

## OUR EXPENDITURES AND OUR REVENUE .....

By Kwaku Kwarteng,  
Ministry of Finance & Economic Planning,  
Accra

The preparation of next year's budget is underway. And in the past weeks, something has been happening. They call it budget hearings. Let me explain that a little.

You see, every year, before the budget is prepared, the Education Ministry, the Health Ministry, the Local Government Ministry and all the other ministries are asked to come and tell government their needs. And not just their needs, but also, how much money they would need to meet those needs the following year.

Put in another way, the ministries tell government how much money they would need in order to provide essential services to the good people of Ghana in the coming year. And, why not? Ghana is for Ghanaians, so the ministries of the country have a responsibility to serve the people of the country.

### THIS YEAR

I'll come back to next year's budget, but let's see what happened this year. The budget hearings happened late last year. After the hearings, the total amount the ministries asked for came to about 80 trillion cedis. That was not small money. And the government came under pressure, looking left and right for funds.

Naturally, the traditional sources of money were evaluated. Let's look at them. First, proceeds from divestiture. I am referring to the amount of money the country gets by selling off some of its state ownership in some business ventures.

As you know, it is not always a smart idea for government to own business ventures because some of the government workers in the ventures would come to work at 9.30 am, leave for break at 11.30 am, resume from break at 2.20 pm and close at 4.15pm. If it is private business, the owner would not allow this to happen. That is why divestiture is a good thing. And of course, divestiture could also give government some cash to give to the ministries.

So, in this year's budget, proceeds from divestiture, plus foreign inflows (in the form of loans, grants and debt reliefs) came to about 17 trillion cedis. That leaves us with two things: first, a balance of 63 trillion (¢80Tr minus ¢17Tr) to raise. And second, one last source of national income, which is, **revenue**.

So, how much total revenue are we going to mobilise this year? Unfortunately, the calculations show that we would mobilise about only 26 Trillion. So, where is the remaining 37 trillion cedis going to come from? That is a painful question we all have to answer as Ghanaians.

What I can say is that Ghanaians have even done well under this government. If I say I am telling the expenditure-revenue story under previous governments, we would not leave here today.

### NEXT YEAR'S BUDGET

So, as the budget hearings go on, or as we prepare for next year's budget, how do things look like? So far, the indications are that the amount of money the ministries are asking for will exceed last year's 80 trillion cedis, which is not good news. But the ministries can't help it; they need the money to do the things they do for the people of Ghana.

Proceeds from divestiture and foreign inflows might go up slightly, I can't say how much. But foreign inflows should not even be in the discussion. When we think of building a nation, we should not be counting the benevolence of other country as a source of national income.

In the end, the real variable we should be dealing with is revenue. Non-tax revenue resulting from exports mainly, and tax revenue which is the various taxes, levies and duties we pay to the state.

If the price of crude oil continues to rise, revenue from petroleum taxation which was almost 4 trillion cedis in 2005 will drop further. Why? Because, contrary to what most people

think, when the prices of petroleum products go up, consumption falls, and with it, petroleum revenue. In fact, even under the defunct (ad valorem) excise duty regime, there was always a net fall in revenue when the prices of petroleum products went up.

Thus, the challenge to increase revenue next year in response to increased requests from our ministries is real.

### **BROAD TAX NET**

To summarise, in spite of improved revenue contributions in the last few years, there is the need for us to do more.

As to what we should do, I think there is a national consensus: widen the tax net. On this, both government and the opposition are agreed. As I was saying the other time, even people who have been dodging taxes all their lives are quick to advise that the tax net should be widened. And they spend as much creativity and energy dodging the tax net as they do shouting that we should widen the tax net.

The National Revenue Enhancement Support Programme has been put in place to help expand our tax base. The foot soldiers of the programme would be mandated to chance upon people without announcement and ask for proof that all taxes have been paid. If the tax-payer has paid all taxes, then there would be no problem.

If not, the foot soldiers would report the defaulter to the relevant law enforcers for punishment. You may be a carpenter or a lawyer; you may be a tomato seller or a business consultant, if you haven't paid your taxes, by all means, those people will come after you.

### **JOIN THE CRUSADE**

I have no doubt that this revenue enhancement programme will broaden our tax base. But we would achieve far more if we all voluntarily join the crusade to broaden the tax base. If you are a trader, and the trader next door has not been paying tax, I don't see why you should not go and whisper it into the ears of the tax people. Some call it *kokonsa*, I think it is patriotism.

The big importers and businesses who have devised ways of under-declaring their tax obligations also deserve more attention. And that is something state managers would do well to handle.

But most importantly, there must be renewal of minds. It is easy to complain about government not doing this or not doing that. The reality though is that if we don't contribute into the revenue bowl, governments would come and go, and we would still be complaining about the same things.