

# **TRADES UNION CONGRESS (GHANA)**



## **COMMENTS ON THE 2022 BUDGET STATEMENT AND ECONOMIC POLICY**

## **INTRODUCTION**

On Wednesday, 17<sup>th</sup> November, 2021, the Minister for Finance presented the 2022 Budget Statement and Economic Policy to Parliament. Before the Budget was presented in Parliament TUC submitted some proposals to government for consideration. In that submission, we called for ingenuity in the management of the economy. We recommended policies and programmes for economic recovery, job creation, revenue mobilization, and how to reduce the cost of living for a large number of Ghanaians who are suffering from the devastating effects of the Covid-19 pandemic.

As we all know, COVID-19 has considerably impaired the finances of government, destroyed employment and livelihoods, and made life extremely difficult for many Ghanaians. National revenues have fallen far below expenditures leading to rising deficit and debt levels. At the household level, high cost of living, low pay and joblessness have worsened living standards.

We, therefore, expected the 2022 Budget to provide solutions to the multiplicity of problems facing the economy and people of Ghana.

In this statement, we present the outcome of our assessment of the 2022 National Budget.

## **ECONOMIC RECOVERY**

Obviously, there is a strong link between COVID-19 vaccination and economic recovery. We, therefore, call on government to pay greater attention to the vaccination programme and to strive to reach the target of vaccinating 20 million Ghanaians by the end of 2021. We now know that

about 826,000 Ghanaians have received the full dose. This represents just four percent of the target of 20 million. According to the Minister for Finance, government is committed to achieving its vaccination target.

We continue to urge government to ramp up the vaccination programme, given the emergence of new variants and further risks of infections. This will involve procuring more vaccines and making them available to the population. But it will also involve mounting effective educational campaigns to overcome conspiracies leading to vaccine hesitancy.

## **ELECTRONIC TRANSACTION LEVY (E-LEVY) AND OTHER REVENUE MOBILISATION MEASURES**

### **(a) E-LEVY**

As part of the revenue mobilization measures, government seeks to introduce Electronic Transactions Levy (E-Levy). The E-levy has, unsurprisingly, become the high point of the 2022 Budget Statement because of the significant implications the proposed tax has for the economy and for the people of Ghana.

Given the reaction the E-levy has generated in Parliament and among workers, government must begin consultations with all stakeholders, including Parliament, workers, civil society organizations, the telecommunication companies, and money transfer agents. Through such consultations, stakeholders may be able to reach consensus on the rate of the E-levy and the tax-free threshold that will make the E-levy not only *adequate, simple and easy to administer* but, most importantly, *fair and transparent*.

### **(b) TAX EXEMPTION LAW AND PROPERTY TAXES**

According to the Minister for Finance, tax exemption bill will be passed into law and implemented in 2022. In addition, a comprehensive property tax system will commence in January 2022. These are important initiatives that are long overdue. Government has also committed to intensifying the Revenue Assurance and Compliance Enforcement (RACE) initiative to plug revenue leakages, among other initiatives. These are important initiatives that can be supported.

### **(c) EXPENDITURE RATIONALISATION**

On expenditure rationalization, government intends to safeguard the integrity of the payroll system to ensure that only public sector employees properly engaged through approved channels are placed on the Government payroll. In 2022, government will undertake sensitization drive on the Public Financial Management (PFM) Act and Regulations to ensure strict compliance and promote fiscal discipline. The Public Procurement Authority will be tasked to train procurement practitioners in general procurement management. These are good measures but we expect further measures to effectively deal with the malfeasance in public procurement.

### **(d) ABOLITION OF ROAD TOLLS**

Abolition of road tolls has also generated some debate. In addition to all the reasons government offered in the Budget Statement for the scrapping of the road tolls, we consider the tolling system in Ghana as totally unfair. This is especially so when we consider that people living close to the tolled roads (e.g., Ashaiman and Kasoa) are subjected to daily tolls while people who live in relatively rich neighborhoods like East Legon and Airport Residential Area that have some of the excellent road networks in the country do not pay road tolls.

## **THE YOUSTART INITIATIVE**

Among other initiatives, the Minister for Finance announced the establishment of the *YouStart* initiative to create one million jobs through entrepreneurship.

Providing young people with entrepreneurial training and seed capital is important. Equally important is the need to reform the regulatory and tax environment to reduce the burden on businesses. As government prepares to implement the *YouStart* programme, we once again call on government to work with businesses and business associations to identify their challenges and help them to grow and expand.

Government must ensure the public procurement system is designed to support local entrepreneurs. For example, the over GHS2 billion the nation will spend on Free Senior High School (Free SHS) in 2022 must be part of the efforts to support the private sector. The free school uniforms must be produced in Ghana. It will boost production in the textile sector generally and the start-ups that will spring up in the sector. The rice consumed in all public schools must be produced locally. We cannot continue to feed our students with foreign imported rice and turn round to plead with them to buy local rice when they are grown-ups. All textbooks and exercise books must be produced by Ghanaian firms and entrepreneurs. Ghana cannot continue to spend billions of dollars on foreign products and still expect to have an entrepreneurial state that provides quality jobs for its people. Government must lead the way in procuring from local sources.

## **PENSIONS**

In the short to medium term workers retiring under the new pensions scheme – Act 766 – face reduced lump sum. In 2020 about 80 percent of workers who retired had lower lump sum benefit compared to their counterparts who retired under the old pensions law (Act 247). Workers retiring in 2021 and up to 2025 and beyond are expected to face similar challenges.

The President has given a firm promise that government will top-up the lump sum of workers who retired in 2020. That promise has not yet been fulfilled. We continue to call on government to make provision for the payment of the lump sum top up. We are also renewing our call on government to convene a stakeholder consultative meeting on pensions to enable the social partners to discuss pertinent issues about pensions.

## **COST OF LIVING**

The disruptions of supply networks across the world have pushed up prices. The high fuel price on the Ghanaian market is part of the general trend. At the same time the massive job losses and decline in real incomes have made life difficult for most Ghanaians.

We renew our call on government to suspend the automatic adjustment of fuel prices. Government should also remove all taxes on fuel to help stabilize the price and reduce impact on other prices. Price Stabilization and Recovery Levy (Ghp 30/L), Special Petroleum Tax (Ghp 46/L), Sanitation and Pollution Levy (Ghp10/L) Energy Debt Recovery Levy (cap it at Ghp28/L) must all be removed from the petroleum price build up.

## **PUBLIC SECTOR SALARY**

Public sector workers on the Single Spine Salary Structure (SSSS) continue to suffer low pay compared to their counterparts on other pay structures in the public sector. Pay inequities in the public sector has widened following the 4 percent salary increase offered to workers on the Single Spine Salary Structure in 2021.

We continue to call on government to initiate a review of the Single Spine Pay Policy (SSPP) and its accompanying salary structure. We expect government to convene the proposed National Labour Conference that will bring together all the major unions, employer groups and government representatives to discuss these and other labour-related matters.

## **NATIONAL UNEMPLOYMENT INSURANCE SCHEME**

Government announced a decision to establish a National Unemployment Insurance Scheme (NUIS) in 2020. The NUIS is expected to offer income support to workers who lose their jobs. In addition, it will provide training and retraining for the unemployed and facilitate their re-entry into the labour market. To help workers who have lost their jobs due to COVID-19, government also announced a decision to frontload the training component of the unemployment insurance scheme. This meant that government would enroll the current cohort of the unemployed in training and retraining programmes at no direct cost to participants. The training and retraining programme will help preserve and upgrade the skills and human capital of workers affected by COVID-19. It will also facilitate their early re-entry into productive employment at higher levels of performance.

According to the Minister for Finance, in 2022, government will engage relevant stakeholders and technical experts, to pave the way for the passage of the NUIS Bill and the eventual implementation of the scheme. The first phase of the training and retraining programme is expected to be rolled out across the country as soon as the necessary institutional arrangements are finalised. The TUC is ready to work with government and private sector employers to establish the NUIS.

## **CONCLUSION**

The effects of COVID-19 pandemic continue to manifest in slow growth, falling revenues, rising public debt, higher prices and falling living standards in Ghana. The end to these negative trends is not in sight.

The 2022 Budget seeks to strengthen the ability of the nation to generate sufficient revenue to address these challenges and to reduce the rate of debt accumulation. However, the revenue measures have generated intense debate because of the serious social and welfare implications for workers and their families and citizens generally. The E-levy in particular has attracted resistance in Parliament for the same reasons mentioned above.

We call on government to start consultations with all stakeholders including Parliament, workers, civil society organizations, telecommunication companies and money transfer agents to ensure that the E-levy will not only generate revenue for government but also it will be fair and transparent.

We look forward to the National Labour Conference announced by the Minister for Finance to promote productivity and to address the multiplicity of problems facing workers and their families.



