2012	2013	2013
	Prov.	Prov.	Prog.
	Jan-Jun	Jan-Jun	Jan-Jun
Overall balance (commitment)	- 782.73	- 2,018.66	- 2,784.55
(percent of GDP)	- 1.12	- 2.27	- 3.14
Road Arrears (net change)	-	- 120.00	- 250.00
o/w Commitments & certs for works done	-	- 120.00	- 250.00
Non-road arrears	- 1,978.37	- 684.08	- 825.61
o/w other outstanding payments/deferred payments	- 1,939.57	- 684.08	- 825.61
o/w Wage arrears	- 1,048.60	-	-
o/w DACF	-	-	-
o/w GETF	- 38.80	-	-
Tax Refunds	- 75.47	- 87.94	- 139.13
Required Fiscal Measures			
Transfers into Oil Fund			
Overall balance (cash)	- 2,836.56	- 2,910.67	- 3,999.28
(percent of GDP)	- 4.1	- 3.3	- 4.5
Divestiture receipts	-	-	-
Divestiture liabilities	-	-	-
Discrepancy	- 881.88	- 1,085.92	-
Overall balance (incl. Divestiture and Discrepancy)	- 3,718.45	- 3,996.59	- 3,999.28
Financing	3,718.45	3,996.59	3,999.28
Foreign (net)	306.56	1,025.17	337.66
Borrowing	564.74	1,471.95	981.52
Project loans	477.19	1,471.95	981.52
Programme loans	87.55	-	-
Amortisation (due)	- 258.18	- 446.79	- 643.86
Exceptional financing	-	-	74.50
HIPC Relief (Cologne terms)	-	-	74.50
Domestic (net)	3,411.89	3,033.02	3,201.12
Banking	2,111.80	1,101.73	317.04
Bank of Ghana	2,111.12	511.49	532.06
Transfer to Ghana Petroleum Funds	-	- 356.15	- 215.02
o/w Stabilisation Fund	-	- 249.31	- 150.52
o/w Heritage Fund	-	- 108.67	- 64.51
Comm. Banks	0.69	946.39	-
Non-banks	1,300.09	1,931.29	2,884.08
o/w Reduction due to HIPC-fin'd debt buyback	-	-	-
Other Domestic	-	-	-
Other Financing	-	- 61.60	- 386.00
clawback from TOR	-	-	-
Other domestic financing	-	- 61.60	-
Divestiture Receipts	-	-	-
non-concessional borrowing (foreign)	-	-	386.00

2.4 Analysis of Public Debt

As at the end of June 2013 Ghana's total public debt was equivalent of 43.9 per cent of GDP.

The domestic debt stock at end of June 2013 was GH¢20,863.4 million (23.5% of GDP), indicating a growth of 54.4 per cent over the end-June 2012 stock of GH¢13,508.5 million (18.5% of GDP). From the beginning of the year to the end-June 2013 the domestic debt stock has risen by 12.6 per cent. Of the end-June domestic debt stock, 28.4 per cent was in short-term instruments (39.6% in Jun 12), 57.8 per cent in medium-term instruments (46.4% in Jun 12), and 13.8 per cent in long-term instruments (14.0% in Jun 12).

The stock of external debt went up by 21.3 per cent from US\$7,704.3 million at the end of June 2012 to US\$9,343.0 million at the end of June 2013.

Cumulatively, the stock of total public debt stood at GH¢39,053.3 million (43.9% of GDP) at the end of June 2013. This represents an increase of 39.8 per cent over the GH¢27,942.6 million recorded at the end of June 2012. Of the total public debt, domestic debt constituted 53.4 per cent and external debt 46.6 per cent.

Table 5: Total Public Debt

	2012	2013	2013	2013	2013	2013	2013
	DECEMBER	JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE
TOTAL DOMESTIC DEBT (GH¢m)	18,535.2	19,205.0	19,798.8	19,991.1	20,260.3	20,452.2	20,863.4
SHORT TERM	5,839.2	5,965.8	5,947.4	5,906.1	5,937.7	5,890.1	5,936.8
MEDIUM-TERM	9,544.5	10,087.7	10,424.2	10,657.9	10,895.4	11,685.8	12,050.3
LONG-TERM	3,151.5	3,151.5	3,427.2	3,427.2	3,427.2	2,876.3	2,876.3
HOLDINGS OF DOMESTIC DEBT (GH¢m)	18,535.2	19,205.0	19,798.8	19,991.1	20,260.3	20,452.2	20,863.4
BANKING SYSTEM	8,980.9	9,351.7	9,388.2	9,494.5	9,690.9	9,575.9	9,518.9
NON-BANK	4,614.9	4,562.9	5,040.2	5,092.2	5,207.8	5,457.0	5,608.5
FOREIGN SECTOR (Non-Resident)	4,939.4	5,290.5	5,370.3	5,404.5	5,361.6	5,419.3	5,736.0
TOTAL EXTERNAL (US\$m)	8,835.6	9,104.6	9,003.4	9,223.6	9,248.9	9,270.3	9,343.0
MULTILATERAL	4,225.1	4,203.0	4,156.0	4,140.5	4,098.0	4,143.7	4,263.6
BILATERAL	2,906.6	3,127.6	3,063.8	3,339.8	3,341.6	3,343.4	3,311.3
COMMERCIAL	1,703.9	1,774.1	1,783.6	1,743.3	1,809.2	1,783.2	1,768.1
TOTAL EXTERNAL (GH¢m)	16,610.9	17,153.1	16,983.9	17,534.1	17,582.1	17,991.8	18,189.9
TOTAL PUBLIC DEBT (GH¢m)	35,146.1	36,358.1	36,782.7	37,525.2	37,842.4	38,443.9	39,053.3
NOMINAL GDP (GH¢m)	73,109.0	88,764.0	88,764.0	88,764.0	88,764.0	88,764.0	88,764.0
TOTAL DEBT / GDP RATIO (%)	48.1	41.0	41.4	42.3	42.6	43.3	44.0
EXTERNAL DEBT / GDP	22.7	19.3	19.1	19.8	19.8	20.3	20.5
DOMESTIC DEBT / GDP	25.4	21.6	22.3	22.5	22.8	23.0	23.5

2.5 Conclusion

Fiscal data for the first half of the year indicates that the overall budget deficit was equivalent to exactly what was planned (4.5% of GDP). Also, the net domestic financing of the budget was within the programme ceiling.

Overall, expenditures were within the budgeted limits. However statutory payments including the public sector wage bill and domestic interest payments are major sources of pressure.

These pressures coupled with the low performance of domestic revenues could pose a threat to the attainment of the end year net domestic financing target of GH¢5.47 billion (6.2% of GDP) and urgently calls for measures to arrest the situation.

In conclusion, to able to achieve the set 2013 fiscal targets, revenue mobilisation must be strengthened, while commitment to fiscal discipline enforced in other to avoid over spending and accumulation of new arrears.