



MINISTRY OF FINANCE

STATEMENT TO PARLIAMENT

ON

ECONOMIC IMPACT OF THE COVID-19 PANDEMIC ON THE ECONOMY OF GHANA

MONDAY, 30TH MARCH, 2020

SUBMITTED BY

KEN OFORI-ATTA
MINISTER FOR FINANCE



A. INTRODUCTION

1. Right Hon. Speaker and Honourable Members of Parliament, I appear before you today to provide an update to you and the people of Ghana on the economic impact of the Coronavirus Disease 2019 (in short, COVID-19) pandemic on the economy of Ghana and measures the government is taking to mitigate the impact.
2. Mr. Speaker, you recall that when I appeared in this August House on Tuesday, 17th March 2020 to answer questions on the cost of printing the new GHS100 and GHS200 notes as well as on monies transferred from the Ghana Stabilisation Fund into the Sinking Fund in recent years, I used the opportunity to provide a brief update on the fiscal impact of the Coronavirus on the economy. I indicated then that I will come back to the House to provide a more detailed update on the macro-fiscal impact and the measures that Government is taking to mitigate the impact and, at the right time, seek for the necessary parliamentary approvals.
3. Mr. Speaker, last Friday night, in his fourth address to update the people on the country's responses to the Coronavirus pandemic, President Nana Addo Dankwa Akufo-Addo directed the Finance Minister to prepare for approval by Parliament, a Coronavirus Alleviation Programme (CAP) to address the disruption in economic activities, the hardship of our people, and to rescue and revitalize our industries.
4. Mr Speaker, this is in line with achieving the five (5) key objectives the President has set out to combat the pandemic in Ghana —
 - a. limit and stop the importation of the virus;
 - b. contain its spread;
 - c. provide adequate care for the sick;
 - d. limit the impact of the virus on social and economic life and;
 - e. inspire the expansion of our domestic capability and deepen our self-reliance.
5. Mr. Speaker, since the outbreak of the novel coronavirus in Wuhan, China, in late 2019, the virus has been spreading very fast around the globe and more recently in Africa. It is affecting some 199 countries and territories around the world. The World Health Organisation (WHO) declared the novel coronavirus a global pandemic on March 11 —just 20 days ago. On that day, there were 4,500 new cases across the world, with only six in Africa. Cumulative confirmed cases worldwide was 118,400. Ghana recorded its first case the following day, March 12.

Figure 1: Confirmed COVID-19 Cases in Ghana

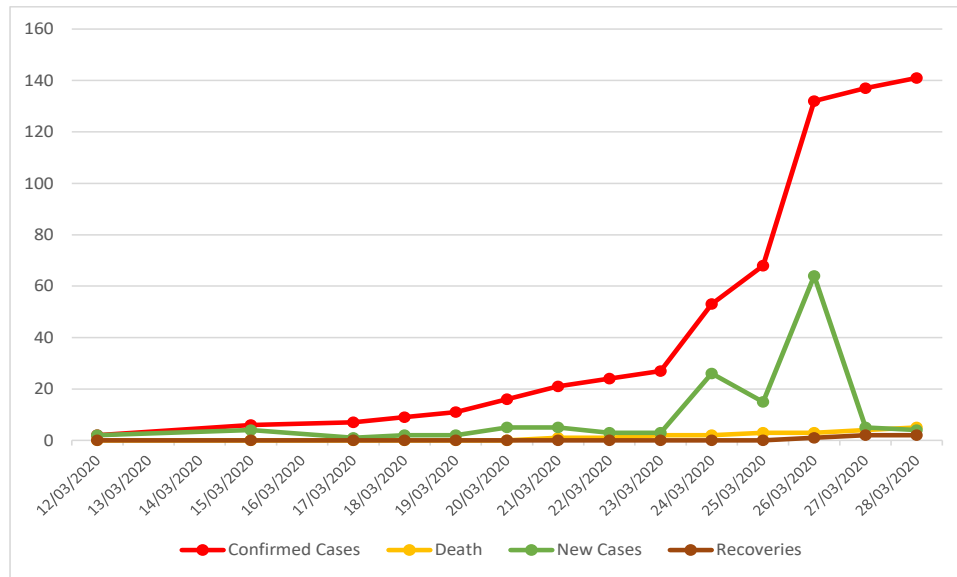


Table 1: Confirmed COVID-19 Cases in Ghana

Date	Confirmed Cases	New Cases	Deaths	Recoveries	% Increase of Confirmed Cases	Total % Increase of Confirmed Cases Since 12/03/2020
12/03/2020	2	2	-	-	-	-
15/03/2020	6	4	-	-	200.0	200.0
17/03/2020	7	1	-	-	16.7	250.0
18/03/2020	9	2	-	-	28.6	350.0
19/03/2020	11	2	-	-	22.2	450.0
20/03/2020	16	5	-	-	45.5	700.0
21/03/2020	21	5	1	-	31.3	950.0
22/03/2020	24	3	-	-	14.3	1,100.0
23/03/2020	27	3	2	-	12.5	1,250.0
24/03/2020	53	26	-	-	96.3	2,550.0
25/03/2020	68	15	3	-	28.3	3,300.0
26/03/2020	132	64	-	1	94.1	6,500.0
27/03/2020	137	5	4	2	3.8	6,750.0
28/03/2020	141	4	5	-	2.9	6,950.0

NSCS ANALYSIS UNIT

- Mr Speaker, as at Monday, 30th March, 2020, 8:37 GMT, the Coronavirus Worldometer shows that the number of infected cases globally was 724,436 with 34,009 recorded deaths, and 152,065 recovered patients. In

Ghana, the number of infected cases is 152 with 5 deaths and 2 recoveries.

7. Mr. Speaker, the disastrous impact of the coronavirus pandemic is already biting hard across the world. More than 65% of the global economy is under some form of lockdown or quarantine, and this will weigh heavily on economic activity in each and every country, with or without high rates of infection.
8. There is an imminent threat of a global recession arising from the Coronavirus pandemic, the extent of which is yet to be determined. But to what extent may be dependent on the measures we take today.
9. Mr. Speaker, in the case of Ghana, even though experts agree we are yet to reach our peak, preliminary analysis of the macro-fiscal impact of the pandemic shows that there is likely to be a significant slowdown in our 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.
10. Mr Speaker, the two main areas driving the bulk of economic activities in Ghana, namely, the Greater Accra and Greater Kumasi areas, are also the very places mainly hit by the virus. From this dawn, these two centres of economic activity have been on a partial lockdown and will remain so for the next two weeks.
11. Mr Speaker, never before, in the history of the Fourth Republic, had the entire Ghanaian economy and society experienced such severe external shock by a single imported situation such as this. Certainly, never before, since Independence, has the Ghanaian economy faced such a sudden, dramatic all-round reduction in widespread consumer and corporate demand as a result of a single health crisis. The situation is not home-made. But, as the President said in one of his addresses to the nation since the coronavirus outbreak, “our survival is in our hands.”
12. Mr Speaker, its impact affects every Ghanaian either directly or indirectly; from the toddler who cannot attend nursery, to the grandmother who is compelled to stay away from her own close family members; from the employer, who sees demand dropping dramatically, to the employee, whose job and income are at risk. From big companies, drilling our oil offshore to the farmer, planting corn in the Afram Plains, and the street hawker, selling finished products on the streets of our big cities. The self-employed, especially, the hairdresser, the barber, the carpenter, the trader, the builder, the dressmaker, the musician, the *trotro* or taxi driver, the *kayayie*, are all already feeling the pinch from this global pandemic.

13. Mr Speaker, the virus does not discriminate, it is attacking big and small businesses, big and small, and they will be convalescing for I believe another two years unless our interventions are bold. Covid-19 is particularly damaging to SMEs because most of these businesses rely on social interaction, like hotels, restaurants, drinking bars, chop bars, small retail shops, hairdressers, barbers, builders, musicians, taxi drivers, *Kayayjies*, and street hawkers.
14. Mr. Speaker, President Nana Addo Dankwa Akufo-Addo has introduced various measures to contain the coronavirus. The Bank of Ghana has announced a number of measures, including a 150 basis points drop in the policy rate to 14% and a reduction in the required reserve requirement from 10% to 8%, to mitigate the impact of COVID-19. I am here today to update the House on the potential economic impact of the coronavirus on the economy and the measures government is taking to mitigate the impact.
15. Mr. Speaker, the update will focus on:
 - a. potential impact of the **COVID-19** on the global economy;
 - b. potential impact on the economy of Ghana;
 - c. Fiscal impact of the **COVID-19** on the 2020 Budget; and
 - d. Measures being taken, in some cases being proposed, to mitigate the impact of **COVID-19** on households, businesses, and government.

B. ECONOMIC IMPACT OF THE COVID-19 PANDEMIC ON THE GLOBAL ECONOMY

16. Mr. Speaker, international research institutions and multilateral organisations including the IMF, the World Bank, the UNECA, the Economic Intelligence Unit, and Fitch Solutions are all projecting significant slowdown of global GDP growth with most predicting a recession or a severe economic contraction.
17. Though the IMF had indicated earlier in March 2020 that the impact of the COVID-19 on global growth is difficult to predict, the IMF is certain that 2020 growth will slow down significantly from the projected 3.3% to rates far below the 2019 outturn of 2.9%. The UNECA predicts that the Africa

2020 projected GDP growth will drop by 1.4 percentage points from 3.2% to 1.8 % as a result of the coronavirus. The World Bank estimates that a 1% decline in developing country growth rates traps an additional 20 million people into poverty. Mr. speaker, given that Mainland China is a major economy, a manufacturing hub, and a major supplier to the global economy, the COVID-19 outbreak in China has posed a major destabilizing threat to the global economy. China is the world's second-largest economy and a leading trading nation. China today is significantly larger (17% of global GDP and nearly 30% of global GDP growth) compared to 2003 (4% of global GDP) and plays a major role in global supply chain and trade.

18. Mr. Speaker, the Coronavirus pandemic is impacting the global economy through at least the following channels:
 - i. disruptions in global supply chains with drops in value creation and delays in shipments of major goods and services;
 - ii. widespread supply shortages (including food, pharmaceutical, and manufactured goods) and attendant huge price increases;
 - iii. slowdown in investments and mass lay-off of workers further dampening economic activity;
 - iv. unprecedented volatility and collapse of stock markets which are already recording all time low indices;
 - v. tighter global financing conditions despite interventions through monetary policy to cut interest rates;
 - vi. decline in the international price of crude oil with significant revenue loss to oil exporting countries;
 - vii. decline in tourism, resulting from border closures, fewer international trips, cancellation of cruise line, airline suspensions, and cancellation of regional and global events;
 - viii. decline in remittances;
 - ix. significant job losses for businesses big and small;
 - x. unanticipated increases in health spending; and
 - xi. higher public debt burden.

19. Mr. Speaker, the global response to the pandemic has been swift with a mixture of monetary and fiscal policy responses. Central Banks have cut interest rates, making more funds available to both private and public sectors, while Finance Ministries are providing fiscal stimulus packages to mitigate the impact of the pandemic. Multilateral institutions are also providing support through rapid disbursements instruments. Mr. Speaker, the World Bank on 3rd March 2020 launched a US\$12 billion Fast Track Facility to support low income countries' preparedness and for the strengthening of health systems and emergency response capacity to the COVID-19 in low income countries. This amount has since been increased to US\$14 billion. The IMF also announced on 4th March 2020, a US\$50bn support to help address Coronavirus. US\$10 billion of this amount is to be accessed by low income countries through the Rapid Credit Facility.

C. POTENTIAL IMPACT OF THE COVID-19 PANDEMIC ON THE ECONOMY OF GHANA

20. Mr. Speaker, I will now present the potential impact of the COVID-19 pandemic on the economy of Ghana.
21. Mr. Speaker before that I will provide the House with an update on the COVID-19 statistics in Ghana as at today, Monday, 30th March, 2020 as follows:
- a. The number of coronavirus cases is 152
 - b. The number of deaths is 5
 - c. The number of recovered cases is 2
 - d. Number of active cases is 145
 - e. Total number deaths per 1 million population is 0.2
22. Mr. Speaker, President Akufo-Addo has outlined five (5) key objectives Government seeks to achieve in the fight against the Pandemic – limit and stop the importation of the virus; contain its spread; provide adequate care for the sick; limit the impact of the virus on social and economic life; and inspire the expansion of our domestic capability and deepen our self-reliance.
23. The President has, accordingly, announced a number of measures to control the spread of the disease in Ghana. These measures include partial lock-downs in the Accra-Tema-Kasoa and Kumasi Metropolitan

areas, 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.

24. The socio-economic impact of the COVID-19 on the economy of Ghana is by direct and indirect routes:

a) Directly through the effects of the disease on production, trade and investment within Ghana and between Ghana and the rest of the world (especially China, Europe and the United States), on global commodity (crude oil, gold, and cocoa) prices, on tourist flows, on fiscal stance, and on human life, especially the health and life of the most vulnerable; and

b) Indirectly through the slowing of global economic growth, supply chain disruptions, and by extension, the negative impact on Ghana's own growth.

25. Mr Speaker, after successfully completing a four-year IMF ECF Programme in April 2019 and implementing, since 2017, a well-thought out home grown programme by abolishing nuisance taxes and enhancing production and rolling a number of interventions such the Senior High School Programme, The Planting for Food Programme, the ID IF Programme and the Financial Sector Restructuring Programme; thereafter, Ghana returned to a path of sustainable economic growth with economic indicators returning to a positive trajectory. If not contained both globally and domestically, the COVID-19 could have a devastating impact on Ghana's economy, despite the gains made these last three years.

26. Mr Speaker, permit me to elaborate on some of the main potential impacts of the virus on the economy of Ghana.

a. **Impact on the Hospitality Industry:** the global trend in the cancellation of flights, closure of borders (land, sea and air), and the need to maintain social distancing, including the ban on public gatherings, are having huge negative impacts on economic activities in the hospitality industry. Among the worst hit are hotels, airline business, tourist sites and attractions, and car rental services. Hotel occupancy rates are down from 70% to under 30% and staff are being sent home. Even before the impact of the current lockdown, restaurants were already experiencing an average drop in patronage of 60%. Scheduled international conferences in Ghana cancelled, include the 4th African Union

Specialized Technical Committee (STC) on Finance, Monetary Affairs, Economic Planning and Integration meeting and the G24 Technical meetings, which were programmed in early March 2020, resulted in a loss of 1000 combined participants and therefore a loss in 1000 hotel beds!. Transportation services have been among the worst hit due to social distancing, closure of schools, and ban on public gatherings.

- b. **Impact on Investments:** Mr Speaker, programmed Foreign Direct Investment (FDI) flows in 2020 have slowed down due to uncertainties surrounding the effect of the COVID-19. Foreign investors are not able to arrive into the country to transact or even undertake feasibility studies as a result of the closure of most borders of countries including Ghana's and, in many cases, restrictions imposed in their own countries of origin.
- c. **Impact on Trade and Industry:** Mr. Speaker, trade 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. We are also observing reduced arrival of containers at the ports by at least a third, resulting in reduction in import duties. Reductions in imported intermediate goods could significantly slowdown manufacturing activities in Ghana. Reductions in imports of goods and services is, however, expected to reduce the demand for forex for importation of goods and services. This has a favourable impact on foreign exchange volatility and on our net international reserves. It also provides opportunities for import substitution, thereby, enhancing local production of goods and services.
- d. **Impact on the Agriculture:** Mr Speaker, though the impact on agriculture may not be severe, since agriculture does not require significant imported intermediate goods, growth could still be a slow-down as a result of disruptions in the supply chain and lower demand activities. Disruptions could limit farmers' access to inputs, such as seeds, fertilizers and insecticides, uncertainty and fear could negatively impact planting decisions; and also a reduction in the volume of main agricultural exports, as a result of the general

downturn in global economic activity due to the pandemic. General shortage in food supply is anticipated if the pandemic intensifies. This could lead to inflation in food prices, especially rice, bread, poultry and other meat products, vegetables, sugar and other commodities.

- e. **Mr Speaker, the picture is grim. However, as the President has stressed,** the COVID-19 pandemic presents an opportunity to boost domestic production and consumption of some food commodities, such as rice, maize, cassava, yam and chicken. The plan is for Ghana to use the opportunity to increase the production and export of commodities for which the country has comparative advantage in to trade within the West African region, among countries that have not closed their borders to cargo.

- f. ***Impact on Commodity Prices:*** Mr. Speaker, since the outbreak of the coronavirus, we have observed a significant decline in the international price of crude oil as result of fall in demand (especially China). Crude oil prices have declined from US\$63.21 a barrel in November 2019 to US\$22.9 per barrel as at 30th March 2020. The sharp decline in crude oil prices will result in significant shortfalls in petroleum revenue for the 2020 fiscal year. Consumers of petroleum products across Ghana are, however, likely to benefit from the decline in international price of crude oil as the ex-pump price of petroleum is likely to reduce. The increased demand for Gold as a safe haven as a result of the virus outbreak will likely impact positively on the balance of payments and receipts from mineral royalties. Gold prices have increased from US\$1,479/toz in December 2019 to US\$1,621.6/toz, an increase of 9.6% as at 30th March 2020. We have also seen a decline in cocoa prices from US\$2,440 MT in December 2019 to US\$2,253 MT as at 30th March, 2020

- g. ***Impact on Exchange Rates:*** Mr. Speaker, the slump in import volumes and values will likely reduce the demand for forex for such imports, which may have favourable impact on foreign exchange volatility. On the other hand, reduction in exports from Ghana and investor capital flight could adversely affect the exchange rate volatility. The jury is still out as to whether all these will result in a

net gain for Ghana.

- h. ***Impact on the Financial Sector and Financing Conditions:*** Mr Speaker, the Coronavirus pandemic has led to tight financing conditions both in the global and domestic financial markets. The 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) and containment measures such as social distancing may lead to reduced productivity and job losses. COVID 19 has also sparked off capital flight as a result of related bearish emerging market sentiments and given the high proportion (about 25%) of local bonds held by non-resident investors. We are seeing an increase in demand for dollars which could impact negatively on foreign reserves. Ghana's successful and timely raising of US\$3bn from the Eurobond market in early February this year has been extremely, may I say, divinely helpful and provided us with the needed buffer to anchor the cedi. However, in these apocalyptic times, we must do all we can to conserve and preserve our foreign exchange reserves.
- i. ***Impact on GDP Growth:*** Mr Speaker, the reason why every single person in this country must exercise the highest level of self-discipline is evidently clear in the economic numbers. The greater the level of self-discipline and civic responsibility we maintain in observing the enhanced protocols in hygiene and social distancing, the greater chances we have in avoiding mass job losses and its concomitant hardships. Already, Mr Speaker, we are experiencing slowdown in economic activities in the various sectors of the economy, as a result of the coronavirus pandemic. This will altogether slowdown economic growth, considerably. Even though events on the coronavirus pandemic are still unfolding, a preliminary analysis of the impact of the Coronavirus 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. Mr. Speaker, the projected growth will further worsen in the event of full lock-down.

D. FISCAL IMPACT ANALYSIS OF COVID-19 PANDEMIC

27. Mr. Speaker, I will now provide an update to honourable members and the people of Ghana on the potential fiscal impact of the coronavirus pandemic on the 2020 Budget. Even though events are still unfolding, preliminary analysis undertaken at the Ministry of Finance shows that the novel coronavirus pandemic will result in:
- a. significant shortfalls in petroleum receipts;
 - b. shortfalls in import duties;
 - c. shortfall in other tax revenues;
 - d. increased health- related expenditures; and
 - e. tight financing conditions.
28. Mr Speaker, these will negatively impact the fiscal stance for 2020.

Shortfalls in Petroleum Receipts

29. Mr Speaker, Government programmed a crude oil price of US\$62.60 per barrel for the 2020 Budget, consistent with the PRMA (Act 815). Global crude oil price has, however, declined significantly since the outbreak of the coronavirus. As at 30th March 2020, crude oil prices (Brent) were down to US\$22.9 per barrel from the December 2019 price of US\$65.9 per barrel. Preliminary analysis shows that at an average crude oil price of US\$30 per barrel for year 2020, Government will register a shortfall in crude oil receipts amounting to GH¢5,679 million.
30. Mr. Speaker, the corresponding projected shortfall in Annual Budget Funding Amount (ABFA) is GH¢3,526 million; while shortfalls in the Ghana Stabilisation Fund and the Ghana Heritage Fund are GH¢1,058 million and GH¢453 million, respectively. Projected shortfalls in transfers to GNPC is GH¢642million.

Shortfalls in Tax Revenues

31. Mr Speaker, the anticipated decline in import volumes and values, as well as the slowdown in economic activities, will lead to shortfalls in both import duties and other tax revenues.

32. Based on the performance of import duties to date, as well as assumptions on projected decline in import volumes and values, preliminary analysis shows that import duties will fall short of target by GH¢808 million for the 2020 fiscal year. Similarly, the projected slowdown in non-oil GDP as result of the coronavirus pandemic is expected to result in shortfalls in tax revenues (excluding oil tax revenues and import duties) amounting to GH¢1,446 million, bringing the total estimated shortfall in non-oil tax revenues to GH¢2,254 million.

Increased Health Expenditures (Cost of Preparedness & Response Plan)

33. Mr. Speaker, the Ministry of Finance has been working with the Ministry of Health to cost the National Preparedness and Response Plan prepared by the Ministry of Health and the World Bank. The Preparedness plan seeks to, among others, enable early detection and effectively manage and contain a COVID-19 outbreak in Ghana.

34. The initial cost of programmes and activities under the COVID-19 Preparedness and Response Plan is about GH¢572 million (US\$100 million).

35. Mr. Speaker, more specifically, the plan seeks to:

- strengthen coordination of the overall preparedness activities;
- strengthen capacity of regions, priority health facilities and points of entry to prevent, 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.

36. Mr. Speaker, as announced by President Nana Akufo-Addo on March 11, 2020, during his first broadcast on the coronavirus pandemic, Government has earmarked the cedi equivalent of US\$100 million for the fight against

COVID-19. Contrary to views of some sceptics that the money is not available, I wish to assure you that the money has been secured and is available to be disbursed in accordance with our public financial management procedures and rules. Indeed, from day one, Government has not stopped spending in the fight against Covid-19.

Coronavirus Alleviation Programme

37. Mr. Speaker, the President's instructions to his Economic Management Team is clear: how to reduce the accumulation of economic scar tissue from this disease. The President is determined to cushion the economic and social difficulties this coronavirus is visiting on Ghanaian businesses and people. Our task, therefore, is to minimize the huge threat of job losses and the impact of job losses. The President and his team are thinking outside the box to ensure that the principles of fiscal discipline are not jettisoned and, yet, still ensuring that people have money to spend. Our plan is to ensure that essential public investments are not mightily compromised; whiles, at the same time, enabling significant increase in spending on health. Beyond that, Government is committed to using this unprecedented challenge to our economy and society as rather an opportunity to fast-track even more our agenda to industrialize and become self-reliant.
38. Mr. Speaker, that is why, to mitigate the impact of the coronavirus on businesses and households and ensure that economic activities are sustained, whiles minimizing job losses, the President on Friday, March 27, 2020, announced the establishment of a Coronavirus Alleviation Programme (CAP). The Ministry of Finance will immediately release an amount of One Billion Ghana Cedis upon approval by Parliament. The Ministry is proposing to use the equivalent of USD219 Million from the Stabilization Fund. The CAP will focus on areas that will provide maximum results in alleviating the impact of the coronavirus pandemic with a focus on protecting against job losses, protecting livelihoods, supporting small businesses, and ensuring the programme is efficiently and sustainably implemented. The CAP will seek additional funding for the following purposes; promotion of selected industries to shore up production for export and import substitution, to support SMEs and create jobs, to partner with Pension Funds and Insurance Funds to create guarantees and first loss instruments.
39. Mr Speaker, my duty, as Finance Minister, is to begin, speedily and responsibly, the process of disbursing the funds, immediately the amount is approved by this House. Targeted businesses and households will include those in the health sector, education sector, hospitality industry,

SMEs, and households hard hit by the Coronavirus. The specific details of the CAP and the instruments to allocate the resources will be fashioned out shortly.

Fiscal Impact of the Coronavirus Pandemic

40. Mr. Speaker, the total estimated fiscal impact from the shortfall in petroleum receipts, shortfall import duties, shortfall in other tax revenues, the cost of the preparedness plan, and the cost of Coronavirus Alleviation Programme is GH¢9,505 million (2.5% of revised GDP).
41. Mr. Speaker, a recalibration of the 2020 Fiscal Framework underpinning the approved 2020 Budget to reflect the fiscal impact of the coronavirus, as outlined above, without incorporating measures, shows that the overall fiscal deficit will increase from the programmed GH¢18.9 billion (4.7% of GDP) to GH¢30.2 billion (7.8% of revised GDP). The primary balance will correspondingly worsen from a surplus of GH¢2,811 billion (0.7% of GDP) to a deficit of GH¢5.6 billion (1.4% of GDP).
42. Mr. Speaker, measures are, therefore, required to close the fiscal gap of GH¢11.4 billion (2.9% of revised GDP).

E. PROPOSED FISCAL MEASURES TO MITIGATE THE IMPACT OF CORONAVIRUS PANDEMIC

43. Mr. Speaker, as the President reminded us last Friday night, we know how to bring the economy back to life – every Ghanaian knows this from our performance over the last three years. But, what we do not know is how to bring people back to life. We shall therefore spread every sinew to support our households and revitalize our industries and services. The Ministry, Mr. Speaker, has moved very quickly to engage our development partners to very good effect.
44. Mr. Speaker, with your permission, I will now update the House on measures Government is proposing to close the fiscal gap. Since we are faced with extraordinary circumstances which require extraordinary measures, we would like to propose the following measures for the consideration and support of the House:
 - a. 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 (PRMA). This measure will enable the excess amount in the GSF account over the US\$100 million cap to be transferred into the Contingency Fund, consistent with Section 23 (4) of the PRMA. The amount transferred into the Contingency Fund will be used to fund the Coronavirus Alleviation Programme (CAP). Through this process, an estimated **GH¢1,250 million** will be transferred into the Contingency Fund to Fund the CAP. Mr. Speaker, we therefore wish to seek approval from this August House for the Finance Minister to use the Funds which will be available in the Contingency Fund to fund the Coronavirus Alleviation Programme.

- b. Arrange with BOG to defer interest payments on non-marketable instruments estimated at **GH¢1,222.8 million** to 2022 and beyond;
- c. Adjust expenditures on Goods & Services and Capex downwards by **GH¢1,248 million**;
- d. Secure the World Bank DPO of **GH¢1,716 million**;
- e. Secure the IMF Rapid Credit Facility of **GH¢3,145 million**;
- f. Reduce the proportion of Net Carried and Participating Interest due GNPC from **30% to 15%**;
- g. Amend the PRMA to allow a withdrawal from the Ghana Heritage Fund to undertake urgent expenditures in relation to the Coronavirus pandemic. There is an estimated **US\$591.1 million** in the Ghana Heritage Fund.

45. Mr. Speaker, reflecting the above fiscal measures in the fiscal framework, the results in a fiscal deficit of 6.6% of revised GDP. The corresponding primary balance is a deficit of 1.1% of rebased GDP.

46. Mr. Speaker it is clear that, even after reflecting the proposed measures, the resulting fiscal deficit as a percentage of GDP is in excess of the 5% threshold stipulated by the Fiscal Responsibility Act, 2018 (Act 982). In addition, the primary balance is a deficit equivalent to 1.1% of GDP contrary to the positive balance prescribed by the Fiscal Responsibility Act.

47. The extraordinary circumstances posed by the novel coronavirus pandemic (a health epidemic) with significant impact on the macro-fiscal

operations of Government certainly has implications on the fiscal rules as outlined in the Fiscal Responsibility law. Mr. Speaker we will continue to monitor the fiscal situation and take responsible and appropriate decision in due course.

F. OTHER FISCAL MEASURES TO MITIGATE THE IMPACT OF CORONA VIRUS PANDEMIC

48. Mr Speaker, following consultation by the Minister for Finance with key stakeholders, in discussion with Cabinet and the directives of His Excellency, The President, the following additional measures are being pursued to mitigate the impact of the coronavirus pandemic:
- a. His Excellency, the President has established a COVID-19 Fund, to be managed by an independent board of trustees, chaired by former Chief Justice, Sophia Akuffo, to receive contributions and donations from the public to support the CAP and to assist in the welfare of the needy and the vulnerable.
 - b. Realignment of Statutory Funds towards expenditures that tend to mitigate the impact of the coronavirus pandemic (sanitation and health related expenditures) and limiting the award of new contracts whiles focusing on the payment of arrears;
 - c. amendment of the Bank of Ghana Act to allow for government borrowing from BOG beyond the stimulated threshold in the Act in the event of tight domestic financing market conditions;
 - d. the Bank of Ghana and the Ministry of Finance have engaged the Commercial Banks to discuss their support to the private sector to mitigate the impact of the Coronavirus pandemic. The support includes:
 - i. a syndication facility of GH¢3 billion to support industry especially in the pharmaceutical, hospitality, service and manufacturing sectors, as mentioned by His Excellency the President;
 - ii. granting of six-month moratorium of principal repayments for selected businesses;
 - iii. reduction of interest rates priced-off the Ghana Reference Rate (GRR) by 200 basis points (2% per annum);

- e. Mr. Speaker, we will call on the pension funds and other assets managers and investors to follow the lead of the Banks to support by accepting a 200 bps reduction on short term instruments including T-bills and 364-day paper. This should reduce government expenditure on interest expense by over GHS300 million to help close the fiscal gap.
- f. The MoF paid GH¢300 million to NHIA on Friday 27th March 2020 as part of measures to provide liquidity to Health Care providers and the pharmaceutical industry. In addition, the Government arranged Life and Sickness Insurance for our Health Care Professionals on the front line of the Health Care Pandemic.
- g. Engaging the Telcos to reduce the cost of data and telecommunication services to households and small businesses;
- h. The Ghana Revenue Authority will provide some reliefs to businesses and households including:
 - i. extension of due dates for filling of taxes from 4 months to 6 months after the end of the basis year;
 - ii. tax payers encouraged to pay their taxes by bank transfers;
 - iii. grant a remission of penalties on principal debts to Tax payers who redeem, their outstanding debts due GRA up to 30th June 2020;
 - iv. wave VAT on donations of stock of equipment and goods for fighting the Covid-19 Pandemic;
 - v. wave taxes on selected Third-Tier Pension withdrawals; and
 - vi. permit the deduction of contributions and donations towards COVID-19 as allowable expense for tax purposes.
- i. Mr. Speaker, I am working with other colleague Finance Ministers in Africa and the Executive Secretary of the UNECA in Addis Ababa to drive an international agenda to attract more funding and debt relief from Multilateral/Bilateral partners and other relevant stakeholders in Africa.

G. CONCLUSION

49. Right Honourable Speaker, I urge this Honourable House and the good people of Ghana to remain steadfast despite the current challenging situation we find ourselves in today as a result of the COVID-19 menace. As echoed by His Excellency the President, let us all practice the official preventive measures that have been outlined by our professionals including:
- a. social distancing of at least 1 meter;
 - b. frequent washing of hands with soap under running for at least 20 seconds;
 - c. frequent use of alcohol-based hand sanitizers;
 - d. avoid touching of face and shaking of hands; and
50. Mr Speaker, Ghana's medium term prospects are very bright as it is supported by strong activity in the extractive industry (oil, gold, and bauxite), a safer and more resilient banking system, prudent macroeconomic policy stance, rapid infrastructure and oil sector investment, an improving environment for our private sector, and being a favourable destination for FDI with strong potential for becoming a hub for business, aviation, education, financial sector and the Head Quarters of the African Continental Free Trade Authority, among others.
51. Mr. Speaker, in addition to our human efforts this is the time to strengthen our faith in the almighty God and call on Him through prayers and fasting for His intervention to completely eradicate this pandemic on the face of the earth. For it is said in 2nd Chronicles 7: 14 that *"if my people which are called by my name will humble themselves and pray I will heal their land"*. Likewise, the almighty Allah has said in the Quran 65:7 that *".....Allah puts no burden on any person beyond what He has given him. After a difficulty, Allah will soon grant relief"*. We shall surely overcome, in sha Allah.
52. Mr. Speaker, Government fortunately has a partnership agreement between the State and Faith - Based Organizations, and also with Labour and Employers. The present danger calls for re-invigoration of our partnership agreements. These partnerships should bring safety and nourishment to our people. Most of us can testify that at the most difficult moments of our life, faith in God has enabled us to rise to the challenge. We are most grateful for the overwhelming support that our religious leaders have given to the fight against COVID -19. Could we take our partnership with Faith Based Organizations a step further, where the

houses of worship become living sanctuaries for the nurturing and healing of our people. Government will provide support to the faith based organisations as they nourish their flock.

53. Mr. Speaker, let me take the opportunity to reassure this House and the people of Ghana of the Government's unwavering resolve to tackle this pandemic. We are focused on mobilizing the needed resources and making the commitment to protect the lives and livelihoods of Ghanaians.
54. We will do whatever it takes to contain the pandemic and reduce its impact on our people and the economy. Let us not waste this crisis. Let us make long lasting and needed changes to transform our economy and our attitude.
55. I believe the President has demonstrated this resolve in taking very decisive measures. On my part, I am exploring all available opportunities to ensure minimum impact on the economy. We will empower our institutions to address the needs of our people. We will make a determined effort to reach out to the most vulnerable in our society and ensure that they receive assistance.
56. Mr. Speaker, we want to also appeal to our compatriots who are in a position to assist to reach out and give. This is also a test of not just our resolve but also our humanity. Yesterday, the President inaugurated the Covid-19 Fund, to be managed by an independent board of trustees, chaired by former Chief Justice Sophia Akuffo, to receive contributions and donations from the public to assist in the welfare of the needy and the vulnerable. Let's all pitch in and offer assistance to those who will require help.
57. We hope and pray that this pandemic will pass quickly so we can go back to our normal lives and continue with the transformation agenda of improving lives and pushing Ghana Beyond Aid.
58. Mr. Speaker, we are committed to providing the relief and resources to the Ghanaian people and businesses to allow us overcome this pandemic. We all need to make some sacrifices, especially to our personal freedom in our fight against this coronavirus menace.
59. Mr Speaker, the virus thrives on indecision and complacency. But, it fails where responsible leadership triumphs and with this I mean leadership at every level, not just from the President, not just from this August House, but from all of us as Ghanaians —leadership from Government, leadership at work, from both employers and employees, and at home, from young and old. We are all responsible. Every Ghanaian must show leadership in

exercising self-discipline and civic responsibility. That is the only way we can defeat this virus.

60. To all my fellow citizens, as Voltaire said, everyone is guilty of the good he did not do. The Bible in James 4;17, puts it more startling; if anyone knows the good they ought to do and does not do it, it is sin for them.
61. Mr Speaker, the measures that the President has already implemented and the ones being proposed to this House now are aimed to stay the spread and, in many cases, to stay one-step ahead of the pandemic and not to react once it is too late. The President is asking this House to support his efforts to take decisive action today that will ease the impact of this pandemic tomorrow.
62. At this very moment in time, we, in Ghana, are still in the quiet before the potential storm. But, the rate at which it has spread over the last week alone should leave no one in doubt that drastic measures must be taken now. Our actions in the coming hours and days will determine how we weather the storm, how many Ghanaian lives we can save and how far we are willing to go, as leaders, to ease the social and economic impact of this devastating virus on the innocent people of our beloved country. We are being called upon as leaders to act, and to fight together on behalf of the people and for the people. Let us like David be remembered for serving God's purpose in our generation and there is no better time for all of us to get off the pew and to act.
63. We have a collective responsibility to act now to stem what could so easily become a jobs catastrophe as both the supply and demand ends of businesses struggle. We may not know the full health and economic consequences of this pandemic. We may not know when the world will get over it. We may not know when a vaccine may be found. But, what we do know is that we can take steps to protect our people and their livelihoods within the constraints of our fiscal space. Together, and with the help of the Almighty, we shall beat this.
64. Mr. Speaker, by the end of July 2020, by God's grace, when this Pandemic has long left our land, and our land is healing, we when we would have gathered enough information on the coronavirus pandemic and its macro-fiscal impact on the economy, I will come back to this House with a Mid-Year Review of the 2020 Budget on behalf of His Excellency, the President of the Republic.
65. Mr. Speaker, I thank you, the House and fellow Ghanaians for the attention. God Bless our Homeland Ghana.