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GHANA’S ECONOMIC TRANSFORMATION TRAJECTORY:

AN ANALYSIS OF GOVERNMENT’S FINANCING AND IMPLEMENTATIONS OF DEVELOPMENT PLANS

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ABSTRACT

Economic transformation has been at the core of development planning in Ghana. However, its development indicators still reflects that of a lower income country despite transitioning into a lower middle country. This places the country in a position it can no longer compete with the cheap inputs of lower income exporters but also finds itself faced with huge competition from highly industrialized and high income countries. This is further exacerbated by inadequate revenue mobilization to spur the economic transformation the country desires. This study seeks assess Ghana's economic transformation trajectory with a focus on evaluating the relationship between Ghana's national development plan implementation and the role of government financing. Using a qualitative meta-analysis, this research identified the resource envelope, government expenditure pattern, the resource gaps and the level of implementation of each plan (GPRS I &II, GSGDA I &II). Inadequate domestic revenue generation coupled with the gradual and steady decline in donor funding clearly undermines government's ability to transform the economy. Thus the research proposes a blend of traditional and innovative ways for government revenue generation which includes improving and sustaining the drive for Foreign Direct Investment (FDI), broadening its domestic tax base to include the informal sector backed by a long term economic strategy to sustain the gains made. This will provide government with the required fiscal space to invest in other economic and social infrastructure of the transformation the country seeks.

Keywords: ***Plan Implementation; Economic Transformation; Sustainable Financing***

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국문초록

경제체제 전환은 가나의 개발 플랜의 중심이었다. 하지만 가나의 발전지수들을 살펴보면 중저소득 국가의 체제변환 과정임이 나타난다. 이를 비추어 보았을때 가나는 더이상 저소득 국가들 뿐만 아니라 고소득 국가들과도 수출에 있어서 경쟁을 할 수 없는 위치에 이르게 되었다. 현 상황은 정부가 경제체제 전환을 위한 수입 조달을 적절하게 분배하지 못하게 되며 더 악화되었다. 이 연구는 가나의 경제 체제변환 방향을 가나의 국가 개발 계획 시행과 정부의 자금조달 역할과 연계하여 평가할 것이다. 이 연구는 또한 질적 메타연구를 통하여 자원 엔벨로프, 정부 지출 패턴, 자원 격차와 각 계획의 시행 수준을 알아보았다 **(GPRS I & II, G SGDA I & II).** 부적절한 국내 수입 발생과 점진적이고 꾸준한 도너의 자금 지원 하락은 정부가 경제를 변화시킬 수 있는 능력을 저하시키는 것으로 알려졌다. 따라서 본 연구는 정부의 수입 발생에 있어 전통적, 혁신적인 방법들을 혼합하여 소개하며 여기에는 **FDI** 유입을 증진하고 유지하는 것, 국내 과세 표준을 범위를 넓혀 비공식 부을 포함시켜 생성된 이익을 유지할 수 있는 것을 포함한다. 이 방법을 통해 정부는 다른 경제적, 사회적 인프라에 투자하여 국가가 지향하는 경제변화를 이룰 수 있을 것이다.

키워드 : 계획 시행, 경제 변화, 지속가능 자금조달

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LIST OF ABBREVIATION

ACET	African Center for Economic Transformation
APR	Annual Progress Report
CSOs	Civil Society Organisations
DAC	Development Assistance Committee
EDA	Economic Development Administration
ERP	Economic Recovery Programme
FDI	Foreign Direct Investment
GDP	Gross Domestic Product
GIPC	Ghana Investment Promotion Corporation
GPRS I	Ghana Poverty Reduction Strategy
GPRS II	Growth and Poverty Reduction Strategy
GSGDA	Ghana Shared Growth and Development Agenda
GSS	Ghana Statistical Services
HIPC	Highly Indebted Poor Country
ICT	Information Communication Technology
IDA	International Development Association
IMF	International Monetary Fund
LI	Legislative Instrument
LIC	Lower Income Country
LMIC	Lower Middle Income Country
MDAs	Ministry Department and Agencies
MDGs	Millennium Development Goals
MEST	Ministry of Environment Science and Technology
MMDAs	Metropolitan Municipal District Assemblies
MOF	Ministry of Finance
MTDP	Medium Term Development Plans

MTDP	Medium Term Development Plan
NCCE	National Center for Civic Education
NDPC	National Development Planning Commission
NMTDPF	National Medium Term Development Framework
ODA	Official Development Assistance
OECD	Organization for Economic Co-operation and Development

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CHAPTER ONE

STUDY BACKGROUND

1.0 Introduction

This is a study of Ghana's economic transformation trajectory. Here the focus was exclusively on assessing the relationship between Ghana's national development plans and its economic transformation trajectory by identifying revenue generation and expenditure pattern, how this affects financing in plan implementation and how to make them sustainable in the next medium to long term. Using data from Ministry of Finance (MOF) and National Development Planning Commission (NDPC), the research addresses how government revenue and expenditures impacts the financing of Ghana's national plan and its affects in the implementation process. This chapter highlight's the researcher's interest by describing the context of financing national development plans in Ghana in relation to its economic transformation trajectory.

1.1. Ghana's Economic Trajectory

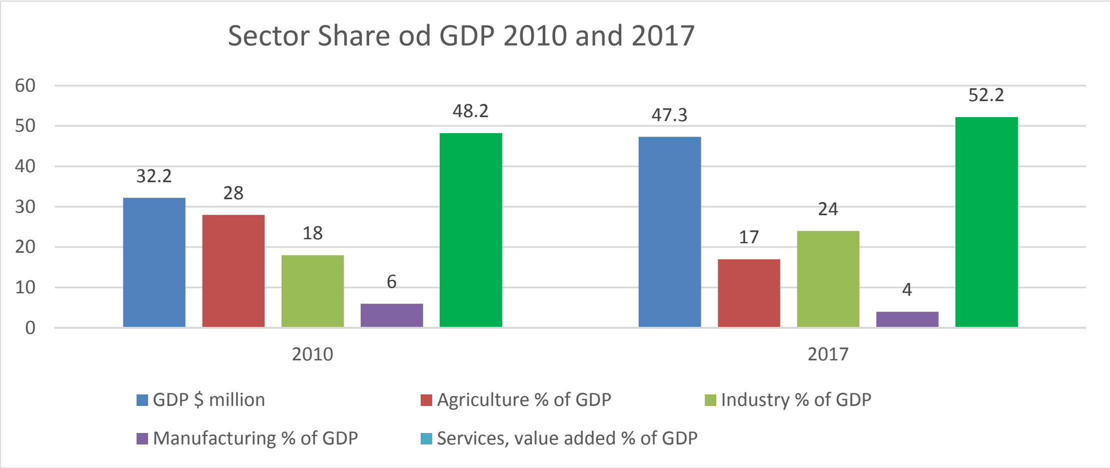
The structure of Ghana's economy is currently service driven. Efforts at transforming the structure economy from an agriculture based economy to an industrial based economy can be traced back to the Nkrumah era, admittedly, very little has changed in terms of improving the traditional sources of export and production. Agriculture still remains subsistent with the use of rudimentary tools, mining is still restricted to extraction without much value addition, and services is largely import driven. In the early periods agriculture dominated international trade exports by 75 percent however, in recent times Gold appears to be dominating exports[1].

Agriculture served as the backbone of Ghana's economy for several decades, this trend has however changed drastically. According to Andrae (1981), during the post-colonial era through to early 1980s, agriculture was the mainstay of the economy in terms of its contributions to GDP and employment. This however does not hold true currently. Agriculture's share as a percentage of GDP as at 2017 stood at 14.3percent. Interestingly, the sector's role in employment creation is the highest compared to other sectors. Agriculture employs 40.6percent of the employed population in 2017 (WDI, 2018).

Figure **1.1** below shows that the change in the current pattern is reflected by the rise in the services sector for both 2010 and 2017. Ghana's recent growth is largely in the extractive sectors of the economy enabled mostly by government policies and interventions. The emphasis on the extractive sectors of the economy leaves little room for the other sectors of the economy on government's agenda. Also the industry sector's share of GDP increased from 18percent (2010) to 24percent (2017).

[1] 2017 Bank of Ghana statistical bulletin indicates Gold merchandise export to be valued at 5,786.16 million USD and followed by crude oil merchandise valued at 3,115.10 million USD

Figure 1. 1: Structural Transformation in Ghana in 2000 and 2017 – Sector share to GDP



Source: World Bank: World Development Indicators 2018

1.1.1. Ghana's Growth Pattern and Economic Performance

Despite the challenging external environment, Ghana's economy has made some considerable progress over the past decades. This relatively stable growth has been credited to Ghana's growing democracy and political stability and finally, locally formulated policies sometimes referred to as 'home grown' policies. The primary objective of the 'home-grown policy programme were aimed at addressing macroeconomic instability, and further restoring the country to a sustainable growth path. The "growth in 2017 was attributed to stronger growth in the hydrocarbon, mining, infrastructure and the retail sector with activities in the oil sector expected to rise by more than 40percent in 2017 due to commercial production in the TEN oilfield" (KPMG, 2017). This growth according to (UNDP 2015) has resulted in a decrease in extreme poverty from 17 percent to 8 percent between 2006 and 2013. The economic growth and the decline in poverty improved Ghana's ranking "from a Lower Income Country" (LIC) to a "Lower Middle Income" (LMIC) country in 2011(World Bank, 2017), which urged the "Ghanaian Government and their development partners to strive for an "aid free" Ghana by 2020" (Netherlands Embassy -Accra, 2014).

Table 1. 1. Top African Economic Growth Performers of 2017- 2018

Top Performers based on 2017 and 2018 Growth Estimates				
S/N	Country	GDP Growth (percent) in 2017	Country	GDP Growth (percent) in 2018
1.	Ethiopia*	8.5	**Ghana**	**8.9**[2]
2.	Cote d'Ivoire	7.6	Ethiopia*	8.5
3.	Senegal	6.8	Cote d'Ivoire	7.3
4.	Guinea	6.7	Senegal	7.0
5.	Tanzania	6.5	Rwanda	6.8
6.	Burkina Faso	6.4	Tanzania	6.8
7.	Rwanda	6.2	Burkina Faso	6.5
8.	Sierra Leone	6.0	Sierra Leone	6.1
9.	**Ghana**	**5.9**	Benin	6.0
10.	Benin	5.4	Guinea	5.8

*Fiscal year data. Source: Brookings: Africa Growth Initiative 2018; IMF Regional Economic Outlook, October 2017

1.1.2. Development Planning Economic Growth in Ghana

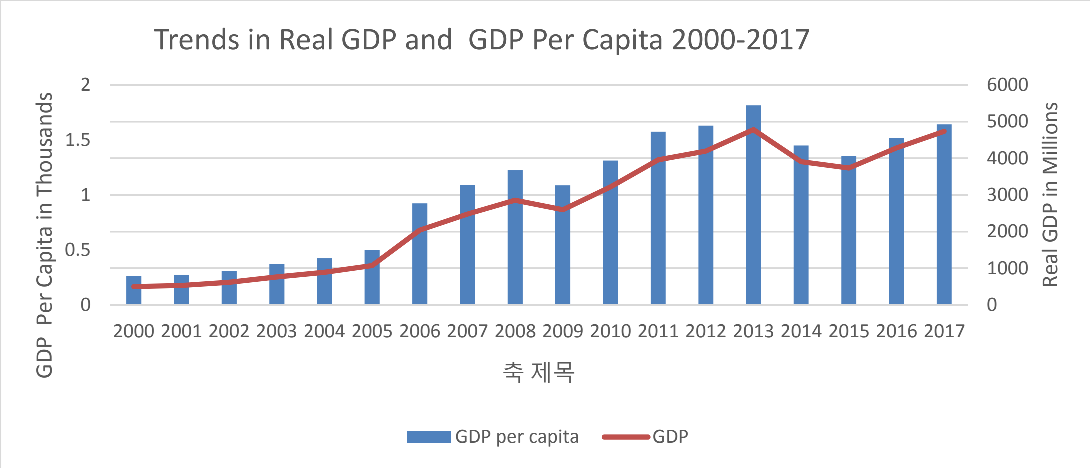
National development planning in Ghana can be traced from the period during colonization (Adkudugu, 2013) and in the process, has witnessed the formulation of a number of development plans to help drive the agenda of the nation in achieving high growth rates through increased per capita income and improved standard of living. Economic reforms in Ghana during 1983, under the directions of the World Bank and IMF dubbed the Economic Recovery Programme was meant to reduce the debt stock and improve international trade. This policy recommendations contributed to the positive growth rates after the intervention. Average annual growth rate improved from about 2.2 percent within the period of the economic reform, to about 4.3percent from 1991-2000 increasing further to about 5.8percent from 2001-2010 and currently 8.5percent in 2017[3]. Following the successful implementation of the 'Home-Grown policies' programme coupled with

2 These are based IMF Regional Economic Outlook forecasts

[3] 2017 Government of Ghana Budget statement

the significant progress made under the IMF Extended Credit Facility (ECF) (MoFEP, 2016), the country is currently showing a positive outlook in macroeconomic stability as indicated in the **figure 1.1** below.

Figure 1. 2: Trends in Real GDP and GDP Per Capita in Ghana from 2000-2017



Source: World Development Indicators 2018

The past two decades has a witnessed a rise in export commodity prices, however the country has not benefited much from it. Mineral resource extraction in the country particularly gold, is capital intensive which implies very limited local participation thus very limited employment is created for the local economy while the foreign companies reap most of the benefits with the mining communities experiencing very little development but rather much devastation to their farmlands which serves as their livelihood (MEST, 2012). A publication by a local news agency asserts that some youths and farmers have been protesting for the lack of employment, development and devastation to the environment in their mining communities[4]

[4] See Graphic Online report on June 27, 2018; Restoring Livelihood of mining communities

1.1.3. Planning Initiatives and its corresponding visions in Ghana

Contrary to expectations, many of Ghana's development plans failed to take off. Factors accounting for the ineffectiveness in plan implementation included over dependency on external funding[5], as a result of government expenditure exceeding the generated revenue, lack of commitment on the part of governments and weak institutional capacity. Also lack of continuity of some projects or programmes as a result of change in government due to change in policy direction and focus of the new administration. **Table 1.2** provides some planning initiatives and its corresponding visions in Ghana.

Table 1. 2: Planning Initiatives and its corresponding visions in Ghana

S/N	Planning Initiatives	Planning Period	Plan's Vision
1.	Guggisberg Plan	1920-1930	Enhance Infrastructure Development
2.	1st Ten Year Development Plan	1930-1940	The stabilization plan
3.	2nd Ten Year Development Plan	1946-1956	Develop the country's Economic and productive services
4.	3rd Ten Year Development Plan	1951-1961	Develop the country's Economic and productive services (continuation)
5.	Five Year Plan	1951-1956	Develop the country's Economic and productive services (continuation)
6.	Consolidation Plan	1958-1959	To cover the interim period
7.	2nd Five Year Development Plan	1959-1964	Economic Reliance
8.	Seven Year Development Plan	1964-1970	Accelerate economic transformation through agriculture mechanization – building a socialist state
9.	Rural Development Plan	1971-1972	Promoting rural development through decentralization
10.	3rd Five Year Development Plan	1975-1980	Inward Looking: Protectionist
11.	4th Five Year Development Plan	1981-1986	Outward-Oriented Economic Recovery Programme (ERA)

[5] Government budget usually base revenues and expenditure on commitment by Donors. For some reason, Donors do not disburse as committed

12.	Economic- Recovery Program and Structural Adjustments Programs	1983-1999	To reduce Ghana's debts for an improved economic position in the global market.
13.	Interim Poverty Reduction Strategy	2000-2002	To reduce poverty and promote growth
14.	Ghana Poverty Reduction Strategies	2003-2005	To reduce poverty and promote economic growth
15.	Growth and Poverty Reduction Strategies	2006-2009	Reduce poverty and accelerate economic growth – the private sector as the engine of growth
16.	Ghana Shared Growth and development Agenda	2010-2013	Building on the macroeconomic gains of the previous period
17.	Ghana Growth Shared and Development Agenda II	2014-2017	Economic transformation through the Better Ghana Agenda

Source: Constructed by the researcher (2018)

1.1.4. Financing Ghana's Development Plans

Undeniably Ghana is among the fastest growing economies in sub-Saharan Africa. This growth is equally inundated with weak inflation record, low institutional strength, fiscal deficit (about 70 percent to GDP) and a narrow revenue base due to its large informal sector and the dependence on a few primary export commodities which are highly vulnerable to external global conditions (Asiama, Akosah, Owusu-Afriyie, 2014). This is further exacerbated by the "over-reliance on donor support for planning fiscal outturns, lack of flexibility in fiscal management due to significant resource earmarking and statutory payments, and uncontrolled spending during election years" (Ibid., 2014).

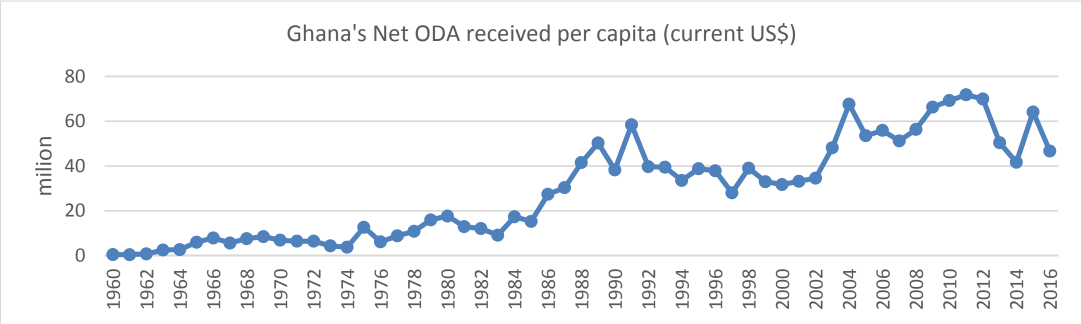
Ghana's economic outlook for 2018, according to the World Bank's report (3rd edition[6]), looked positive but highlighted some bottle-necks that needs to be fixed. These included employing appropriate fiscal policies to minimize government expenditure and improve its domestic revenue

[6] See Ghana: World Bank Economic Update, May

generation. The country is making some headway with regards to the problems highlighted by the IMF. Inflation is on a downtrend, recording 8.7percent in 2018 down from 17.5percent in 2016.

As a result of policy choices, Ghana finds itself in a situation where government's revenue are consumed by wages and salaries statutory payments and interest payments and amortization. These three items alone account for 99.6percent of government revenue **(MOF, 2016)**. Thus there is not enough fiscal space for government to finance its development plans thereby resorting to financing these expenditures by borrowing or aid. Achieving the objective of sustainably financing Ghana's development will require considerable resources and creative use of existing and additional resources, since ODA is likely to be insufficient and in the long run unsustainable in meeting the tremendous needs of the country. (Devarajan and others, 2002; World Bank, 2002a). However, "prior to the economic reforms of the 1980s, aid to Ghana has been low and very volatile and moved largely in the direction of political business cycle" (OECD, ISSER, 2005). The additional inflows had a positive impact on growth during the early part of the Economic Recovery Programme (ERP) (Aryeetey and Cox 1997 as cited in Quartey et al, 2005). Grants flows to the country is expected to decline in the near future to 0.1percent of GDP as a result of the country's new status as a LMIC.

Figure 1. 3: Ghana's Net ODA received per capita (current US$), 1960-2016



Source: World Bank Development Indicators, 201

The **figure 1.2** above depicts the trends in Ghana's net ODA received over the period 1960 to 2016. It is evident that net ODA received for the period stated keeps fluctuating. After gaining her independence in 1957, Ghana has relied on foreign aid to fund its development agenda despite its wealth in natural resources. From the graph the trend is currently declining and this has been attributed to factors such as Ghana attaining a middle income status, the global downturn which is inciting donor fatigue and the government's agenda to gradually wean the country off aid dependency. "Borrowing is also projected to become increasingly non-concessional" (IMF and IDA, 2018).

1.1.5. Revenue mobilization in Ghana

Government revenue sources refers to all receipts raised by the government from both domestic and foreign sources. This includes taxes, custom duties, revenue from state owned enterprises, capital revenue and foreign aid. However, significant reductions in donor inflows and opportunities for concessional borrowing has impacted total government revenue. This is further exacerbated by high tax expenditure (tax incentives granted mining companies), high levels of capital flight[7], inability to collect maximum corporate taxes (especially from multinationals[8]) (Brako-Akomea, 2016). Additionally, a large proportion of Ghana's labor force is engaged in the informal sector. Several attempts to formalize this sector and widen the tax net has proven to be quite difficult thereby making it impossible to tax. The burden of tax is borne by the formal sector solely. The Ghana Revenue Service statistics in their 2017 report indicated that, only 1.2 million Ghanaians out of the population 27 million were paying taxes. Clearly, inadequate domestic revenue undermines government's ability to sustainably transform the society and the economy.

1.2. Problem Statement

Ghana has prepared over fifteen (15) short, medium and long term national development plans which spans through the colonial era to its present day with various degrees of implementation success recorded. This has been attributed to a number of challenges including inadequate finances by the government which clearly undermines government's ability to sustainably transform the economy. Unlike earlier research papers which looked at economic transformation of Ghana, the focus had mostly been on the sectoral transformation of the Ghanaian economy, however the focus of this research paper will be on government financing of development plans in Ghana and its contribution to the economic trajectory of Ghana which has received little scholarly attention.

[7] An estimated amount of US4.9 billion was lost as a result of capital flight from 1970-2008 (See Tax Just Network, Africa)
[8] Ghana over the years was losing about GHc1.5 billion from tax exemptions (GIPC)

Other available research works also focus on assessing plan quality and institutional capacity for the implementation of plans (Frimpong, 2012; & Goel, 2003).

Based on the objective of this research, the following research questions were formulated;

- Is the implementation of the Ghana's development plans a reflection of its current economic trajectory
- Which of these sources available to government is most effective and sustainable in the next medium to long term
    - Domestic public resources
    - International development cooperation
- What are some of the innovative financing mechanisms that the government can employ in the next medium to long term

1.3. Significance of the research

Significant policies will be deduced from the results of this study. For example the results would provide the basis for a projection and prediction of Ghana's economic transformation trajectory. Also policies promoting innovative government resource generation would be proposed. In addition, this study will add to the existing body of knowledge and literature on sustainable government financing of development plans with a focus on government funding sources and its impact on the development trajectory of a developing country.

1.4. Definition of Terms

1.4.1. Plan Implementation:

This study will employ Pressman and Wildavsky definition of plan implementation, to mean to carry out and complete which also addresses the role public servants in the governance process in providing the best possible service to their people.

1.4.2. Economic Transformation:

Transformation implies changes in a country's economic structure which typically follows a path of agricultural productivity growth that releases resources from agriculture into other, more diversified economic sectors, typically manufacturing and industry (Kolavalli et al, 2012). Thus this definition will be used to explain the extent to which Ghana's economy has followed this pattern.

1.4.3. Sustainable financing:

Sustainable financing from the European Commission (2017) on the UN 2030 agenda for Sustainable Development Goals will be adopted. "The purpose of sustainable finance is to provide 'better development' and 'better finance' – growth that is sustainable in each of its economic, social and environmental dimensions; and a financial system that is focused on the longer term" (Christian Thimann,, 2017).

1.5. Outline of the thesis

Chapter 1 introduced the research topic, outlining the focus of the researcher with background information on the research stating the purpose and significance of the study. The remaining chapters are organized as follows. Chapter 2 provides the contextual framework by reviewing relevant literature and providing a theoretical framework underpinning the research. Chapter 3 provides the research methodology. Chapter 4 presents the results of the data. Chapter 5 provides an in-depth discussion of the data findings. Finally chapter 6 proposes policy recommendations for possible consideration and conclusion.

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

This chapter reviewed literature and theories of research related to the research topic. The literature review section was addressed in two phases. **Phase I** identified literature on the role of National Development Planning Commission in planning and implementation by analyzing the significance of NDPC in the entire planning process. **Phase 2** addressed Sustainable Financing by looking at the role of domestic revenue mobilization and the role of development financing in filling the revenue gap.

The theoretical section looked at Hollis Burnley Chenery and Strout (1966)'s theory on the two-gap model. The second theory was by Lindsay Whitfield on her four part publication on Growth without Economic Transformation: Economic Impacts of Ghana's Political Settlement, focused on Ghana's fourth republic which according to her has been characterized by competitive clientelism. Other reviews focused on the determinants of the growth of government spending. Wagner's law and Peacock-Wiseman's "Displacement hypothesis and development models and finally the dynamic general equilibrium model.

2.1. Planning, Implementation and economic development- The role of National Development Planning commission

Planning is the process of decision making about the distribution of public resources (Alexander, 1981) (as cited in Appiah, 2016). National Development Planning Commission (NDPC) is the apex planning body and it is mandated to advise the President and Parliament on development planning and policy; coordinate Ghana's decentralized planning system through national policy formulation, planning, monitoring and evaluation. The National Development Planning System Law, Act 479, (1994) mandates NDPC to constitute Cross-Sectoral Planning Groups to manage multidimensional development issues.

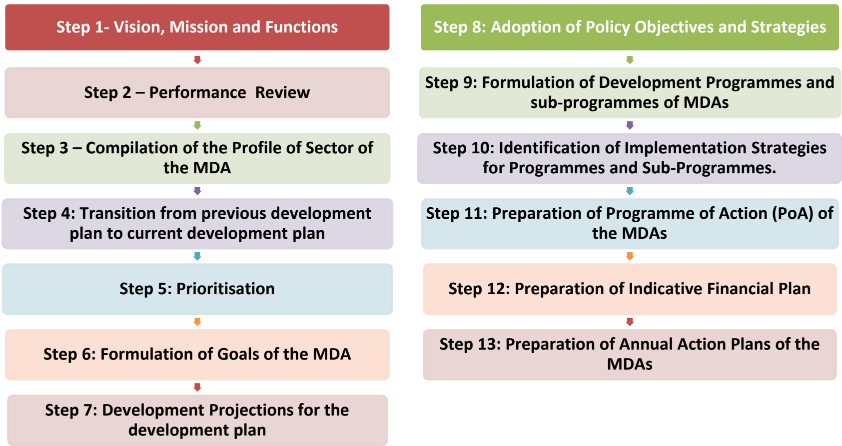
According to Thomas, Edison (2008), *"Just because something does not do what you plan it to do does not mean it is useless"*. Also, Jeffery L. Pressman and Aaron B Wildavsky in their paper, defined Implementation as to "carry out" and "complete". The authors in their book discussed the challenges in implementing any given policy with the Economic Development Administration's (EDA) Oakland Project as their case study. The EDA project was aimed at developing jobs for the unemployed African-American youth. This project ultimately failed. Thus leading the authors to question "why" and attempted to figure out "how". They maintained that by concentrating on the implementation of the programs as well as their limitations, one should be able to increase the probability that policy promises will be realized. The authors pointed out that the success of any plan implementation lies in knowing how and the ways to implement the plan and not necessarily knowing how and the right ways in getting it done (Harding, 2009).

The "implementation of the Medium-Term Development Policy Framework" (MTDP) "is the responsibility of the Ministries, Departments and Agencies (MDAs) and Metropolitan, Municipal and District Assemblies (MMDAs)" (NDPC Guidelines 2014-2017)[9]. NDPC coordinates the "planning role of the MMDAs to ensure that local level development plans reflect broader national

[9] See NDPC planning manual

development goals" by providing the MDAs with "Guidelines, which are a set of proposals based on the synergy between the NMTDPF and the principles of Programme Based Budgeting (PBB), to assist MDAs in translating the policies and strategies in the NMTDPF" for implementation (Ibid., 2014-2017). African Center for Economic Transformation (ACET), in their institutional review of NDPC, mentioned that even though NDPC's constitutional mandate is clearly spelt out in the constitution, the political economy on the other hand has not given the commission the room and the enabling environment it needs to function to its full capacity.

Figure 2. 1: Steps in Medium Term Development Planning process



Adapted from the Guidelines for the preparation of Medium Term Development Plans by Ministries, Departments and Agencies 2014-2017

2.2. Sustainable Financing in Ghana

The growing concern for Ghana to sustain and improve its growth trajectory has led government to buckle down by targeting a fiscal deficit of 6.3percent of GDP which is consistent with the

2.5percent primary adjustment targeted in 2017[10]. This notwithstanding, domestic revenue generation has always fallen short of the projected budget targets leading to an increase in the revenue gap. According to the institute for fiscal studies' 2017 fiscal alert, domestic revenue to GDP ratio averaged 20.4percent from 2012-2015 giving a revenue gap of 6.7percent. Expenditure over the same period averaged 27.6percent. The financing gap is filled with borrowings from domestic and foreign sources. Simply put, we are spending what we do not have.

Table 2. 1 Ghana's Revenue Performance from 2012 -2017

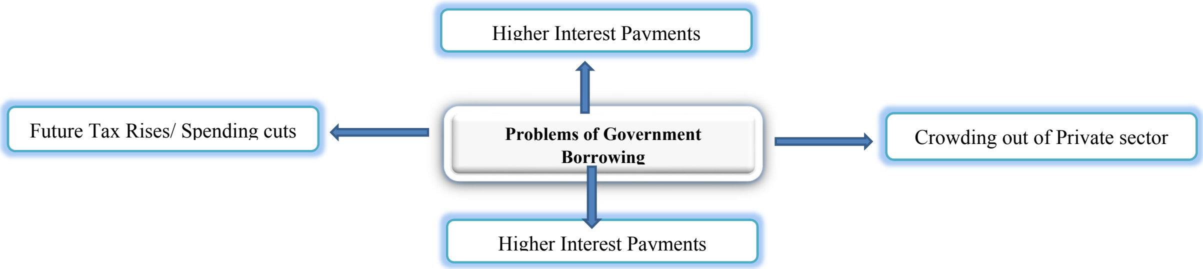
Indicator: Government Revenue	**2012**	**2013**	**2014**	**2015**	**2016**	**2017 ***
Original Target /GDP(%)	20.7	24	23.6	22.9	23	23
Revised Target/GDP(%)	22	n/a	21.7	21.3	217	
Revised Target Versus Original Target (% point of GDP)	13	n/a	-1.9	-1.6	-1.3	
Actual Domestic Revenue/GDP (%)	20.7	20	21.1	21	19.3	19.6
o/w Tax Revenue/GDP %	16.7	15.3	16	17.2	15.3	15.3
Revenue Gap from Original Target (% point of GDP)	0	-4	-2.5	-1.9	-3.7	-3.4
Revenue Gap from Revised Target (% point of GDP)	-1.3	n/a	-0.6	-0.3	-2.4	
Addendum Item						
Sub-Saharan Africa (SSA) Tax Revenue/GDP (%)	27	26.9	27.7	27.4		
Ghana's Revenue Gap from SSA Performance (% point of GDP)	-6.3	-6.9	-6.2	-6.4		

*Figure for Jan-Jun   Source: Institute of Fiscal Studies (2017)

As indicated in the above **Table 2.0**, Ghana's tax revenue fell below the target of 22percent in 2012, and subsequent years. Furthermore, tax revenue as a percentage of GDP is below Sub-Saharan average of 27percent for 2012 and ensuing years. Ghana's revenue generation is fraught with structural challenges such as low wages income, low ground rents received from payments from natural resources, a large proportion of its economy in the informal sector and a fairly new financial market. In spite of the availability of various funding resources, external debt

[10] The budget statement's usually set the fiscal targets annually

accumulation due to higher interest payments, crowding out effect, higher interest rates and future tax cuts resulting in spending cuts has been a major deterrent in accessing such finances.



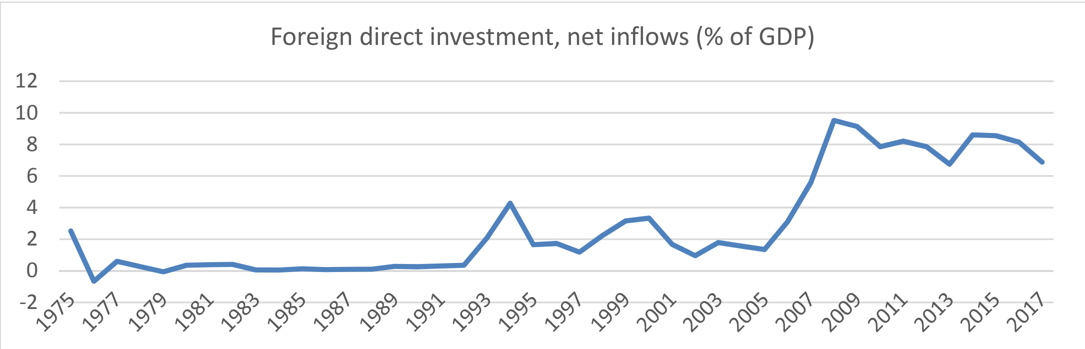
Source: Tejvan Pettinger April 15, 2017 Problems of Government Borrowing

However, the need for additional and innovative revenue generation has been high on the agenda of the government. The IMF in its paper on "Revenue Mobilization in Developing Countries" agrees that experiences has shown that progress can be made for developing countries who generate its own revenue internally, given "strong political will". A common element of success stories is sustained political commitment at the highest levels, hence reforms must be engrained, to avoid slippage by current and subsequent administrations (IMF Fiscal Affairs Department, 2011). Many scholars have questioned the effectiveness of Aid to recipient countries (Rajan & Subramanian (2005); Easterly (2006, 2007); Moyo (2009)). The current government of Ghana in the advent of dwindling donor funding and the quest to reduce aid dependency, led to the formulation of a road-map to fully wean Ghana off donor support. This is captured under the government's vision of a "Ghana beyond Aid" in reducing dependency and restoring sovereignty.

Ghana beyond aid agenda as advocated by the current government, has received many mixed feelings among the general populace with the majority however hopeful that this agenda would be achieved. Global financial downturn has resulted in donor fatigue, hence even with the best intentions, donors are unable to assist developing countries such as Ghana to achieve the economic transformation it desires. In a bid to bridge its gnawing gap in revenues to finance its development transformation, the government has resorted in engaging more foreign investors in the form of Foreign Direct Investments (FDI) in the manufacturing sector of the economy.

However, as a strategy to entice investors to invest in the country amidst stiff competition from neighboring countries with similar resource endowments, the government is most often under enormous pressure to give out tax exemptions and concessions. These strategies very often leads to tax evasion and corruption because of weak revenue administration and the inability of state institutions to monitor and to uncover the practice. According to the minerals commission (GIPC), about 65percent of FDI goes into the mining sector, specifically Gold. **Figure 2.2** showed that the trend of FDI to Ghana increased significantly in 2009, this has however been declining albeit volatile as indicated in the figure below. The projected decline is attributed to oil production which peaked and now settling around 3 percent of GDP over the long run (IMF, 2018).

Figure 2. 2: Foreign Direct Investment to Ghana (net inflows) as a share of GDP (1975-2017)



Source: World Development Indicators, 2018

2.3. Theoretical Framework

The theoretical section looked at theories on **economic growth without transformation** by reviewing Hollis Burnley Chenery and Strout (1966)'s theory on the "two-gap model". The theory advances the critical role of foreign aid in promoting growth through the generation of imports and investment. The second theory was by Lindsay Whitfield on her four part publication on Growth without Economic Transformation: The second part focused on **determinants of growth in government spending**. This reviewed Wagner's law, and Peacock-Wiseman's "Displacement hypothesis and development models. The final part focused on the **Sovereign Debt Management** with the **dynamic general equilibrium model**, which examines the sustainability of a country's national debt.

2.3.1. Growth without Economic Transformation

The two-gap model according to Chenery and Striut (1966), has been driving economic objective for decades. The model proffers increased investments and export earnings to augment the inadequate savings as the main catapult of growth at the initial stage of development. In contrast to this expectation the saving rates in most developing countries such as Ghana is inadequate to serve as the necessary investment needed to propel the required growth. Also the export in these countries are mostly under the dictates of the international markets hence subjected to high commodity volatility which affects the export earnings from these countries.

Lindsay Whitfield, an associate professor in Global Studies at Roskailde University, Denmark in her four part publication on "Growth without Economic Transformation: Economic Impacts of Ghana's Political Settlement", published in 2011, focused on Ghana's fourth republic which according to her has been characterized by competitive clientelism. According to Prof Whitfield, strong opposition parties in developing countries such as Ghana, makes the ruling government vulnerable. Thus spurred by the need to win elections combined with high dependency on aid, governments are unable to implement long term development plans but rather focus on policies with short term horizon where allocation of resources in the productive sectors are quite insignificant to induce any substantial economic transformation which leads to economic growth without the required economic transformation

2.3.2. Determinants of the Growth of Government Spending

Adolph Wagner's law hypothesizes that there is a long run predisposition for public expenditure increases relative to national income as real income increases. Public sector expenditure expands at an increasing rate for three main reasons. The first reason indicates that when a country industrialization processes increases there is a greater tendency for government to assume the role of the private sector activity and this increases governments' administrative and protective functions due to the assumption of the combined role of the private sector and to that of government's role. Secondly, the demand and needs for most public services keep increasing as income increases which requires more government expenditure in such sectors. These demands are in sectors such as health, education and welfare expenditures. Lastly, government is also forced to take projects that are capital intensive which deters private enterprises from taking up such large scale ventures (Wagner, 1967), Several research papers have been developed which either supports Wagner's assertion while other papers do not. The law, according to Musgrave and Musgrave (1984) indicates a positive relationship between government spending and per-capita income, Fan et al (2013) on the other hand concluded that the relationship is negative for low-growth countries (Obeng & Sakyi, 2017).

The "displacement effect" is a model advanced by Peacock and Wiseman in 1961 to address the opposing views on the acceptable government size from the government and citizen's perspective. The politician on one hand prefers a bigger government size while the citizens who are not willing to finance big governments and who are also the tax payers prefer a smaller sized government. The growth of public expenditure according to Peacock and Wiseman, follows the pattern of social upheavals such as wars. Hence governments grow regularly during normal periods, however, during wars or other major social disturbances, the public resistance against taxes is lowered, in order to finance military expenditure. This lower resistance is maintained in the post war period (to finance civil rather than military spending), and, as a consequence, government spending increases step-wise. This is attributed to the likelihood of citizen's positive disposal to higher taxes in times of crisis. This results in a new expenditure plateau which allows government to spend expenditures it could not previously finance.

2.3.3. Sovereign Debt Management - dynamic general equilibrium model,

The dynamic general equilibrium model tries to evaluate the current financial resources by examining recent government debt management efforts. The model estimates the current financial burden in economic growth and fiscal spending and also examines if national debt is being managed sustainably. The fiscal capacity indicates the fiscal space of debt that the state can afford at any given time. The debt limit, provides the amount a country is authorized to borrow to meet its existing expenditures. Therefore, there is a ceiling in the national debt that can be redeemed by the tax income, and the financial capacity means the maximum increase in the national debt that can be repaid by the tax income. There has been concerns that the national debt ratio is on the rise despite the recent improvement in the tax revenue situation. According to moody's (2018), Ghana's rating of B3 stable in 2017 and an estimated drop to 68.5percent in 2018 reflects the country's low fiscal strength and its high debt burden at about 70percent of GDP with a projected GDP growth rate of 8.2percent in 2018, making Ghana one of Africa's most dynamic economies over the next two years (Moody's, 2018)

CHAPTER THREE

RESEARCH METHODOLOGY

3.0 Introduction

The overall purpose of this study is to assess the relationship between Ghana's national development plans implementation and its economic transformation trajectory by identifying revenue generation and expenditure pattern and how this affects financing in plan implementation The research question that will guide this study: Is Ghana's economic transformation trajectory guided by how its development plans are implemented and sustainably financed? This tried to also look at how Ghana's resource envelope can be made sustainable;

- Is the implementation of the Ghana's development plans a reflection of its current economic trajectory
- Which of these sources available to government is most effective and sustainable in the next medium to long term
    - Domestic public resources
    - International development cooperation
- What are some of the innovative financing mechanisms that the government can employ in the next medium to long term

3.1. Research Method – Qualitative Research

The research employed a qualitative methodology in addressing the research question. This approach was chosen because the research question could be best be answered using a qualitative approach in order to acquire a general insight into this research. The data for the research was from the government of Ghana national data sources. This was grouped into two phases. The first phase focused on plan implementation. This is to show if Ghana's development trajectory is guided by its development plans. The methodology involved the examination of the National Medium Term Development Plans (NMTDP) and National Annual Progress Report (APR) prepared by National Development Planning Commission (NDPC) from 2003 – 2016.

The second phase focused on **Financing Development Plans**. This was to identify the role of financing in development planning and how this aspect of plan implementation can be made sustainable by reviewing the government's budget for the period 2000-2016 by looking at the compositional changes of government's revenue and attempt to determine how to make it sustainability. The Source of data was from government of Ghana's fiscal budget for the period 2000-2016 which is prepared by the Ministry of Finance (MOF).

3.2. Data Collection Method and Tools

The data collection process was done in two phases.

Phase 1 - Plan Implementation: This attempted to draw a linkage between development plans, government priority areas and plans implemented. This is to show if Ghana's development trajectory is guided by its development plans. The national priority areas and indicators set for each plan period was tracked by their level of implementation. Five typology was employed (NDPC, APR).

Table 3. 1: Typology and the Meanings

S/N	Typology	Meaning
1.	Target Achieved	When an indicator has a target and the indicator achieved its target
2.	Steady/ Significant Progress	When an indicator does not have a target but current status represents a marked improvement over the preceding year.
3.	Target not achieved	When an indicator has a target but did not achieve the set target
4.	Slow Progress	When indicator does not have a target but its current status is worse than the previous year
5.	Lack of data	When an indicator does not have data to be reported on

Source: National Development Planning Commission. APR, 2016

Phase 2 - Financing Development Plans: this phase identified the role of financing in development planning and how this aspect of plan implementation can be made sustainable. This was done by reviewing the government's budget for the period under the fourth republic governments and tried to identify which component is can be made sustainable, domestic or international revenue generation.

3.3. Sample Selection

In order to address the research question, this research sampled particular set of data with the requisite information. Thus the sampling method was purposive. This was due to the fact that the sample group were selected on the basis of their special relationship with the phenomenon under investigation. The first phase data sampled were from the national annual progress report from 2003 – 2016. The second phase data sampled were from the fiscal budget of Ghana from 2000-2017. These periods were selected due to the data availability in both periods.

3.4. Data Analysis

The data was analyzed using a qualitative meta- analysis. The data collected were further assigned categories through the comparison of units by distilling similar meanings and presented in the form of tables, figures and narratives. Triangulation and independent auditing was also adopted to ensure the validity of the data.

3.5. Limitation of the study

The research encountered lack of consistency in the reporting formats for each period under study which required a number of verifications to confirm the data. Also in tracking the indicators the annual progress reports noted many instances of lack data availability which impacted the performance of government. The lack of a national standardized reporting format for easy integration and unavailability of a data storage system affects the quality of data produced.

CHAPTER FOUR

PRESENTATION OF RESULTS

4.0 Introduction

This chapter presents the results of the research in two phases. **Phase 1** of the presentation of results addressed the plan implementation phase of the research question. This analyzed the various medium term development plans from 2003-2017 by tracking the various indicators for each plan period under varying thematic areas to identify the number of indicators that were successfully implemented under each thematic area. **Phase 2** identified the role of financing development plans in economic development by reviewing the government of Ghana's fiscal budget for the period under the fourth republic governments (2000-2017) to identify its expenditure and revenue generation patterns.

4.1. Phase 1 - Plan Implementation

Phase 1 of the analysis studies the various medium term development plans from 2003- 2017. The analysis attempted to track the various indicators for each plan period to assess the number of indicators that were successfully implemented under the various thematic areas and also assessed resource availability to government during each plan period. This is to determine if Ghana's development trajectory is guided by its development plans. To ascertain this, the annual progress report for each plan period which provides a systemic review of programmes and projects implemented and their impact on socio-economic development was used as the source data. The research further employed the typology[11] used by NDPC to tack the indicators in the APR. These are:

i. Target Achieved,
ii. Significant Progress/Steady Progress,
iii. Target not achieved,
iv. Slow progress
v. Lack of Data

4.1.1. Ghana Poverty Reduction Strategy I (GPRS I) -2003-2005

Ghana Poverty Reduction Strategy I (GPRS I) indicates the action the government proposes to undertake in the form of policies, programmes and strategies aimed ultimately at reducing the poverty level over the plan period 2003-2005. These also includes strategies to ensure macro-economic stability for sustainable economic growth over the period. **Table 4. 1** below indicates the progress made on 60 of the GPRS indicators that were identified and monitored for the plan period under five thematic area namely; Production and gainful employment; Vulnerable and excluded; Macroeconomic stability; Human resources development and; Governance. From **Table 4. 2**, out of the 60 indicators tracked for the plan period, 9 of the indicators were achieved with steady progress being made on 14 of the indicators. Also 15 of the indicators were not achieved, whilst there was no data on 23 of the indicators.

[11] Classification according to the level of completion of the indicator (See NDPC, APR)

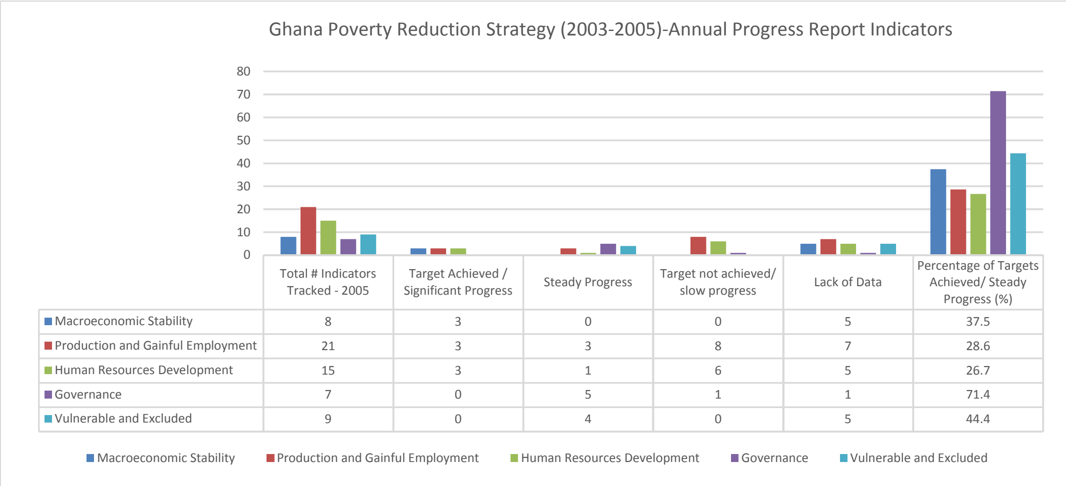
Table 4. 1: Summary of Progress made on Indicators – GPRS I

Thematic Areas	Total # Indicators Tracked	Target Achieved / Significant Progress	Steady Progress	Target not achieved/ slow progress	Lack of Data	Percentage of Targets Achieved/ Steady Progress (%)
Macroeconomic Stability	8	3	-	-	5	37.5
Production and Gainful Employment	21	3	3	8	7	28.6
Human Resources Development	15	3	1	6	5	26.7
Governance	7	-	5	1	1	71.4
Vulnerable and Excluded	9	-	4	-	5	44.4
Total	60	9	13	15	23	36.7

Source: Annual Progress Report GRPS I (2003-2005)

The next step provides the impact of government programmes and projects in the five thematic areas, namely, Production and gainful employment; Vulnerable and excluded; Macroeconomic stability; Human resources development and Governance by looking at the targets achieved or targets that registered steady progress for the five thematic areas. The governance thematic area recorded the highest progress which achieved and made steady progress on 33 out 48 indicators and this represented 68.7percent. Poverty reduction spending increased by 34.8percent in 2005 (GPRS 1, 2003-2005). The Macroeconomic stability indicators showed a below average performance by achieving and making steady progress on 3 out of the 8 indicators tracked which represented 37.5percent. The targets achieved included a GDP growth rate of 6.0percent, sectoral growth rates targeted in the GPRS were all exceeded and finally revenue targets were also attained. Production and gainful employment also achieved and made steady progress on 6 out of the 21 indicators being tracked and this represented 28.6percent. Human resources also achieved and made steady progress in 4 out of the 15 indicators being tracked and this represented 26.7percent.

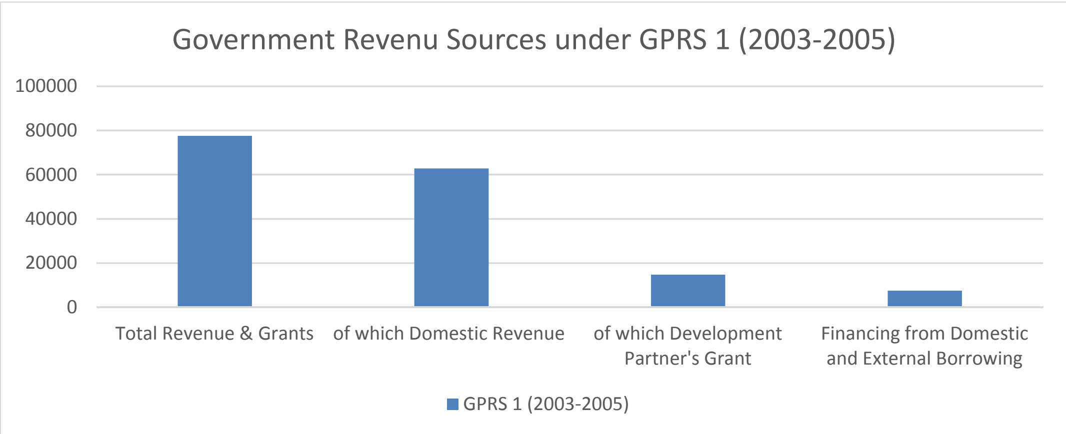
Figure 4. 1: Ghana Poverty Reduction Strategy (2003-2005)-Annual Progress Report Indicators



	Total # Indicators Tracked - 2005	Target Achieved / Significant Progress	Steady Progress	Target not achieved/ slow progress	Lack of Data	Percentage of Targets Achieved/ Steady Progress (%)
Macroeconomic Stability	8	3	0	0	5	37.5
Production and Gainful Employment	21	3	3	8	7	28.6
Human Resources Development	15	3	1	6	5	26.7
Governance	7	0	5	1	1	71.4
Vulnerable and Excluded	9	0	4	0	5	44.4

Source: Annual Progress Report GRPS I (2003-2005)

Figure 4. 2 Government Revenue Sources under GPRS I (2003-2005)



Source: Ministry of Finance 2018

Government's objective under GPRS I was to increase revenue mobilization, strengthen its "public expenditure management", and reduce "the stock of domestic debt" which will enhance the “private sector access more capital “and also to “maintain a monetary policy consistent with attaining the” target of reducing inflation (NDPC, 2005). From **figure 4.2** above, the resource envelope under GPRS I comprised of both domestic and external sources of financing. Total revenue and grants constituted 29.1percent Of GDP, of which the share of grants from bilateral and multilateral sources was 0.17percent and domestic sources comprising of 0.82percent as a share of total revenue. Financing from domestic and external borrowing as a share of total revenue constituted 0.07percent. To augment domestic revenue, government resorts to external financing which comprises of debt relief, HIPC savings as well as the Millennium Challenge Account (MCA).

4.1.2. Growth and Poverty Reduction Strategy II 2006-2009

The overall goal of the GPRS II is to accelerate economic growth as a means to reducing poverty on a sustainable basis through the implementation of growth inducing policies and programmes. Policy measures identified to achieve this overall goal are prioritized in four thematic areas namely; Good Governance and Civic Responsibility; Human Resource Development; Macroeconomic Performance and Economic Governance and; Private Sector Competitiveness; (NDPC, 2006-2009). The table below summarizes the progress made on 160 GPRS II indicators that were prioritized and monitored for the plan period. From the table, out of the 160 indicators tracked, 31 of the indicators were achieved with steady progress being made on 56 of the indicators. However 61 of the indicators were not achieved, whilst there was no data on 12 of the indicators.

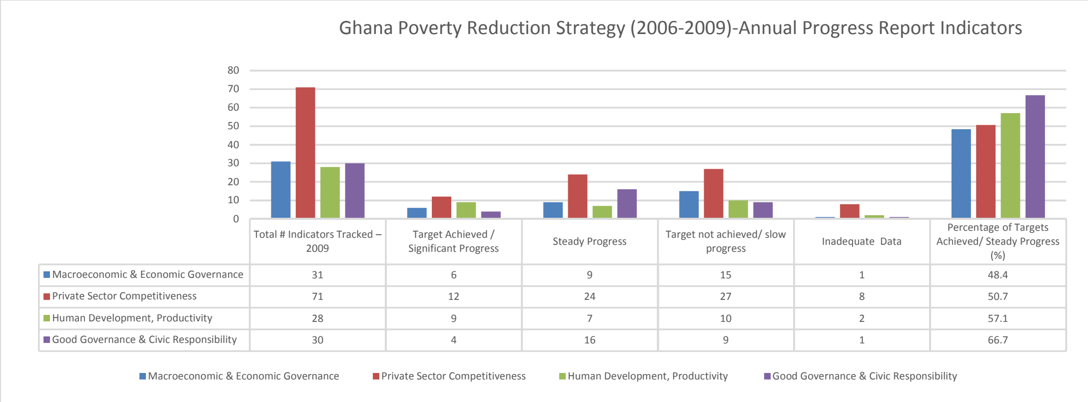
Table 4. 2: Summary of Progress made on Indicators – GPRS II

Thematic Areas	Total # Indicators Tracked	Target Achieved / Significant Progress	Steady Progress	Target not achieved/ slow progress	Inadequate Data	Percentage of Targets Achieved/ Steady Progress (%)
Macroeconomic & Economic Governance	31	6	9	15	1	48.4
Private Sector Competitiveness	71	12	24	27	8	50.7
Human Development, Productivity	28	9	7	10	2	57.1
Good Governance & Civic Responsibility	30	4	16	9	1	66.7
Total	160	31	56	61	12	54.4

Source: Annual Progress Report GRPS II (2006-2009)

The total resources released was consistently prioritized in favor of the private sector competitiveness thematic area which received about 42.9percent of the total resources released and this enabled the thematic area achieve and make steady progress on 36 out 71 indicators representing 50.7percent. The macroeconomic stability thematic area achieved and made steady progress on 15 out of the 31 indicators and this represented 48.4percent. Human development productivity thematic area also achieved and made steady progress on 16 out of the 28 indicators tracked and this represented 57.1percent with about 29.4percent of the total resources released to that thematic area. Good governance and civic responsibility thematic area also achieved and made steady progress on 20 out of the 30 indicators being tracked and this represented 66.7percent with 27.7percent of government budget allocations.

<u>Figure 4. 3: Growth and Poverty Reduction Strategy II (2006-2009)-APR Indicators</u>



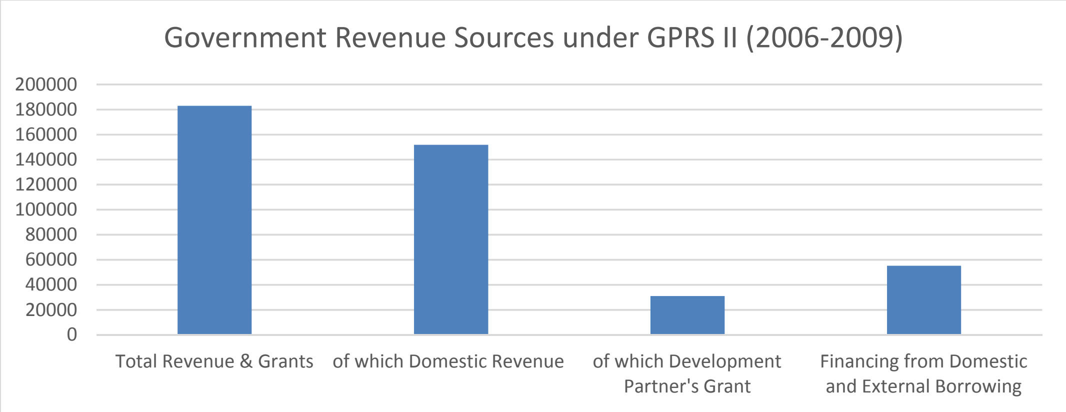
	Total # Indicators Tracked – 2009	Target Achieved / Significant Progress	Steady Progress	Target not achieved/ slow progress	Inadequate Data	Percentage of Targets Achieved/ Steady Progress (%)
Macroeconomic & Economic Governance	31	6	9	15	1	48.4
Private Sector Competitiveness	71	12	24	27	8	50.7
Human Development, Productivity	28	9	7	10	2	57.1
Good Governance & Civic Responsibility	30	4	16	9	1	66.7

Source: Annual Progress Report GRPS II (2006-2009)

<u>Government Revenue Sources under Growth and Poverty Reduction Strategy (2006-2009)</u>

Government projections for revenue generation was heavily tilted in favor of domestic sources. This was to ensure that the country gradually weans itself off the dependence of donor budgetary support (NDPC, 2005). From the figure below, government's revenue sources under GPRS II comprised of both external and domestic sources of financing. Total government revenue including grant constituted 31.3percent of GDP, of which domestic revenue was 0.84percent as a share of total revenue and grants from both multilateral and bilateral sources constituted 0.12percent as a share of total revenue and grants. The government also received divestiture receipts, programmes loans and exceptional financing, as a share of total revenue was 0.23percent. The external inflows comprised of HIPC savings, debt relief, as well as resources from the Millennium Challenge Account which served to augment government domestic revenue.

Figure 4. 4 Government Revenue Sources under GPRS II (2006-2009)



Source: Ministry of Finance 2018.

4.1.3. Ghana Shared Growth and Development Agenda I (GSGDA I) 2010-2013

The discovery and exploitation of oil and gas in commercial quantities provided Ghana the opportunity "to accelerate the growth and development of the economy. GSGDA I was anchored on the continued pursuit of macroeconomic stability and the sustainable exploitation of Ghana's natural resource endowments in agriculture, minerals and oil and gas, supported by strategic investments in human capital, infrastructure, human settlements, science, technology and innovation to drive industrialization, in particular manufacturing. Overall, the GSGDA I is targeted at accelerating employment creation and income generation for poverty reduction and shared growth" (NDPC, 2010). **Table 4. 3** below summarizes the progress made on 315 GSGDA indicators that were monitored for the plan period under seven thematic area namely; Oil and Gas Development, Natural Resource Management and Infrastructure, Human Development, Productivity and Employment, Transparent and Accountable Governance, and Human Settlements Macroeconomic Stability, Private Sector Competiveness, Agriculture Modernization. From **Table 4. 3**, out of the 315 indicators tracked for the plan period, 90 of the indicators were achieved with steady progress being made on 72 of the indicators. However 119 of the indicators were not achieved, whilst there was no data on 34 of the indicators.

Table 4. 3: Summary of Progress made on Indicators – GSGDA I

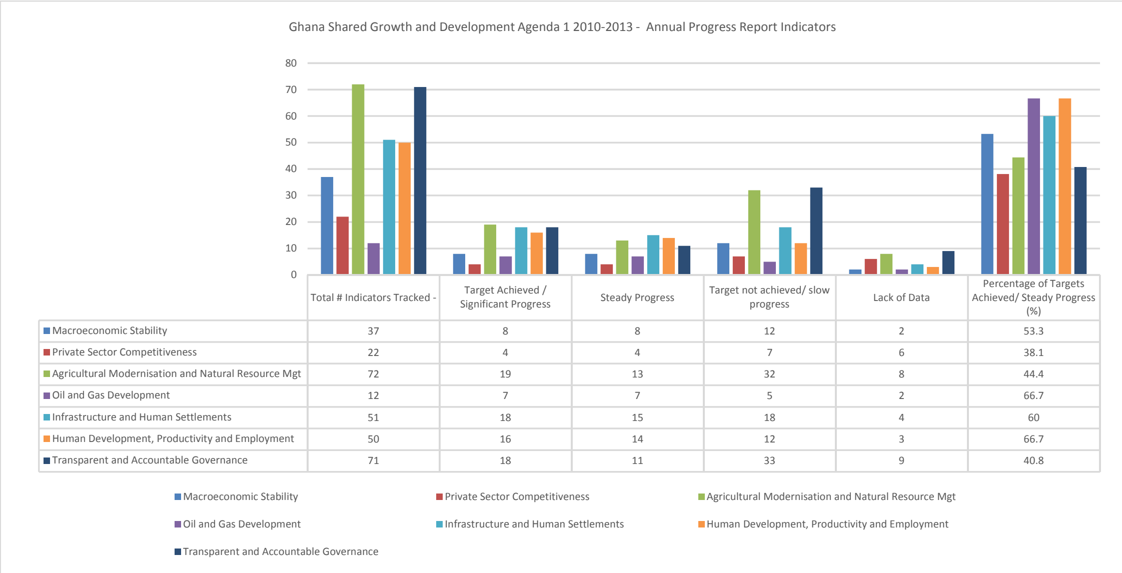
Thematic Areas	Total # Indicators Tracked	Target Achieved / Significant Progress	Steady Progress	Target not achieved/ slow progress	Lack of Data	Percentage of Targets Achieved/ Steady Progress (%)
Macroeconomic Stability	37	8	8	12	2	53.3
Private Sector Competitiveness	22	4	4	7	6	38.1
Agricultural Modernization and Natural Resource Management	72	19	13	32	8	44.4
Oil and Gas Development	12	5	2	5	2	66.7
Infrastructure and Human Settlements	51	18	15	18	4	60
Human Development, Productivity and Employment	50	16	14	12	3	66.7
Transparent and Accountable Governance	71	18	11	33	9	40.8
Total	315	90	72	119	34	50.2

Source: Annual Progress Report GSGDA I (2010-2013)

The "approved budgetary resources and actual releases, prioritized resources" in favor of "Ensuring and sustaining "macroeconomic stability" (i.e. 37.4percent of actual releases) "Infrastructure and human settlements" (30.7percent of actual releases), and "Transparent and accountable governance" (i.e. 9percent of actual releases)" (NDPC, 2010). However from the figure below, progress in macroeconomic stability thematic area was average despite government's focus. The private sector competiveness thematic area achieved and made steady progress on 8 out of 22 indicators tracked and this represented 38.1percent. Oil and Gas development thematic area achieve and made steady progress 7 out of the 12 indicators tracked and this represented 66.7percent. Infrastructure and human settlements thematic area achieved and made steady progress on 33 out of 51 indicators tracked and this represented 60.0percent. Human development productivity thematic area also achieved and made steady progress on 30 out of the

50 indicators tracked and this represented 66.7percent. Transparent and accountable governance thematic area achieved and made steady progress on 29 out of the 71 indicators being tracked and this represents 50.2percent.

Figure 4. 5: Ghana Shared Growth and Development Agenda 1 (2010-2013) - APR Indicators

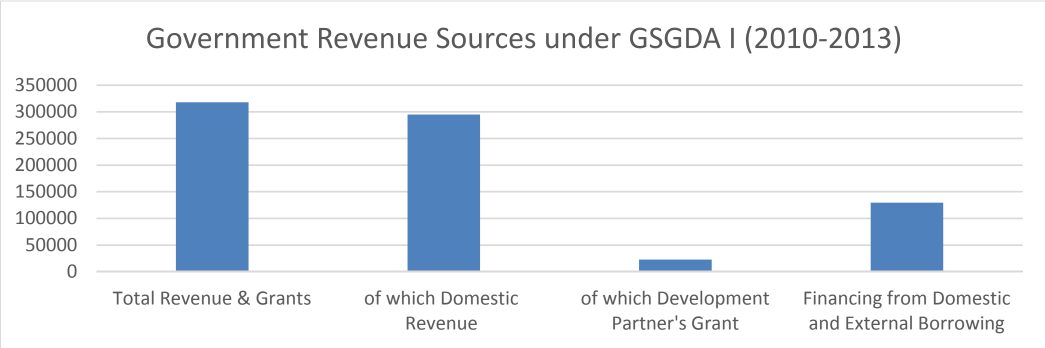


	Total # Indicators Tracked -	Target Achieved / Significant Progress	Steady Progress	Target not achieved/ slow progress	Lack of Data	Percentage of Targets Achieved/ Steady Progress (%)
Macroeconomic Stability	37	8	8	12	2	53.3
Private Sector Competitiveness	22	4	4	7	6	38.1
Agricultural Modernisation and Natural Resource Mgt	72	19	13	32	8	44.4
Oil and Gas Development	12	7	7	5	2	66.7
Infrastructure and Human Settlements	51	18	15	18	4	60
Human Development, Productivity and Employment	50	16	14	12	3	66.7
Transparent and Accountable Governance	71	18	11	33	9	40.8

Source: Annual Progress Report GSGDA I (2010-2013)

In implementing GPRS I and II, some structural challenges emerged which impacted government revenue generation sources. These include a continuous rise in the country's fiscal balance which was attributed to government's fiscal over-runs and the country's susceptibility to external shocks such as global financial crisis which affected the flow of remittances and also the rise in crude oil and food prices in the global market. Government revenue sources under GSGDA II comprised both domestic and external sources of financing. From the table total revenue and grants constituted 20.8percent to GDP, of which domestic revenue sources including oil revenue as a share of total revenue constituted 0.96percent, while grants from bilateral and multilateral sources made up 0.03percent. Financing from domestic and eternal borrowing as a share of total revenue constituted 0.33percent.

Figure 4. 6 Government Revenue Sources under GSGDA I (2010-2013)



Source: Ministry of Finance 2018.

4.1.4. Ghana Shared Growth and Development Agenda II – 2014-2017

GSGDA II is the fourth "in the series of medium-term national development policy frameworks" implemented "over the past" 15 years (NDPC, 2014-2017). It builds on the successes as well as the lessons learnt from the implementation of the predecessor "medium-term national development policy framework, GSGDA I" (NDPC, 2010). From the table, out of the 290 indicators tracked for the plan period, 82 of the indicators were achieved with steady progress being made on 38 of the indicators. However 139 of the indicators were not achieved, whilst there was no data on 46 of the indicators.

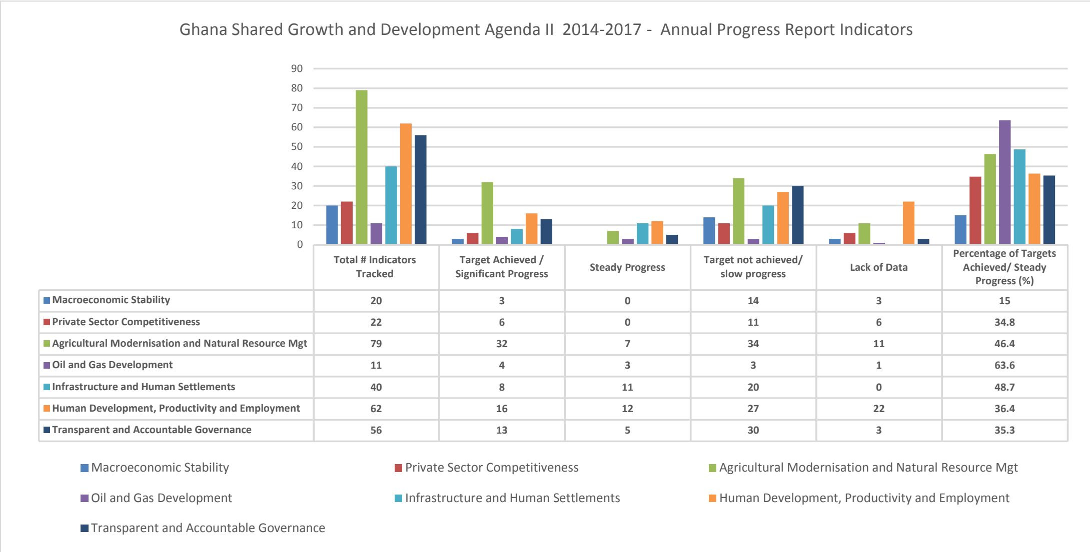
Table 4.4: Summary of Progress made on Indicators – GSGDA II

Thematic Areas	Total # Indicators Tracked	Target Achieved / Significant Progress	Steady Progress	Target not achieved/ slow progress	Lack of Data	Percentage of Targets Achieved/ Steady Progress (%)
Macroeconomic Stability	20	3	0	14	3	15
Private Sector Competitiveness	22	6	0	11	6	34.8
Agricultural Modernization and Natural Resource Management	79	32	7	34	11	46.4
Oil and Gas Development	11	4	3	3	1	63.6
Infrastructure and Human Settlements	40	8	11	20	-	48.7
Human Development, Productivity and Employment	62	16	12	27	22	36.4
Transparent and Accountable Governance	56	13	5	30	3	35.3
Total	290	82	38	139	46	38.8

Source: Annual Progress Report GSGDA II (2014-2017)

From the figure below, the macroeconomic stability thematic area performance was below average. It achieved and made steady progress on 3 out of the 20 indicators and this represented 15.4percent, while the private sector competiveness thematic area achieved and made steady progress on 6 out of 22 indicators tracked and this represented 34.8percent. Agricultural Modernization and Natural Resource Management achieved and made steady progress on 39 out of 79 indicators tracked and this represents 46.4percent. Oil and Gas development thematic area achieved and made steady progress on 7 out of the 11 indicators tracked and this represented 63.6percent. Infrastructure and human settlements thematic area achieved and made steady progress on 19 out of 40 indicators tracked and this represented 48.7percent. Human development productivity thematic area also achieved and made steady progress on 28 out of the 62 indicators tracked and this represented 36.4percent. Transparent and accountable governance thematic area achieved and made steady progress on 18 out of the 56 indicators being tracked and this represents 38.8percent.

Figure 4. 7: Ghana Shared Growth and Development Agenda II 2014-2017 - APR Indicators

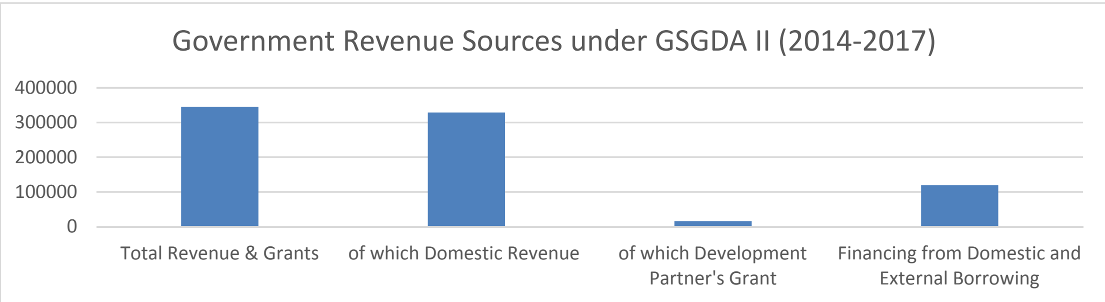


	Total # Indicators Tracked	Target Achieved / Significant Progress	Steady Progress	Target not achieved/ slow progress	Lack of Data	Percentage of Targets Achieved/ Steady Progress (%)
Macroeconomic Stability	20	3	0	14	3	15
Private Sector Competitiveness	22	6	0	11	6	34.8
Agricultural Modernisation and Natural Resource Mgt	79	32	7	34	11	46.4
Oil and Gas Development	11	4	3	3	1	63.6
Infrastructure and Human Settlements	40	8	11	20	0	48.7
Human Development, Productivity and Employment	62	16	12	27	22	36.4
Transparent and Accountable Governance	56	13	5	30	3	35.3

Source: Annual Progress Report GSGDA II (2014-2017)

Government revenue sources under GSGDA II comprised both domestic and external sources of financing. Total revenue and grants constituted 20.2percent of GDP, of which domestic revenue sources including oil revenue made up 0.96percent while grants from bilateral and multilateral sources constituted 0.3percent. Financing from domestic and eternal borrowing constituted as a share of the total revenue was 23percent

Figure 4. 8 Government Revenue Sources under GSGDA II (2010-2013)



Source: Ministry of Finance 2018.

4.2. Phase 2 - Financing Development Plans

This phase identified the role of financing in development planning by reviewing the government's fiscal budget for the period under the fourth republic governments (2000-2017) to identify the trend in revenue generation (domestic and foreign) and the expenditure patterns (gaps) and how this aspect of plan implementation can be made sustainable.

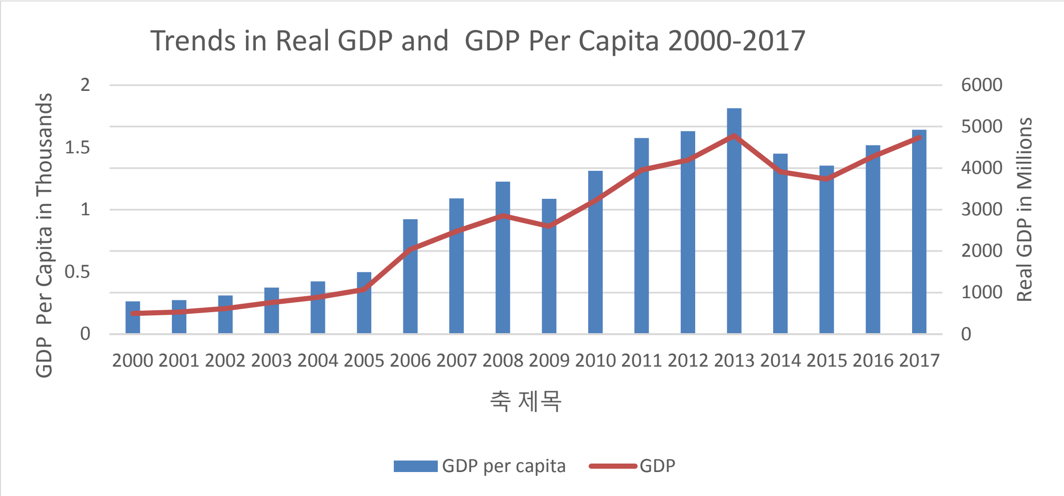
4.2.1. Fiscal Performance and Economic Growth

This looked at the fiscal performance of government from 2000 to 2017.

4.2.1.1. Resource Generation and Expenditure Pattern as a share of GDP

The **Figure 4. 9** below provides the Gross Domestic Product (GDP) per capita and real GDP from 2000 to 2017. This indicates the economic strength of the country. In 2017, the GDP per capita in Ghana amounted to US$1,663.19 which fell short of the projected US$2,048.79 (inclusive of oil revenue) in the GSGDA II. The trends however indicates a steady and sustained growth from an agriculture led economic growth to a service led economic growth with 56.2percent of GDP. Industry is however the highest growing sector with a GDP share of 25.5percent with the "mining and quarrying subsector recording the highest growth rate of 46.7percent in 2017. The agriculture sector also expanded from a growth rate of 3.0 percent in 2016 to 8.4 percent in 2017. Its share to GDP, however, declined from 18.7 percent in 2016 to 18.3 percent in 2017. Crops remains the largest activity with a share of 14.2 percent of GDP. The non-Oil annual GDP growth rate decreased from 5.0 percent in 2016 to 4.9 percent in 2017. The 2017 non-oil GDP for Industry recorded a growth rate of 0.4 percent, compared with 4.9 percent in 2016" (Ghana Statistical Sector, 2017).

Figure 4.9: Trends in Real GDP and GDP Per Capita 2000-2017

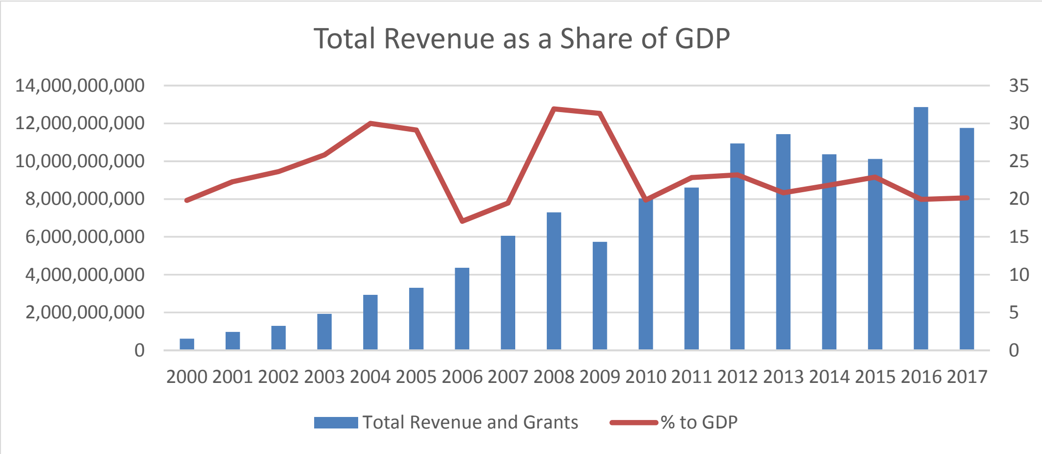


Source: World Development Indicators, 2018

4.2.1.2. Total Revenue as a share of GDP

From **Figure 4. 10** below, revenue generation keeps improving and this has been attributed to increase in domestic tax mobilization. However, government's revenue generation has always fallen short of the budget targets. The country's revenue to GDP ratio averaged 21.4percent during the GSGDA II. Total government revenue and grants increased to GH¢33,678.17 million (20.0percent of GDP) in 2016 compared with GH¢32,040.41 million (22.9percent of GDP) in 2015. This represents a shortfall of about 11percent of the revenue budgeted for the year. The shortfall was attributed to lower tax revenue, oil revenue and grants. Tax revenue collections amounted to GH¢25,728.68 million (15.2percent of GDP), which was 10.8percent lower than targeted, due to slower growth (APR, 2016).

Figure 4. 10: Total Revenue as a Share of GDP 2000-2017

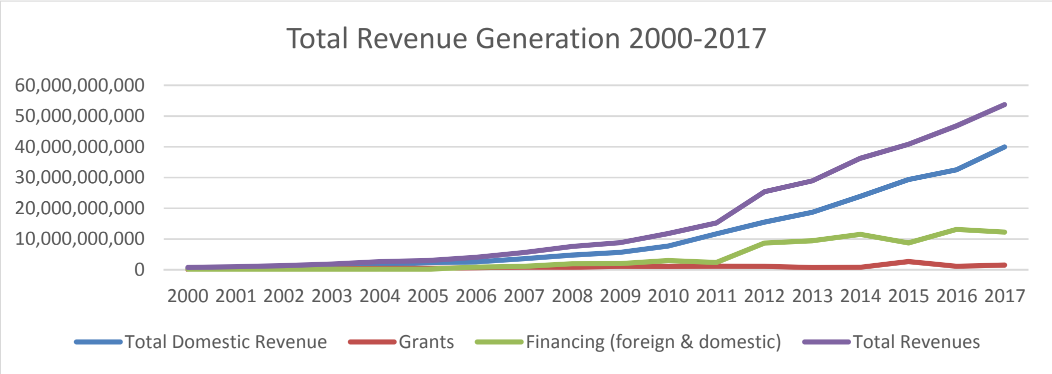


Source: Ministry of Finance Budget Fiscal Budget (2000-2017)

4.2.2. Resource Envelope

The resource envelope comprises both domestic and external sources of financing. Total revenue generation has mainly been driven by domestic revenue which comprises of both domestic tax and non-tax sources. **Figure 4. 11** shows a sharp rise in grants from 2015, however this trend is currently declining. Government's revenue suffered a rough patch during the 2014 and 2015 as a result of instability in the energy sector 'dumsor' which devastated the productive sector of the economy. However export proceeds from cocoa and the country borrowing from the Eurobond market helped in stabilizing the economy. The increase in grant for the year 2015, was attributed to increased donor disbursement for the independent state institutions that superintend elections and election related programmes. The European Union for instance supported state institutions under the European Development Fund targeted at improving good governance. Also it should be noted that whilst the domestic revenue from the figure is increasing, the grants and loan component has been decreasing over the same period.

<u>Figure 4. 11: Ghana's Resource Envelope from 2000-2017</u>

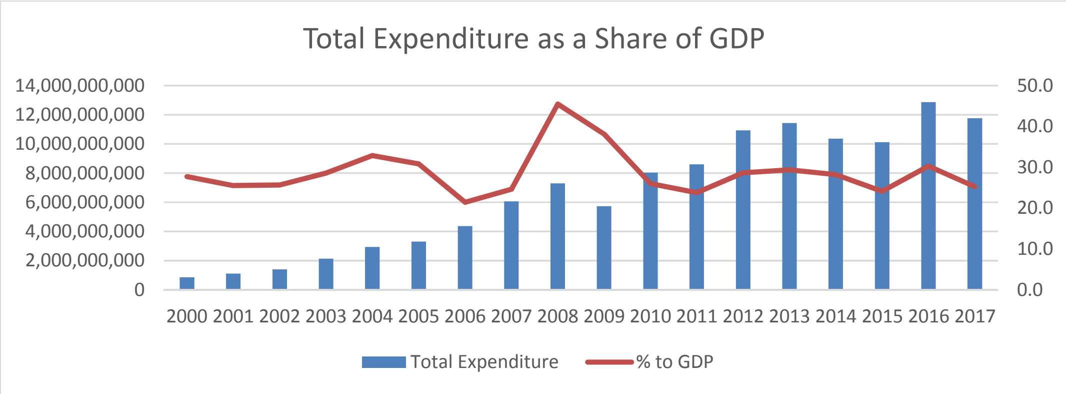


Source: Ministry of Finance Budget Fiscal Budget (2000-2017)

4.2.2.1. Expenditure Pattern as a share of GDP

The expenditure pattern indicates how governments spends its resources. The total expenditure as a share of GDP ratio rose from 20percent in 2000 to 24percent in 2004 due to financing of the extension to access to health, education, public networks, addressing of the infrastructure gaps and deepening decentralization. The continued fiscal deficit has also been attributed to "poor expenditure management processes coupled with weak revenue forecasting capacity" (BoG, 2014). From **figure 4:12,** the trend is however improving due to fiscal stabilization efforts which has contributed to the macroeconomic stability.

Figure 4. 12: Ghana's Total Expenditure as a Share of GDP (2000-2017)

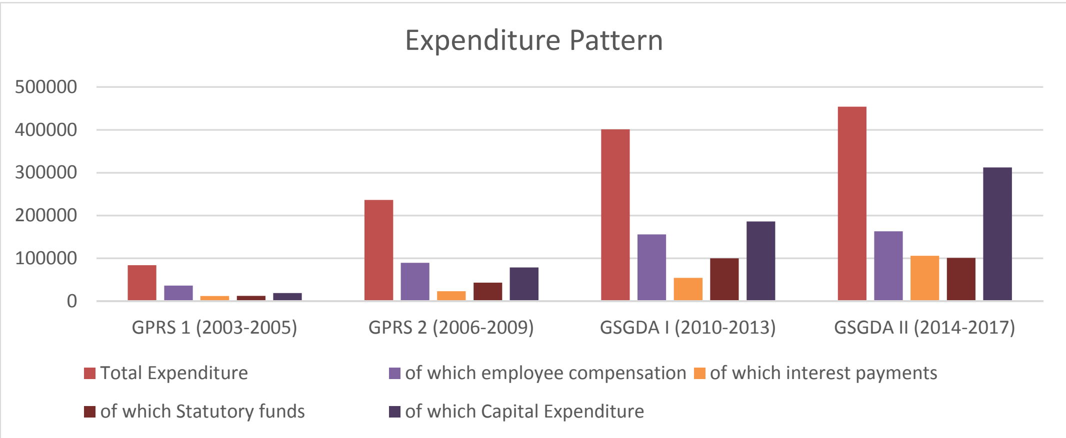


Source: Ministry of Finance Budget Fiscal Budget (2000-2017)

4.2.2.2. Resource Requirement and Expenditure pattern - financing the Gap

Figure 4.14, shows Ghana's expenditure pattern under the various medium term development plans. This shows a continuous increase in government expenditure under each plan period contributing to the increasing fiscal gap, where government expenditure exceeds government's revenue generation for each plan period.

Figure 4. 13: Ghana's Expenditure Pattern under the MTDP

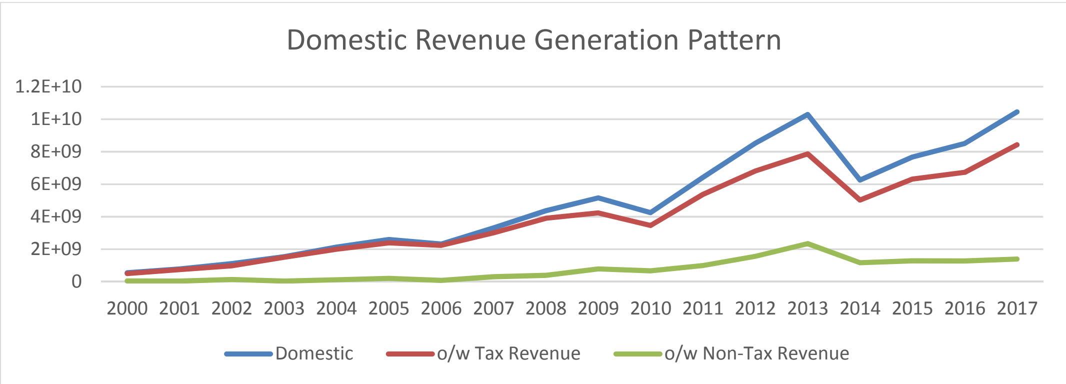


Source: Ministry of Finance Budget Fiscal Budget (2000-2017)

4.2.3. Domestic Resource Generation breakdown

The strength of domestic revenue generation indicates a country's ownership of its development agenda. Thus by increasing its domestic revenue mobilization, a country is able to confidently determine its development trajectory. **Figure 4. 15** below presents the government of Ghana's revenue generation from 2000 to 2017. Total revenue which includes domestic revenue generation, foreign grants and domestic and foreign loans, has been rising over the period under review. Domestic revenue however, is mainly driven by taxes. The shortfall in revenue during 2014 was as a result of the impact of energy challenges 'dumsor' on households and firms (MOF, 2014) which led to a slump in business activities especially on trades and services. This contributed to low revenue mobilization as most businesses recorded no profits for that period. Other reasons attributed to the slump in domestic revenue included, "lower than anticipated decline in petroleum receipts as a result of both lower than programmed benchmark crude oil prices and production as well as the non-realisation of proceeds from both tax and non-tax categories. In addition, tax compliance was relatively weak" (MOF, 2016). The country's inability to synchronize its revenue generation to that of its expenditure has resulted in a growing fiscal deficit.

Figure 4. 14: Ghana's Domestic Revenue Generation Pattern (2000-2017)

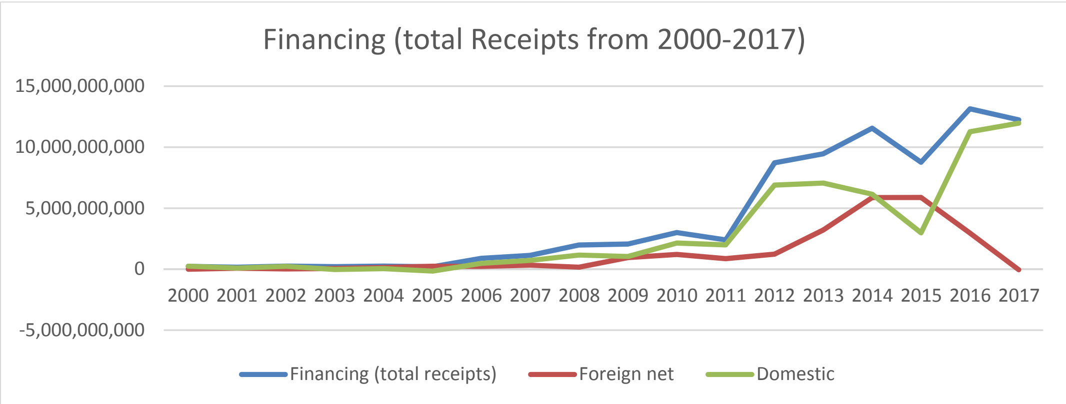


Source: Ministry of Finance Budget Fiscal Budget (2000-2017)

4.2.4. Financing - Total Receipts from 2000-2017

Financing here indicates the total receipts in terms of loans both domestic and foreign net which gives government the flexibility to maintain its spending commitments. From the **figure 4.16** below, comparing the domestic net to that of the foreign shows a decline in the foreign net whilst the domestic net is rising. This implies that the government of Ghana borrows more money internally compared to external borrowing which has been very low from 2000 to 2008. The slump in foreign net is attributed to government's decision to reduce programme loans which has concessionary element. In 2016 for instance, government did zero programme loans. Also a decline in grants impacts foreign net since some loans carry some grants element. Currently the country borrows more from the domestic market than the international capital markets with its relatively higher debt servicing implications. The downside to government heavy reliance on the domestic sources for revenue generations is denoted by the crowding out effect. Thus the private sector which serves as the engine of growth has less money to spend and invest and this further translates to no overall economy boost.

Figure 4. 15: Ghana's Financing (total Receipts from 2000-2017)

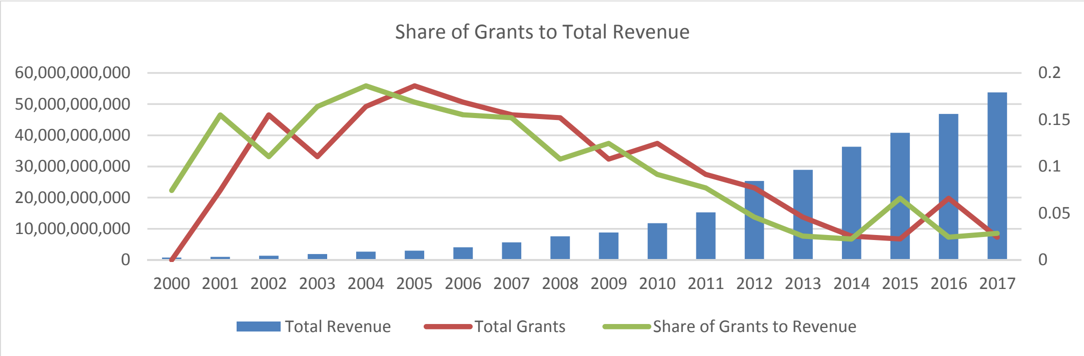


Source: Ministry of Finance Budget Fiscal Budget (2000-2017)

4.2.4.1. Share of Grants to Total Revenue

Figure 4. 17 below shows the share of grants to the total revenue generated over the period 2000 to 2017. From the figure, the share of grants to revenue is steadily declining despite an initial rise during the period 2000 to 2010. The decline in grants started from the period 2011 with 2017 recording the lowest of 0.04percent of the total revenue generated for that period.

Figure 4. 16: Ghana's Share of Grants to Total Revenue (2000-2017)

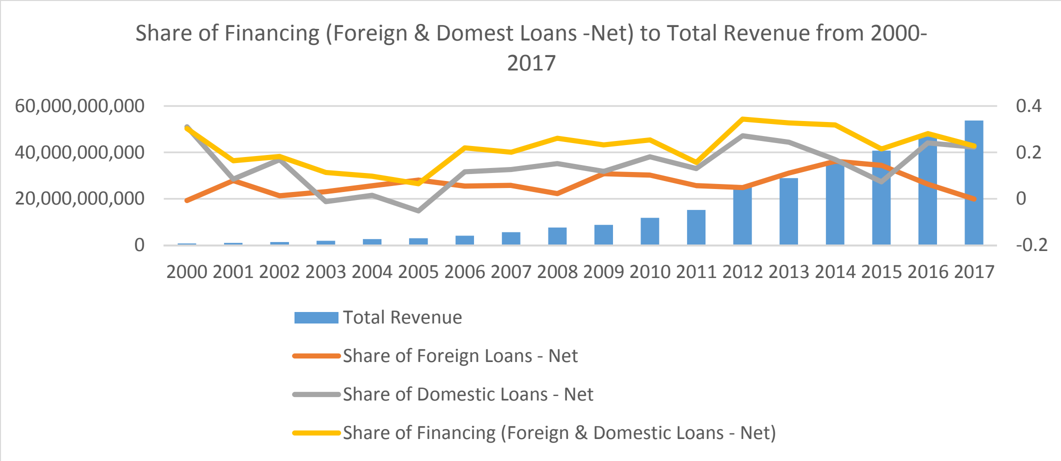


Source: Ministry of Finance Budget Fiscal Budget (2000-2017)

4.2.4.2. Share of financing (Foreign and Domestic Loans –Net) to Total Revenue

From the **figure 4.18** below, total revenue for the period under review keeps increasing with a corresponding increase in the share of domestic loans, however the share of foreign loans for the same period has been declining from 2014 to 2107.

Figure 4. 17: Share of Financing (Foreign & Domestic Loans -Net) to Total Revenue (2000-2017)

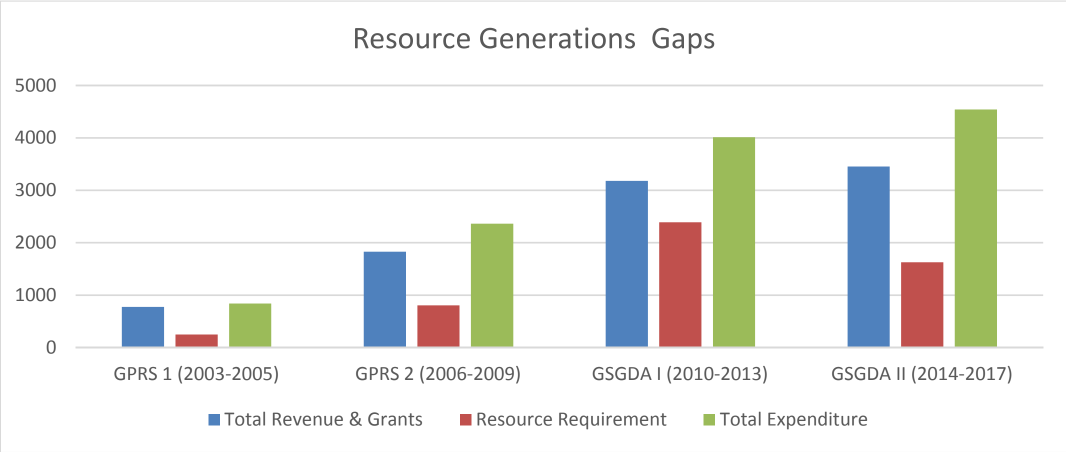


Source: Ministry of Finance Budget Fiscal Budget (2000-2017)

4.2.5. Resource Gap

Figure 4. 19 shows government's total revenue and grants, total expenditure and the resource requirement for each plan period. For instance "GSGDA II implementation period, budgetary spending excluding net lending is projected at an average of 32.1percent of GDP. Domestic revenue sources, including oil revenue, make up 22.5percent of GDP for the period, while grants from bilateral and multilateral sources constitute about 1.1percent of GDP on the average. The remaining average of 8.4percent of GDP is expected to come from domestic and external loans and other financing instruments" (NDPC, 2015).

Figure 4. 18: Ghana's Resource Generations Gaps under the MTDP



Source: Ministry of Finance Budget Fiscal Budget (2000-2017)

CHAPTER FIVE

DISCUSSION OF RESULTS

5.0 Introduction

This chapter analyses the data presented in the previous chapter. The overall purpose of this study was to assess the relationship between Ghana's national development plan implementation and its economic transformation trajectory by identifying revenue generation and expenditure pattern and how this affects financing in plan implementation and how its revenue generation mix can be made sustainable. This study identified how the level of implementation of the various development plans mirrors Ghana's transformation trajectory by tracking the implementation level of various indicators under identified thematic areas for each plan period. Finally, the analysis also looked at the resource requirement for implementing the various medium term development plans by identifying the resource envelope (domestic and foreign), government expenditure pattern, and the resource gaps. The data was analyzed under the following emerging themes.

5.1. Plan Implementation and Economic Growth

5.1.1. Status of plan implementation in relation to the Economic Transformation

Development planning in Ghana can be traced to the period during the colonial rule. These plans spelled out the vision of the country, the goals to be attained, the strategies for attaining them and indicators to help keep track of the performance towards the achievement of the vision. For the purpose of this study, GPRS I (2003-2005), GPRS II (2006-2009), GSGDA I (2010-2013) and GSGDA II (2014-2017) was reviewed. This tried to look at the level of implementation of each plan by tracking the various thematic area under each plan period and the overall impact of the implementation of these plans on the economic growth and transformation agenda. The results from the data showed a mixed level of success under each plan period.

5.1.2. GPRS I – Implementation of Poverty Reduction Strategy

GPRS I served as the operational development policy framework for the period 2003-2005. Its vision was to "attain the anti-poverty objectives of the UN's Millennium Development Goals (MDGs)" (World Bank, 2010). The policy measures identified to achieve this goal was prioritized in five main thematic areas namely: Macroeconomic Stability, Human Resources Development, Production and Gainful Employment, Governance and Vulnerable and Excluded. Implementation success was concentrated in the governance and vulnerable and the excluded thematic area which coincided with government's policy of providing policy relief and safety nets to the vulnerable and the poor through increased allocation of resources to the social services sector and the MDGs goals of reducing the poverty incidence in the country. This in effect crowded out resources to the economic and production and gainful employment thematic areas which supports wealth creation and sustained poverty reduction. This period witnessed an attainment of a modest macroeconomic stability. "Although total poverty spending in 2005 was lower than plan in the Budget, the actual expenditures were higher in 2005 than in 2004. Poverty-reduction spending increased by about 34.8percent in 2005" (NDPC, 2005). The macroeconomic performance although moderate under this period "contributed to the emergence of the current relatively stable macroeconomic environment" (Ibid, 2005). The resource available to government during this period as per all the other periods were from mostly domestic and external sources. During this period the domestic source (mostly tax revenue) was the main contributor to government revenue. This was attributed to government's commitment to reduce its dependence on foreign aid and concentrate on raising revenue internally.

5.1.3. GPRS II – Implementation of Growth Inducing Policies

GPRS II succeeded GPRS 1, the overall goal for this medium term plan was to accelerate economic growth as a means of reducing poverty on a sustainable basis. The primary objective was to place Ghana on the path of achieving a per capita income of at least US$1,000 by the end year 2015, which ultimately ushers the country into a low "middle income status within a decentralized democratic environment" (GPRS II 2006-2009). Two principal constraints were identified in the GPRS II in achieving the broad objectives, these were, the vulnerability and shock of the economy due to its high reliance on export earnings from primary commodities and the social structure which was mainly made up youth and children thus increasing the high dependency ratio of the country, with low literacy rates among women and the vulnerable. Under this backdrop, the policy framework focused on developing the private sector, export diversification and mechanizing agriculture which will eventually lead to transforming the structure of the economy. The policies identified to achieve this overall goal were prioritized in four thematic areas namely, Private Sector Competitiveness, Macroeconomic Performance and Economic Governance, Good Governance and Civic Responsibility and Human Resource Development. Implementation success however, was an improvement upon the previous plan period under GPRS I even though the success was slightly above average as some of its indicators were either not achieved or recorded slow progress. Good governance and civic responsibility and human resource development made much progress compared to the other thematic areas. On the sectoral contribution to GDP, agriculture remained the highest contributor representing 34.06percent of the total GDP, with the services and industry sectors constituting 31.7percent and 25.6percent of GDP respectively.

5.1.4. GSGDA I – Implementing policies to achieve and sustain economic stability

The next national development plan was the GSGDA I. It marked the end of the poverty reduction strategies, and birthed the era of sustaining the growth success chalked and making the growth inclusive. Furthermore, the country discovered hydro-carbon in commercial quantities in 2011 and it therefore meant an additional resource thus increasing the potential to transform the economy using proceeds from Oil and Gas. The central goal was to "accelerate the growth of the economy with the view of creating more jobs, generating more incomes, and reducing poverty" (NDPC, 2013) and "sustain economic stability while placing the economy on a path of higher growth in order to attain a per capita income of at least US$3,000 by 2020 and also achieving the Millennium Development Goals (MDGs)" (NDPC, 2013). "Policy measures identified to achieve this overall goal were prioritized in seven thematic areas, namely: Ensuring and sustaining macroeconomic stability; Enhanced competitiveness of Ghana's private sector; Accelerated agricultural modernization and sustainable natural resource management; Oil and gas development; Infrastructure and human settlements development; Human development, productivity and employment; and Transparent and accountable governance" (Ibid,2013).

Ghana "continued to record significant growth to sustain the country's middle income status. The real GDP growth was estimated at 7.6percent in 2013, with a corresponding nominal GDP increasing from US$39,871.84 million in 2012 to US$43,457.04 million in 2013. Subsequently the per capita GDP increased from US$1,538.801 in 2012 to US$1,637.80 in 2013 compared to the target of US$1,567.27 set under the GSGDA. The GDP growth in 2013 was driven mainly by strong performance in the services sector which recorded a growth rate of 9.6percent, similar to the situation in 2012 when the sector recorded a growth rate of 11percent" (NDPC, 2013). The structure of the economy also continued to shift from the agriculture sector to the services sector and industry sector due to the growth in information technology and proceeds from the crude oil production (NDPC, 2013). According to GSS, Ghana's GDP expanded with an improvement from 3.7percent in 2016 to 8.5percent in 2017 with a surge of 80.4percent in oil and Gas production (Ghana Statistical Service & World Bank, 2017).

5.1.5. GSGDA II – Implementing policies to accelerate growth

With some successes achieved under GSGDA1, marshaled the implementation of GSGDA II The medium term macro-economic objective of "GSGDA II, was to achieve a sustainable macroeconomic stability while placing the economy on a path of accelerated growth, to attain a per capita GDP of at least US$2,400 by 2017" (MOF, 2016). The theme for the 2016 Budget was "consolidating progress towards a brighter medium term". This theme was predicated on the strong desire of the government to promote greater fiscal discipline. Consequently, the macroeconomic objectives underlying the 2016 Budget were to enhance domestic revenue mobilization; "ensure prudent public expenditure management"; improve "debt management; and" implement "reforms in key areas of the economy" (APR, 2016).

However the actual GDP per capita in 2017 recorded US$ 1,818.80 which fell short of the projected figure. The medium term framework again anticipated that the bulk of the resources in the final year of the implementation of the GSGDA II will "go to "Infrastructure and human settlement" (40percent), "Human development, employment and productivity" 26.4percent) and "Oil and gas development" (12.3percent) thematic areas (NDPC, 2014). "The approved budgetary resources and actual releases", however "prioritized resources" in favor of "Ensuring and sustaining macroeconomic stability" (i.e. 37.4percent of actual releases) "Infrastructure and human settlements" (30.7percent of actual releases), and "Transparent and accountable governance" (i.e. 9percent of actual releases) thematic areas (NDPC, 2016). Despite this trend, the macroeconomic performance was below average making progress in only 3 out of the 20 indicators being tracked. The thematic area that showed improvement was the Oil and Gas thematic area.

There was a national agenda within this time period to pursue a forty (40) year development plan. This however, suffered some setbacks. The "long-term objective of the" then "government's economic development strategy" was to "achieve a per capita income of at least US$3,000 by 2020", accompanied by the necessary infrastructural and socio-economic transformation. However it is estimated that Ghana's GDP per capita will be US$1,983.17[12] which is below the 2020 expectation.

5.2. Financing Development Plans

5.2.1. Resource Requirement: Addressing the Resource Gaps- Development Cooperation

Ghana "was officially declared a lower-middle income country in November 2010 by Ghana Statistical Service. This resulted from the Ghana Statistical Service's (GSS) rebasing the country's economy in November 2010 and indicated that the country's per capita was $1,343 with a GDP value of $32.5 billion" (GSS, 2010) on the back discovering oil in commercial quantities without the necessary structural transformation from a less productive sector to a more productive sector that characterizes a lower middle income country. The economic growth has been largely

[12] Following a rebasing of the country's GDP in 2018,the Capita Income is …

supported with revenues from oil, cocoa and gold. This has also led to a structural transformation from an agricultural led economic growth to the services sector being the largest contributor to GDP. Sustaining and accelerating the growth of the economy or risks a stagnation and possible turn around to a lower income country has been the goal of its various medium term development plans. To sustain this growth, infrastructure gaps and human capital gaps needs to be bridged and also effective management of its national resources.

Despite the remarkable strides taken by the government to sustain its economic growth, revenue generation have constantly fallen below the expected target which has had some implications in the implementations of its development plans with government's fiscal constraint. In 2009, total receipts was projected at GH¢10,298.713 million, however, actual outturn for the year amounted to GH¢9,465.097 million, 8.7percent below the budget estimate. The shortfall was attributed to low grants and domestic revenue generation (APR, 2009). Also in 2016, governments revenue and grants amounted to GH¢33,678.17 million (20.0percent of GDP), compared with GH¢32,040.41 million (22.9percent of GDP) in 2015. This represents a shortfall of about 11percent of the revenue budgeted for the year. The shortfall was also attributed to lower tax revenue, oil revenue and grants (APR, 2016).

The slump in foreign financing is credited to government's commitment to reduce its dependence on foreign aid, also the high interest rates in the commercial markets and its subsequent effect on economy deters government from the international market. For instance government committed to decrease its programme support loans due to the concessional elements attached to such loans. This resulted in government recording of zero programme loans in 2016. The total revenue including grant as a share of GDP increased from 19.9percent in 2000 and peaked during 2008 and 2009 with 30.0percent. This trend is however seeing a decline in 2017. Again, the decline in the already low grant component was attributed to the country's attainment of a middle income status, donor fatigue and government's commitment to reduce its dependence on foreign aid.

Government spending, on the other hand also keeps fluctuating. Government expenditure as a share of GDP increased from 21.4percent of GDP and peaked to 45.5percent to GDP in 2008 and recorded 25.2percent in 2017. Thus Ghana's current fiscal situation is as a result of growing government expenditure which exceeds the revenue generated. According to Adam and Bevan (2005), growing government spending which is above the revenue receipts creates a fiscal deficit that could harm the country's economic growth. This is further exacerbated within every election year. "During the 1992 elections the budget balance deteriorated massively from a surplus of 1.6 per cent of GDP in 1991 to an overall deficit of 5.2 per cent of GDP in 1992. Similarly, there was a deterioration of the overall balance in 1996 from the 1995 levels" (OECD &AFDB, 2002).

Analysis of the findings indicates that government's revenue generation is mainly either from domestic or foreign sources. The domestic is further decomposed into two and these are either through tax revenue which comprises of income tax, investment tax which includes corporate tax, property tax, and sales tax and finally consumption tax (Value Added Tax) VAT and this comprises of goods and services tax. The second category is made up of non-tax components which constitutes internally generated funds from some Government Agencies, fees and levies from local government authorities). Foreign revenue is either through grants or borrowing through loans.

The data indicates that government mainly finances its spending through domestic revenue generation which is mostly composed of taxation. With an increasing demand for government to meet the resource requirement, the burden on the tax payers would keep increasing which in the long run might create a disincentive for the tax payers to pay while keeping their businesses afloat. Again, domestic revenue gives government the confidence and autonomy to implement its development plans. Thus with government struggling to raise more domestic revenue to meet its growing needs, it is also recommended that foreign aid could be used to bridge the resource gap. On the other hand foreign borrowing increases government debt burden, depreciation of the local currency, increase in the inflation rate as well as depleting its foreign reserves trough debt servicing (Obeng &Sakyi, 2017). As indicated earlier, ODA flows to Ghana has been declining, with the GSGDA II clearly noting the impact of such decline on the economic growth of the country. Again, due to the new status, Ghana will now have to rely more on international markets whose terms are closer to international commercial credit rate.

The findings further showed that budgetary resource allocations and releases continued to show some misalignment. The sources of these misalignments are both GOG and DPs (APR, 2013). Approved budgetary resources and actual releases continued to be reprioritized away from the already agreed thematic areas to other thematic areas of interest to either the government or the development partners.

CHAPTER 6

POLICY RECOMMENDATIONS AND CONCLUSION

6.0 Introduction

This section summarizes the research findings and further proposes policy recommendation based on the discussion of the results and then presents its conclusions.

6.1. Summary of Research findings

The overall purpose of this study was to assess the relationship between Ghana's national development plan implementation and its economic transformation trajectory by analyzing its revenue generation and expenditure pattern and how this affects financing in plan implementation. This looked at the resource requirement for implementing the various medium term development plans by identifying the resource envelope, government expenditure pattern and the resource gaps. Finally the study also looked at how the level of implementation of the various development plans mirrors Ghana's transformation trajectory by tracking the implementation level of various indicators under identified thematic areas for each plan period. From the analysis of the data, it was evident that Ghana's current economic status is derived from the success of its plan implementation. Thus in situations where the successes chalked were below average during a particular plan period, this was equally reflected in the economy. Also it was evident that each plan had its own vision for that period. Thus government focus during each period was on the vision underlying each plan period.

Also, government mainly relied on two streams of resources, domestic and external. From the data, domestic sources of financing contributed more to government than the external sources which included grants and loans. This trend is further deteriorating with the country's attainment of a middle income status, donor fatigue, high interest rates from the international markets and government's commitment to reduce its dependence on aid. Comparatively, the domestic resource mobilization drive gives government a greater autonomy in determining the most relevant sectors and areas of development that needs government attention. Thus with a declining foreign aid (international development cooperation), government could concentrate on improving its domestic resource base.

Again, government expenditure continuously exceeded its revenue generation with three items taking almost 80percent to 90percent of government expenditure, these items where **Wages and salaries, Interest payments and amortization and Statutory payments**. The revenue generation pattern is also mostly driven by domestic taxation and borrowing (Loans) from the central bank. However expenditure under each plan period exceeded government revenue generation. Inadequate budgetary funding during all the plan period affected the outcome of each indicator under the various thematic area. Thus in periods where the funding from government is adequate, a more than average performance is recorded. Also Government spending most often reflected its policy choices in a given plan period. Again due to the huge financial requirement for the funding of infrastructural projects, government will need to diversify from its traditional sources of funding to a more innovative sources of funding since the current revenue generated is inadequate. This will create the needed fiscal space for investment in other economic and social infrastructure needed for the transformation it seeks. Notably, both foreign development assistance and domestic revenue are important for enhancing economic growth, but in order to fully own whatever intervention is needed for the transformation there is the need for more attention to be given to the domestic revenue generation of the country.

6.2. Challenges

Ghana current status as a low-middle income country coupled with its infrastructure gaps including energy, water and road and the changing nature of its economic structure from an agricultural economy to that of a service driven economy places some pressure on the government to increase its revenue mobilization efforts in order to meet the growing demands. Also there is pressure on the government to wean itself off development assistance in order to be considered a real, middle income country. The following bottlenecks have been identified that needs to be addressed;

- Limited revenue generation sources with heavy reliance on domestic tax
- Declining external funding (Donor fatigue and the Country's status as a LMIC)
- Government expenditure patterns exceeding its revenue generation creating fiscal deficit
- Strict development plans to the budget alignment

6.3. Policy Recommendation

The following are policy recommendations for the consideration of policy makers

6.3.1. Plan Implementation

6.3.1.1.*Ensure strict plan to budget alignment*

Despite continued efforts to strictly adhere plan to budgetary allocation, there still exist some misalignment between budgetary allocation and actual plan implementation. To address this issue, the constitution should guarantee powers to NDPC to make national development plans binding on all governments that assume office. Also, NDPC's LI on ensuring alignment of national medium term plans among the MDA's before budgetary allocations should be completely enforced.

6.3.1.2.*Centralize and Harmonized Data collection*

Persistence of difference in reporting formats and cycles of the various MDAs makes it difficult to track the progress made on certain indicators. Thus there is a need for a harmonized and centralized data collection system to ensure adequate monitoring and evaluation of indicators and report adequately on the performance of all indicators outlined in the various medium term plans.

6.3.1.3.*Development and Implementation of a long term plan*

A long term development plan provides a comprehensive vision for sustainable development over a long period. With the current attainment of a low-middle income plan, a long term development plan will be needed to serve as a guide post to lead Ghana to the desired growth it envisions in the medium to long term in alignment with the sustainable development. A growing concern among most people is that will the current 40 year development plan suffer the same faith as the other long term plans. This research proposes otherwise.

6.3.2. Financing Development Plans – Bridging the Revenue Mobilization Gap

The ability to adequately finance the development plans depends on many factors and this includes a revenue generation pattern that exceeds government expenditure. There has been several concerted efforts from government over the years, to increase revenue generation in the budget statements but the outcomes have been mostly mixed with some modest gains. In order to address the revenue gap, government will have to focus on blending both the traditional and non-traditional forms of revenue generation.

6.3.2.1.*Innovative Tax System*

According to Haq (2017), "a good tax system is one that raises money with minimal distortion to the economy". Thus the government of Ghana will need to devise a fair tax system where no group of persons or organization feel oppressed or targeted. Some innovative measures to be pursued by the government could include be ensuring compliance of all tax payers by instituting measures that makes tax evasion more expensive than actual compliance and this requires sustained efforts and a coherent national strategy. Also in view of the fact that it is difficult to tax the informal sector, government could employ the services of local cooperatives, associations and groups as a means of reaching out to the informal sectors. Also government needs to review the free zones tax concessions which exempts free zones operators and enterprises from the payment of income tax on profit for the first 10 years from the date of commencement of business. Studies on this sector indicates that little local employment is created in such sectors hence most profits are ferried back to the home country of such enterprises. This calls for a review to ensure limited exemptions and local job creations where benefits will be realized in the country.

6.3.2.2.*Migration to a cashless society to improve revenue mobilization*

In Ghana where most transactions are direct involving the exchange of hard currency for purchase of goods and services, it is difficult to estimate the amount of transactions completed in a day. Thus migration into a cashless society will enable government to keep track of such activities and effectively generate some income by introducing tax on such transactions. Again this "approach has the immediate benefit of reducing interaction between tax officials and taxpayers, and the consequent risks of harassment, collusion, and corruption" (IFS, 2017)

6.3.2.3.*The role of the informal sector in broadening the tax base*

According to the Ghana Statistical Service (2015), 91.5 percent of the population are in the private sector with 59.9percent of that group being captured under the informal sector. Statistically, less than 8 million people of the projected 28 million Ghanaian population are potential taxpayers. Of the potential 8 million taxpayers, 1.2 million (below 50percent of the taxable population) actually pay tax. Studies show some of the issues plaguing the taxation of the informal sector include non-declaration and under-declaration of income, inflation of deductions from tax returns and embezzlement of tax revenues from heads of trade associations. Some of these issues are attributed to poor record keeping, a predominance of cash transactions, lack of voluntary compliance, high illiteracy rates, and the actions of management and personnel involved in tax administration (Aikins, 2017). As noted by the current government, imposing tax on this group without making them first productive will result in the collapse of this sector which employs more than half of its population. Hence there is the need to implement measures that will make the sector more productive and encourage the sector to contribute to the growth of the country.

6.3.2.4. *Assisting Ghana Revenue Authority*

Ghana Revenue Authority's role in government achieving its aim to increase revenue generations in order to meet the growing government expenditure cannot be understated. There is therefore the urgent need to assist the sector to meet government growing revenue demand. Afrobarometer Survey[13] (2013), 84percent of Ghanaians are favorably disposed towards paying of taxes, particularly for more public services, however factors such as high taxation, unfair tax system, poor government service delivery and wasteful use of tax money promotes non-compliance among tax payers. A two prong approach can be adopted to address this issue; Collaborate with the National Center for Civic Education (NCCE) to educate and inform the public of their civic responsible and at the same time showing them what their taxes were used for thereby promoting

[13] See Afrobarometer 2013 survey which provides a detailed report on Tax Administration in Ghana: Perceived Challenges

accountability on the government side while providing the basis for the tax payers to continue paying taxes

6.3.2.5.*The role of Development Cooperation*

As noted earlier in the analysis section, ODA to Ghana has been declining which in theory underlines Ghana's attainment of a low-middle income status. Thus in the face of threats of donor fatigue, government needs to now mobilze non-aid and non-concessional resource on the capital market. Ghana exhibits all the potentials in attracting FDI which serves as a source of both human capital and physical capital accumulation, however FDI inflows has not been commiserate with the country's potential. This indicates that other factors also helps to create a conducive environment for potential investors such as dependable power and water generations, ICT connectivity and effective transportation system. This is witnessed in 2014 where revenues were lost due to unstable power. Again, to realize the gains to the economy, there is the need to diversify the FDI concentration to other sectors such as transportation, railway constructions, building of highways which has a likely employment spillover effect on the economy.

6.4. Conclusion

Challenges of meeting the resource requirement needed for the transformation the country seeks is key on the agenda of government. However, even though international sources could serve to bridge the financing gap, government is faced with high interest rates, reduce foreign reserves, increasing inflation rate and further worsening of its budget deficit. Thus government has been cautious in going to the international markets for loans. Also with the position of the current administration which is to reduce the tax burden in order to spur job creation and economic growth, a blend of both the traditional and innovative source of funding which pools both public and private resources and expertise is required. A long term strategy on revenue mobilization that seeks to strengthen revenue forecasting, collection and management, provide incentive for tax compliance and increase the fiscal space for public investment to bridge the infrastructure gap and social spending is urgently needed.

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