A REVIEW OF GHANA'S

COVID 19 RESPONSE:

THE FISCAL MEASURES AND IMPACTS

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1.0 Introduction

The paper is part of programmes being implemented by the Tax Justice Coalition with support from Christian Aid. The COVID 19 pandemic has several impacts globally but more serious on developing countries and has compelled many countries to develop and design various initiatives to fight the pandemic and address the accompanying challenges. The paper focuses on the Taxation-related interventions (fiscal measures) and reliefs and their economic impacts on the Tax payer, Micro, Small and Medium sized Enterprises (MSMEs) and the Informal sector economy.

1.1 Background

The COVID-19 pandemic has spread rapidly across the world and as a result, has placed all economies globally under severe stress and caused large human suffering and loss of lives, especially among the most vulnerable. It has also already brought a significant and widespread economic impact on many countries. As such, the World Health Organisation (WHO) declared the novel coronavirus a global pandemic on the 11th of March, 2020. According to Ghana's Minister of Finance in a statement to Parliament on March 30, 2020, international research institutions and multilateral organisations including the IMF, the World Bank, the UNECA, the Economic Intelligence Unit, and Fitch Solutions had projected significant slowdown of global GDP growth which could lead to a recession or a severe economic contraction. The Coronavirus pandemic was impacting the global economy in the following ways:

- disruptions in global supply chains with drops in value creation and delays in shipments of major goods and services;
- widespread supply shortages (including food, pharmaceutical, and manufactured goods) and attendant huge price increases;
- slowdown in investments and mass lay-off of workers, further dampening economic activity;
- unprecedented volatility and collapse of stock markets which are already recording all-time low indices;
- tighter global financing conditions, despite interventions through monetary policy to cut interest rates;
- decline in the international price of crude oil with significant revenue loss to oil exporting countries;

- decline in tourism, resulting from border closures, fewer international trips, cancellation of cruiselines, airline suspensions, and cancellation of regional and global events;
- decline in remittances;
- significant job losses for businesses big and small;
- unanticipated increases in health spending; and
- higher public debt burden.

The Minister went further to report that many affected countries were responding to the pandemic with a mixture of monetary and fiscal policy responses. In addition, multilateral institutions were providing support to various countries faced with the pandemic through rapid disbursements instruments. For example, the World Bank launched a US$12 billion Fast Track Facility to support COVID 19 preparedness and strengthen health systems and emergency response capacity to COVID-19 in low-income countries. This amount has since been increased to US$14 billion. The International Monetary Fund (IMF) also announced on 4th March 2020, a US$50 billion support to help address the coronavirus and its accompanying challenges with US$10 billion going to low-income countries through the Rapid Credit Facility.

2.0 The Ghanaian Context

A day after the WHO declared the Coronavirus a global pandemic, Ghana announced its first case, that is, on 12th March 2020. On 27th March 2020, Ghana's President announced a partial lockdown in Greater Accra, including the Awutu Senya East Municipal Assembly (Kasoa) and Greater Kumasi areas for two weeks. The other measures included the closure of borders by land, sea and air to passenger traffic, prohibition of mass gatherings, closure of schools, suspension of consular services and increased public education on the need for improved hygiene and social distancing. On March 30, 2020, the Minister of Finance appeared before Ghana's Parliament to provide it with an update on the impact of the Coronavirus Disease 2019 (COVID-19) pandemic on the economy of Ghana and measures the government was taking to mitigate the impact. In his address, the Minister for Finance stated that preliminary analysis of the macro-fiscal impact of the pandemic showed that there was likely to be a significant slowdown in Ghana's GDP growth, significant shortfalls in petroleum revenues, shortfalls in import duties, shortfalls in other tax revenues, increased health expenditures, and tighter financing conditions with consequences on the 2020 Budget.

The government set up a Coronavirus Alleviation Programme (CAP) to address the disruption in economic activities, the hardship of the citizens, and to rescue and revitalize Ghana's industries in line with the following key objectives:

- To limit and stop the importation of the virus;
- To contain its spread;
- To provide adequate care for the sick;
- To limit the impact of the virus on social and economic life; and,
- To inspire the expansion of Ghana's domestic capability and deepen its self-reliance.

The government has estimated that it would require an additional US$2.6 billion (4.1% of GDP) in 2020 to close the financing gap created by the shock.

In Ghana, as in most other countries, the coronavirus pandemic has both direct and indirect impacts on the country. The direct impacts are the effects of the disease on human life, especially the health and lives that are lost. The indirect impacts are the effects on production, trade and investment within Ghana and between Ghana and the rest of the world on global commodity (crude oil, gold, and cocoa) prices, on tourist flows, on fiscal stance which have led to the slowing of global economic growth, supply chain disruptions, and by extension, the negative impact on Ghana's growth.

3.0 The Fiscal Impact of the COVID-19 Pandemic

A preliminary analysis by the Ministry of Finance showed that the novel coronavirus pandemic will result in negative impacts on Ghana's fiscal stance[1]. In general, national revenues would reduce drastically from both the identified sources and the unanticipated demands from various groups of businesses and individuals for exemptions and tax waivers. When this is pitched against the anticipated increases in expenditures, it is obvious that Ghana is going to face critical fiscal challenges not only during the COVID 19 pandemic but also thereafter.

The Ministry identified the following anticipated challenges; significant shortfalls in petroleum receipts, shortfalls in import duties and other tax revenues, increased health-related expenditures and tight financing conditions. A brief look at each of these challenges will be undertaken here.

3.1 Shortfalls in Petroleum Receipts

For the 2020 Annual Budget, the government programmed a crude oil price of US$62.60 per barrel in line with the Petroleum Revenue Management Act, 2011 (Act 815). However, as the global crude oil price has declined significantly since the outbreak of the coronavirus, Ghana has estimated that the government will experience a shortfall in crude oil receipts amounting to GHS 5,679 million, using a projected global price of US$30.00 per barrel. This

[1] The Minister's Statement to Parliament (30/03/2020)

also means that there will be an estimated shortfall in the Annual Budget Funding Amount (ABFA) of GHS 3,526 million, a shortfall in the Ghana Stabilisation Fund of GHS 1,058 million and the Ghana Heritage Fund of GHS 453 million. Similarly, the projected shortfall in transfers to GNPC is GHS 642 million. Obviously, these shortfalls, especially of the ABFA, will negatively impact budget implementation and result in a financing gap or deficit. Thus, the government has two choices: to look for money elsewhere or to reduce expenditures. The government has decided to use both options for various reasons, including the increased pressures from health and related expenditures and the fact that 2020 is an election year and it has made numerous promises to Ghanaians, including "a Year of Roads". The increased health and related expenditures will be examined later in this write-up but it runs throughout the paper .

3.2 Shortfalls in Other Tax Revenues

The anticipated decline in import volumes and values, as well as the slowdown in economic activities, will definitely lead to shortfalls in both import duties, value-added tax (VAT), the Ghana Education Trust Fund (GETFund) levy, the National Health Insurance Levy (NHIL) and port levies and charges; some of which go to the central government, among others. The preliminary analysis showed that import duties will fall short of target by GHS 808 million for the 2020 fiscal year. Similarly, the projected slowdown in non-oil GDP as a result of the coronavirus pandemic is expected to result in shortfalls in tax revenues (excluding oil tax revenues and import duties) amounting to GHS 1,446 million, bringing the total estimated shortfall in non-oil tax revenues to GHS 2,254 million. This will have serious implications for the 2020 Annual Budget. This is another source of a financing gap, requiring additional funding to plug the gaps, particularly in the face of increased demands for health and related expenditures. Besides, there have already been demands for tax waivers and exemptions for businesses affected by the pandemic, including deferrals of payment of taxes and penalties.

3.3 Tax Concessions, Waivers and Exemptions

As part of measures to alleviate the suffering on businesses and citizens, the Ghana Revenue Authority has been directed to provide some reliefs to businesses and households. In the first place, approval was given for the extension of due dates for filing of taxes from 4 months to 6 months after the end of the basis year (30/06/2020). This is in line with the Revenue Administration Act, 2016 (Act 915) which provides for taxpayers to ask for extension of deadlines for filing and paying tax which is usually subject to the approval of the Commissioner-General when he/she is satisfied with justification for such requests. However, this is an omnibus COVID 19 dispensation for all taxpayers and so individual taxpayers are not required to apply to the Commissioner-General for his/her approval.

These interventions will lead to a reduction in the expected revenues for the year and in the case of the delayed payments, will have an impact on government's liquidity situation, especially as public expenditures, including the unanticipated expenditures, will put undue pressures on the public purse.

The government also encouraged taxpayers to pay their taxes by bank transfers. The call for the GRA to make the payment of taxes simpler is long overdue and COVID-19 may help its realisation although this is actually not a relief measure. For a long time, both taxpayers and civil society and tax justice advocates have called on the GRA to make payment of taxes simpler by accepting bank transfers and mobile money payments and so this is a welcome initiative.

Furthermore, the government announced a remission of penalties on principal debts to taxpayers who redeem their outstanding tax debts up to the end of June, 2020. This is a welcome initiative although it may reduce government's budgeted revenues and impact negatively on expenditures, especially those that benefit the poor and marginalized in society. Total revenues will reduce while delayed payments will affect the government's liquidity position.

Parliament enacted the Income Tax (Amendment) Act, 2020 (Act 1017) in February 2020 to amend Section 94 (3) of the Income Tax, 2015 (Act 896) to grant waiver of taxes on third-tier pension withdrawals, such as Provident Funds and personal pension schemes, as a result of the loss of employment or capital due to COVID 19. Thus, an employee who, due to loss of permanent employment, withdraws his/her third-tier pension contribution or a self-employed person who withdraws his or her savings account provided for under Section 109(a)(3) of the National Pensions Act, 2008 (Act 766), is exempted from paying tax on such withdrawals. The waiver of taxes on selected Third-Tier Pension withdrawals is understandable and welcome as the individuals involved did not anticipate this pandemic and are compelled to withdraw their monies to survive. In addition to their normal household expenditures, they may even be obliged to incur additional unanticipated expenditures, such as increased water consumption, sanitation and immune boosting foods and drugs, among others.

Furthermore, in March, 2020, Parliament granted approval for the exemptions of the cost of donations of stocks, equipment and goods as relief supplies for fighting the COVID 19 pandemic. The exemptions were the Value-Added Tax (VAT) at 12.5%, the GETFund Levy (2.5%) and the National Health Insurance levy (NHIL) at 2.5%). This is obviously a reasonable decision as the tax laws already provide exemptions for donations for charitable expenditures. As the pandemic was not anticipated, these taxes were not budgeted for.

The government also permitted the deduction of contributions and donations towards COVID 19 alleviation as allowable expenses for tax purposes. This is a welcome incentive as it is aimed at encouraging such donations to shore up government's liquidity in the face of increased expenditure on COVID 19 interventions. The government needs additional support from corporate bodies and individuals to meet such demands and should encourage them to make donations. In any case, the Income Tax Act, 2015 (Act 896) already makes exemptions for such donations.

Moreover, the government announced incentives and reliefs to frontline health personnel for three months (April, May and June) amounted to about GHS 340,000,000.00. These reliefs and incentives included a waiver of income tax on their salaries and allowances from March to June 2020, as well as monthly allowances of 50% of their salaries for April to June and an insurance of GHS 350,000.00 (no estimated total cost) for the period of the pandemic. While the waiver amounted to GHS 288,644,003.00, the allowances amounted to GHS 51,064,962.00. These are tax expenditures that have implications for expected tax revenues as in the 2020 Budget.

3.5 Coronavirus Alleviation Programme

In March, 2020, the President announced the establishment of a Coronavirus Alleviation Programme (CAP) involving the release of an amount of GHS 1 billion upon approval by Parliament to focus on areas that will provide maximum results in alleviating the impact of the coronavirus pandemic such as preventing job losses, protecting livelihoods, supporting small businesses and ensuring the programme is efficiently and sustainably implemented. However, the government also pledged to seek additional funding to promote selected industries to shore up production for export and import substitution and to support MSMEs, create jobs and to partner with Pension Funds and Insurance Funds to create guarantees and first loss instruments. Targeted businesses and households will include those in the health sector, education sector, hospitality industry, MSMEs, and households hard hit by the Coronavirus. In the end, any unplanned increases in expenditures will negatively impact the government's 2020 Annual Budget and may lead to reduction in other equally important expenditures, especially if the government does not obtain funds from some of the planned external sources.

The Coronavirus Alleviation Programme will primarily support the provision of food and water for households, reliefs for health sector workers and soft loans for MSMEs. The government will also fully absorb electricity bills for the poorest of the poor (consumption of 0 – 50 kilowatts hours a month) and 50% of the bills of all other consumers (both residential and commercial) for the months of April – June, 2020. This is aimed at supporting industry, enterprises and the service sector and relief for households for lost incomes in the short-term.

The provision of water free to Ghanaians and electricity at subsidized rates was readily welcome by the people. However, in Ghana, the supply of power has never been perfect with water and power rationing taking place throughout the year. The ‘dumsor’ (irregular supply of electricity) era seems to have ended but there are still power outages from time to time. Water supply experiences similar shortages, especially during the dry seasons when some water sources dry up or experience low water levels. While most of the power outages and water shortages (and rationing) are often blamed on technical challenges, debts owed by the government to these utility providers may be the hidden cause and have to be dealt with as appropriate. It, therefore, looks like a hard decision for the government to take to offer free water and largely subsidized power for three months, in addition to the huge amounts already owed by the government.

However, the announcement was welcomed by the majority of Ghanaians and the utility providers could not object considering the seriousness of the pandemic and the fact that these providers are state-owned institutions. If the government is able to pay, it is an additional unplanned and unbudgeted expenditure that the government must find money to pay or it will increase any debt that the government owes to the Electricity Company of Ghana (ECG) and the Ghana Water Company Limited (GWCL). This will have an impact on the ability of the utility companies to provide regular quality services. The chances are that the government may not be able to pay the utility providers on a timely basis or the service providers will not be able to provide regular quality services. Some residential or domestic users’ April 2020 electricity bills revealed some Implementation challenges and discrepancies in the calculations and or understanding of this tariff relief. One consumer’s electricity bill which amounted to GHS 180.00 in March, showed a “COVID-19 GoG Relief” of GHS 19.37 only, far less than 50% of the person’s March bill. In addition, two separate meters and bills from the same house were assessed and it was surprising that the meter which has not been used for over twelve months had a bill for April 2020, which is again higher than the meter which is currently being used. These meters and their respective bills analyzed, presumes that the Electricity Company of Ghana (ECG) has estimated bills and corresponding COVID-19 reliefs, which are misleading and may raise questions of trust of the government.

Furthermore, the government announced that it has paid GHS 300 million to the National health Insurance Authority (NHIA) to provide liquidity to health care providers and the pharmaceutical industry. This is an unplanned disbursement as it is probably a transfer that should have been made on a regular basis to the Authority but has delayed due to inadequate funds. This means that the government has probably diverted funds from other planned expenditures to make this transfer and would need to repay it. In addition, the government arranged “Life and Sickness” Insurance for frontline health care professionals on the pandemic. The premiums must be paid but the government did not appear to have even worked out the cost and all these expenditures will definitely upset the 2020 Annual Budget.

4.0 Increased Health Expenditures

The government has earmarked the cedi equivalent of US$100 million (GHS 572 million) for the fight against COVID-19 under the COVID-19 Preparedness and Response Plan. The plan seeks to:

- strengthen coordination of the overall preparedness activities;
- strengthen capacity of regions, prioritise? health facilities and points of entry for prevention ,rapidly detect, investigate and control any COVID-19 outbreak in Ghana;
- strengthen national capacity for laboratory surveillance and diagnosis;
- build capacity for early diagnosis, case management, contact tracing and infection prevention and control;
- ensure minimum health logistics are in place in prioritised regions, health facilities and points of entry for preparedness and laboratory capacity sustained for timely and quality testing of COVID-19 samples; and
- increase public awareness on COVID-19 risk mitigation and response measures.

As the pandemic spreads throughout the entire country and confirmed cases continue to increase in numbers, it is important that the government and the Ministry of Health strengthen their coordination capacity for overall preparedness in order to ensure prompt and effective delivery of health services and the handling of the COVID-19 pandemic. In spite of the huge financing gap from lost revenues against higher expenditures, including reduced shortfall in petroleum revenues, import duties and other revenues, the government has no choice than to work on this aspect of its preparedness.

4.0 Raising the Funds to Mitigate the Impact of COVID-19 Pandemic (Fiscal Measures)

From the above, Ghana needs a lot of funds to successfully address the pandemic and its accompanying economic challenges and programmes. In the face of the shortfall in petroleum receipts, shortfall in import duties, shortfall in other tax revenues, the cost of the preparedness plan, the cost of the CAP is estimated at GHS 9,505 million (2.5% of revised GDP). The overall fiscal deficit is projected to increase from the programmed GHS 18.9 billion (4.7% of GDP) to GHS 30.2 billion (7.8% of revised GDP). The primary balance will correspondingly worsen from a surplus of GHS 2,811 billion (0.7% of GDP) to a deficit of GHS 5.6 billion (1.4% of GDP). Measures are, therefore, required to close the fiscal gap of GHS 11.4 billion (2.9% of revised GDP).

The government needs to explore innovative ways of raising domestic revenues and take bold measures to reform the tax system to be able to raise more revenues under the present circumstances. For example, government scrapped some taxes it termed "nuisance taxes" in 2017. It is very clear that the government needs those taxes back to help it address the economic challenges that the COVID-19 pandemic has imposed on the country. In addition, the Tax Justice Coalition – Ghana has advocated on several occasions for raising the corporate tax rate to the same level as the marginal tax rate for individuals, that is, 30%. The pandemic presents a golden opportunity for the government to now do this without the fear of political backlash. The government can even raise the marginal tax rate and the corporate tax to 35%, where it was in the 1990s as this will make the income tax system more progressive and provide revenues to the government to help it address the pandemic and subsequent commitments. Moreover, the economy is expanding, especially in the wake of the COVID-19 pandemic but Ghana does not seem to be seeing it as a source of tax revenues. It is, therefore, imperative that the GRA positions itself to tax the economy as the future looks bright for the sector.

In addition, the government needs to tighten and enforce the tax laws with regards to benefits in kind for public servants, including accommodation, vehicle, driver and fuel usages as well as entertainment, end of service benefits, among others. These are benefits that are enjoyed by the highly-placed persons who are rich and will not feel the pinch of the measures. Property taxation in Ghana has been left out to the Metropolitan, Municipal and District Assemblies (MMDAs), most of which are unable to tax property owners, including owners of rental properties most of whom do not also pay rent tax. This is a huge source of tax revenues that the government should explore.

Tax administration has not been at its best in Ghana and with the increasing financing gap created by the COVID 19 pandemic, the time is ripe for the GRA management to work towards improving the situation by clamping down on corrupt officials and taxpayers and snub politicians who interfere with tax administration. The encouragement of the payment of taxes through bank transfers is just a step in the use of information communications and technology (ICT) for tax administration that needs to be enhanced, thus, making it possible for taxpayers to file their tax returns online, communicate with the GRA without physical appearances and pay taxes by mobile money and have their receipts sent to them via internet and other online media.

Again, tax concessions, exemptions and waivers have been a worry to the tax administration, tax advocates and other well-meaning Ghanaians over the years. The government promised to deal with the situation and a draft Bill is supposed to be sent to Parliament but this is taking rather too long. It is hard time the government takes advantage of the pandemic to act on the Bill. Ghana is losing huge revenues from the delay in passing the Bill. Ghana's leaders and its Legislature must put Ghana first and ensure that important Bills like this are brought before Parliament promptly and enacted into law. Furthermore, Ghana needs to review the Double Taxation Agreements with other countries as Ghana is not in a position to take advantage of the benefits of these agreements, being a junior partner in most of these arrangements.

However, due to the fact that this is an election year, it may not be politically expedient for the government to introduce new taxes or to raise tax rates in a bid to raise more tax revenues. Tightening the tax laws and dealing with corrupt officials and business persons also may be viewed as targeting campaign financiers, including the government's own appointees who are involved in businesses, making this a "no go" area. The alternative, therefore, is to drastically cut down on public expenditures but this will adversely affect the implementation of the COVID-19 Preparedness and Response Plan, which has introduced huge unplanned and unbudgeted expenditures.

These two scenarios, increasing tax revenues and reducing public expenditures, are not politically expedient and feasible, leaving the government the option of turning to our development partners while also drawing down on our savings – earmarked funds from the petroleum revenues accumulated over the years - and that is what the government has done. All the same, it is important that the media and civil society monitor the implementation of the interventions that the government has initiated to ensure that they reach the targeted citizens.

4.1 Amending the PRMA to allow Government to draw on earmarked Funds

The first measure was to lower the cap on the Ghana Stabilisation Fund (GSF) from the current US$300 million to US$100 million in accordance with Section 23 (3) of the Petroleum Revenue Management Act, 2011 (Act 815). In other words, the excess amount in the GSF account over the US$100 million cap was to be transferred into the Contingency Fund to meet the shortfalls in the ABFA to Fund the CAP. Like most issues taken to Ghana's Parliament by the Executive, the August House easily granted the approval to the Minister for Finance to lower the cap on the Ghana Stabilisation Fund (GSF) from US$300 million to US$100 million, and to transfer the excess amount of US$219 million over and above the newly proposed cap to the Contingency Fund to finance the Coronavirus Alleviation Programme (CAP). In addition, the government requested an amendment of the PRMA to allow a withdrawal from the Ghana Heritage Fund, which currently has an estimated amount of US$591.1 million, to undertake emergency expenditures in periods of national emergency. Thus, the government is starting to spend the country's savings which were meant to be kept for the future generations. It is worrying that, within the first three months of the pandemic, Ghana is already drawing on these funds. What will happen if the pandemic goes beyond the time we all expect and hope for. The country would have exhausted its savings with nothing to fall back on. Even if the pandemic ends as hoped and expected, how will the funds be replenished? Rather than amending the PRMA, it would have been better for the government to seek approval to take the funds as a form of loans to be paid back after the pandemic as a special dispensation.

The final measure here requires reducing the proportion of Net Carried and Participating Interest due GNPC from 30% to 15%, which is a welcome initiative by tax justice advocates who have often expressed concern about the way the GNPC uses its funds, including sponsoring football supporters to travel abroad and private foundations without approval by Parliament, something that has been done several times over the years. The cut in the share will bring in more funds into the Consolidated Fund and give the government the leverage to execute its promised and planned programmes.

4.2 Turning to Bank of Ghana for Assistance

Secondly, the government proposed to arrange with BOG to defer interest payments on non-marketable instruments estimated at GHS 1,222.8 million to 2022 and beyond. This appears to be in line with Section 30(6) of the Bank of Ghana Act, 2002 (Act 612) which states that "In the event of any emergency, the Governor, the Minister (of Finance) and the Controller (and Accountant General) shall meet to decide the limit of borrowing that should be made by government and the Minister shall submit a report to Parliament within seven sitting days" and making the deferred interest and extension of the loans. The Act also allows the Governor of the Bank, in consultation with the Minister (of Finance) to fix interest rates on advances made by it to the government and, in case of default, turn the advances into debt instruments like bonds. This appears to be a better option than external borrowing as the latter involves repayment of the principal as well as interests in the light of the volatile exchange rate of the local currency. All the same, these are loans that will be paid back, increasing the debt stock and creating problems for future generations. In addition, the government proposed the amendment of the Bank of Ghana Act to allow it to borrow from the Bank up to 10% of the previous year's tax revenue in the event of tight domestic financing market conditions.

4.3 Cutting Public Expenditures

Furthermore, the government proposed to adjust expenditures on "Goods & Services" and Capital Expenditure (Capex) downwards by GHS 1,248 million. However, as stated above, implementing the COVID-19 Preparedness and Response Plan involves huge unplanned and unbudgeted expenditures and so cutting down budgeted expenditures may not be feasible. In any case, when a government talks of adjusting expenditures downwards, this may negatively impact the poor and marginalized in society as the Ministers will not park their V 8s for three months nor will they stop drawing free fuel nor even, as some people have suggested, will the President reduce his over-bloated portfolio of political appointees. Public health services will be overwhelmed and all other diseases may be ignored due to inadequate funding to recruit additional health personnel and drugs, among others. Besides, this is an election year and it is not politically expedient to cut down on certain expenditures, especially as the current government has delayed the fulfilment of most of its pledged/promised capital expenditures to the last year of its tenure.

Furthermore, the government also proposed the realignment of Statutory Funds towards expenditures that tend to mitigate the impact of the coronavirus pandemic such as on sanitation and health related expenditures, limiting the award of new contracts and focusing on the payment of arrears. This is definitely a further reduction of the MMDAs' ability to manipulate the District Assemblies Common Fund (DACF), which the government had earlier on attempted dictating to them how? to utilise the proceeds of the Fund.

4.4 Request for Donor Support

Ghana does not appear able to stop going to the multilateral donors for loans and grants, especially when these donors themselves make the offer. The government has, therefore, indicated its plans to secure the World Bank DPO of GHS 1,716 million and the IMF Rapid Credit Facility of GHS 3,145 million, a golden opportunity to enable the government continue with its election-year promises alongside the COVID 19 interventions. On April 13, 2020, the IMF approved the disbursement of SDR 738 million (about US$1 billion) to be drawn under the Rapid Credit Facility (RCF) to help address the urgent fiscal and balance of payments needs that Ghana is facing, improve confidence, and catalyse support from other development partners. In addition, the government has requested for additional financing from the African Development Bank (ADB) of US$15 million to help address the Covid-19 emergency.

However, these are loans that will increase the country's debt stock and have to be repaid. The IMF admits that the assistance will not change Ghana's risk of debt distress rating as the debt is expected to rise from 63.2% of GDP at end-2019 to 68.7% of GDP at end-2020, driven by a wider fiscal deficit and lower GDP. This means that Ghana must intensify its domestic revenue mobilization efforts in order to raise more revenue post-COVID 19. Moreover, the Fund also recognizes that the COVID 19 pandemic amplifies the existing risks that Ghana is already facing from the shocks from COVID-19 pandemic. Moreover, many well-meaning Ghanaians are worried about the increasing loss of control of fiscal and monetary policy leverage as a sovereign country, considering the significant foreign inflows and the attendant indebtedness of a country that is highly indebted to both domestic and foreign creditors. Another worry has to do with the capacity of the government to ensure an efficient and effective utilization of these monies the country is mobilizing from the various external sources, especially as this is an election year. The situation calls for a vibrant media and civil society that will demand transparency and accountability in the use of the resources.

It should be noted that Ghana had just said “goodbye” to the IMF in April 2019 after successfully completing a four-year ECF arrangement through which significant progress towards macroeconomic stability was achieved, with strong growth, single-digit inflation, lower government deficits, and an improved external position. The government had promised its citizens that it will not go back to the IMF but the COVID 19 presented a golden opportunity to return to the multilateral institution without any question from its citizens as every citizen is worried about the pandemic.

4.5 The COVID 19 Fund

The Coronavirus pandemic fund was set up by President Nana Addo Dankwa Akufo Addo to fight the deadly disease in Ghana. Thus, in addition to the fiscal measures outlined by the government, the President established the COVID-19 Fund, which is to be managed by an independent board of trustees, to receive contributions and donations from the public to augment the efforts of the state in the fight against the spread of the novel COVID-19 in Ghana, including welfare assistance to the needy and the vulnerable. The Fund released twelve (12) vehicles donated to it to treatment centres and testing laboratories who are at the forefront of the country’s fight against the novel Coronavirus, COVID-19. The plan is to furnish all regional hospitals with these vehicles. The Fund will obviously fill part of the financing gap that the government is facing as a result of the pandemic. Consequently, Government has decided to treat any donations to the Fund as allowable expenses for tax purposes. It will definitely negatively impact Ghana’s tax revenues, especially with firms that have made huge donations, but it is a necessary initiative.

4.6 The Debt Service Suspension Initiative

Globally, public debt in emerging markets has surged to very high levels with many developing countries increasingly taking non-concessional loans from private lenders on commercial terms, even before the COVID-19 pandemic. Now, with the COVID-19 pandemic, it has become very clear that poorer countries will be hardest hit not only health-wise but also economically, including a debt crisis. As a result, the World Bank Group, the IMF, the G20 economies and others have allowed the world’s poorest countries to suspend repayment of official multilateral and bilateral credit in order to enable them to use the savings to safeguard the lives and livelihoods of millions of the most vulnerable people.

In April 2020 the World Bank granted Ghana a debt repayment freeze of $500 million while the G20 group of countries suspended debt repayments amounting to about $12 billion for

77 low income countries around the world. The G20 Debt Service Suspension Initiative (DSSI) aims to provide temporary debt service relief to developing and most fragile countries which have weak healthcare systems and underdeveloped domestic capital markets. The initiative is an opportunity for a temporary relief in the light of the pandemic. The DSSI calls on official creditors for a time-bound suspension of public sector long-term external debt repayments, upon request from the borrower.

Ghana is a highly indebted country with debt-to-GDP ratio of about 65% and more than a third of government revenues going into interest payments. This leaves not much for national development, not to talk about the increased cost of the pandemic on the economy. The level and outlook of debt is dependent on national revenues that ultimately underwrites all Government debts. The relief from the DSSI would, therefore, provide liquidity space for the government if it opts for the initiative where proceeds of funds are to be used for immediate liquidity needs arising from the COVID-19 pandemic.

However, Ghana's heavy indebtedness to private creditors which charge interest at commercial rates has the potential to reduce the country's benefits from this initiative as these creditors are not bound by the Initiative. Ghana owes about 50% of its debts to these private creditors and particularly, the Euro Sovereign bond, with debt repayments outside the G20 Debt Service Suspension Initiative (DSSI) amount to about $1,132million (GHS 6.45billion).

In spite of all these sources of funding the financing gap, the government still anticipates a fiscal deficit of 6.6% of revised GDP and a primary balance deficit of 1.1% of rebased GDP.

5.0 Conclusion and Recommendations

Ghana needs a lot of funds to successfully address the pandemic and its accompanying economic challenges and programmes. The shortfalls in petroleum receipts, import duties and other tax revenues, cost of the preparedness plan and the cost of the CAP estimated at GHS 9,505 million (2.5% of revised GDP) are a testimony to this. It is, therefore, recommended that the government explores innovative ways of raising domestic revenues by instituting bold measures to reform the tax system and raise more tax revenues. We recommend that the taxes that were scrapped as "nuisance taxes" be reinstated as it is very clear that the government needs these taxes back to help it address the economic challenges of the COVID pandemic. The government needs to raise the corporate tax and the marginal tax rates to 30% as was the case in the 1990s as the pandemic now presents a golden opportunity for the government to do this without the fear of political backlash. Furthermore, the government needs to tighten and enforce the tax laws with regards to benefits in kind for public servants, including accommodation, vehicle, driver and fuel usage as well as entertainment, end of service benefits, among others, which affect only a few but well-off individuals in the country.

Moreover, a number of persons in business who are not registered with the GRA and not paying taxes are all of a sudden showing up at the GRA offices to register for the Taxpayer Identification Number (TIN) in order to benefit from the stimulus package that the government has promised. This is the time the GRA should take serious steps to capture these people into the tax net. Finally, it is hard time the government turns attention to property taxation as it is a huge source of tax revenues. The payment of rent tax and capital gains tax has been largely shelved by the GRA, allegedly due to the challenges involved in their collection. The government needs to make the GRA take up the levying of these taxes more seriously.

Tax administration reforms need to be tackled more vigorously by clamping down on corrupt officials and taxpayers and snub politicians who interfere with tax administration as well as the use of technology in the tax system. More effort should be used to reduce face-to-face interactions between tax officials and taxpayers. Tax concessions, exemptions and waivers which have been a drain on the country's tax revenues require urgent action by the government, especially in the face of the pandemic by acting on the pending Bill that seeks to address this problem.

The decision to draw down on the Ghana Stabilisation Fund (GSF) and the Ghana Heritage Fund GHF should have involved a request to Parliament to use the specific amounts rather than asking for an amendment of the Petroleum Revenue Management Act (PRMA) making it a permanent change. In fact, the money, especially the funds from the GHF, should have been treated as a loan to be repaid when the situation improves. We, therefore, recommend that this situation be rectified. We, however, support the reduction of the Net Carried and Participating Interest due Ghana National Petroleum Corporation (GNPC) from 30% to 15%, because the institution seems to have too much money which it uses the way it wants without approval by Parliament.

Ghana has received or arranged to receive various forms of assistance from the African Development Bank, the IMF, the World Bank, the European Union, among others, to help in its fight against the coronavirus and its accompanying challenges. The TJC – Ghana can only call for transparency, accountability, efficiency and effectiveness in how the funds are utilised. This is necessary not only to avoid disturbing the country's development agenda but also to ensure the citizens' trust in the government.

In view of the various sources of support the government has received and used, the TJC - Ghana recommends that the government puts a hold on the downward adjustment of expenditures on “Goods & Services” and “Capital Expenditure” (Capex).The downward review will be worsened by the government’s proposal to realign the Statutory Funds towards expenditures that tend to mitigate the impact of the pandemic. For example, the government had earlier drastically reduced the MMDAs’ ability to manipulate the District Assemblies Common Fund (DACF) by dictating to them how to utilise the proceeds of the Fund.

The government should rather re-examine the proposed expenditures more critically and avoid making promises that it cannot or will not fulfil at a serious cost to the country. Virtually every group of businesses or even individuals are asking for one form of support or the other. The TJC-Ghana, therefore, calls on the government to put political expediency aside and adopt a realistic targeting strategy for the granting of such support if it is really necessary. Finally, efficiency in expenditures should be the guiding principle.

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