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AN ANALYSIS OF THE GOVERNMENT OF GHANA'S 2026 MID-YEAR BUDGET REVIEW

1. INTRODUCTION

The mid-year budget review that was presented to Parliament on July 23, 2026, provided an opportunity for the government to report on the implementation of the 2026 budget, reassess the macroeconomic and fiscal outlooks for the year, and outline policy measures to support the realization of the government's economic and fiscal objectives for 2026.

This paper critically analyzes the review. Even though we find aspects of the review and the macroeconomic developments that are positive, we identify in this paper a number of important weaknesses about the review, which have undermined the credibility of the budget and the government's ability to achieve its stated goals and objectives.

The paper is divided into four sections. Following this introduction, Section 2 reviews the fiscal performance in the first half of 2026 and the revised budget for the full year. Section 3 critically assesses the mid-year review. And Section 4 provides policy recommendations.

2. FISCAL PERFORMANCE IN THE FIRST HALF OF 2026 AND REVIEW OF THE REVISED 2026 FULL-YEAR BUDGET

2.1 Fiscal Performance in the First Half of 2026

Total revenue and grants outturn stood at GH¢124.78 billion in the first half of 2026, falling short of the budgeted amount of GH¢126.14 billion by GH¢1.37 billion or 1.1%. According to data provided by the government, total revenue and grants outturn as a share of GDP in the first half of 2026 stood at 7.8%, against a target of 7.9%. Tax revenue outturn also stood at GH¢103.77 billion or 6.5% of GDP, against a budgeted amount of GH¢105.26 billion or 6.6% of GDP, thus registering a shortfall of GH¢1.49 billion. Non-tax revenue underperformed its target by GH¢2.63 billion, standing at GH¢12.27 billion against a target of GH¢14.90 billion. The shortfall in non-tax revenue was driven by a significant underperformance of dividend/interest and profits from oil, whose outturn fell short of target by GH¢1.43 billion or as much as 37.1% (an outturn of GH¢2.42 billion against a target of GH¢3.85 billion). Foreign grants, which stood at GH¢1.05 billion in the first half of the year, was also short of a targeted amount of GH¢1.07 billion by 1.9%. However, other revenue (ESLA proceeds), whose outturn stood at GH¢7.69 billion in the first half of 2026, over-performed its target of GH¢4.21 billion by GH¢3.48 billion or 45.3%.

Total expenditure including arrears payment and discrepancy fell short of the target by as much as GH¢35.60 billion or 20.6%, standing at GH¢136.94 billion against a budgeted amount of GH¢172.54 billion. As a share of GDP, total expenditure outturn stood at 8.6% against a target of 10.8%, according to data provided by the government. In terms of percentages, arrears clearance and capital expenditure registered the biggest shortfalls in outturns relative to their targets. Actual arrears clearance (net) fell short of the budget target of GH¢13.98 billion by as high as 61.8%, standing at only GH¢5.34 billion during the first half of 2026. These numbers imply that the execution rate of arrears clearance (net) came to only 38.2% of the budget target. Capital expenditure outturn also fell short of target by as much as GH¢14.38 billion or 39.3%, standing at GH¢22.18 billion against a target of GH¢36.56 billion. Interest payment outturn in the first half of 2026 stood at GH¢21.50 billion, against a target of GH¢28.44 billion, representing a shortfall of GH¢6.94 billion or 24.4%. Grants to other government units also fell short of the target of GH¢31.10 billion by 15.7% or GH¢4.89 billion, standing at GH¢26.21 billion in the first half of 2026. Compensation of employees outturn stood at GH¢42.90 billion against a target of GH¢45.38 billion. This represents a shortfall of GH¢2.48 billion or 5.5%.

Given this dramatic underspending, the outturn of the overall fiscal deficit on commitment basis in the first half of 2026 drastically fell short of the budgeted amount by GH¢25.59 billion or 79.0%, standing at only GH¢6.82 billion against a target of GH¢32.41 billion. As a share of GDP, the outturn of the overall fiscal deficit on commitment basis was 0.4%, compared with a target of

2.0%. Also, the overall fiscal deficit on cash basis (including discrepancy) in the first half of 2026 stood at GH¢12.17 billion, representing 0.8% of GDP, against a target of GH¢46.39 billion, representing 2.9% of GDP. The primary balance on commitment basis outturn stood at a surplus of GH¢14.68 billion against a programmed deficit of GH¢3.97 billion. As a share of GDP, it stood at a surplus of 0.9% against a programmed deficit of 0.2%. On cash basis, the outturn of the primary balance moved to a surplus of GH¢9.34 billion or 0.6% of GDP against a programmed deficit of GH¢17.95 billion or 1.1% of GDP.

2.2 Review of the Revised 2026 Full-Year Budget

In spite of the drastic reduction in the overall fiscal balances in the first half of 2026, reflecting the combined effects of the 1.1% shortfall in total revenue and grants relative to its target and the massive underspending during the period (the 20.6% shortfall in total expenditure), most of the line items in the 2026 revised budget remained the same as in the original 2026 budget. Thus, virtually no noticeable revisions were made to them. On the revenue side in particular, absolutely no change was effected. The values for all the components of tax and non-tax revenues remained unchanged. On the expenditure side, most lines also remained the same. The only exceptions were off-setting changes made to capital expenditure and what is termed 'other expenditure'. In the case of the 'other expenditure' item, the total value was revised upward from GH¢16.23 billion to GH¢21.23 billion, with the additional amount of GH¢5.0 billion allocated to the Ghana Gold Board (GoldBod), a line item that was not included in the original budget. The value for capital expenditure, on the other hand, has been revised downward from GH¢57.53 billion to GH¢52.53 billion, thus declining by GH¢5.0 billion and covering for the increase in the 'other expenditure' item (i.e. the transfer to GoldBod).

The specific reason given for the GH¢5.0 billion allocation to the GoldBod was the need to make it take full financial responsibility for the gold purchase program, thereby relieving the Bank of Ghana of that responsibility.

Because of the above, all the fiscal balances and their ratios of GDP (primary, commitment and cash) in the revised 2026 budget remained the same as those in the original 2026 budget.

3. ANALYSIS

The implementation of the 2026 budget in the first half of the year took place in a macroeconomic environment that remained relatively stable, despite the effects of the war in the Middle East on global energy prices. For example, despite increasing in recent months, from 3.2% in March to 5.3% in June, year-on-year inflation has remained very low by historical standards. As a result, interest rates have continued to fall significantly in the first half of 2026. For instance, the 91-day Treasury bill rate, which decreased from 28.0% in December 2024 to 11.1% in December 2025, further decreased to 5.7% in June 2026. Also, the average lending rate, which dropped from 30.3% in December 2024 to 20.5% in December 2025, dropped further to 15.6% in June 2026. The decrease in interest rates is a particularly favorable development for the private sector, which has long been hampered by high cost of credit in Ghana.

Additionally, the government's announcement in the mid-year review that the Ministry of Finance's new Commitment Authorization System, intended to tighten expenditure control and check arrears accumulation, will cover not just Ministries, Departments and Agencies (MDAs), but also State-Owned Enterprises (SOEs), is a welcome development. We previously commended the government for instituting the system,[1] and we believe the inclusion of SOEs in its coverage is most appropriate. Indeed, the Minister of Finance was correct in his observation that SOEs' persistent financial failures have contributed significantly to Ghana's debt problems. We therefore endorse the efforts to rein them in financially.

Despite the above positive points, the mid-year budget review has serious challenges. These are:

I. *Poor Budget Execution*

The 2026 budget outturns in the first half of the year show that the budget is being poorly executed. While the government planned to spend GH¢172.54 billion (including arrears payment) in the first half of the year, as stated earlier, its actual expenditure fell short by as much as GH¢35.60 billion, representing 20.6% of the budgeted amount. Again, as stated earlier, capital expenditure fell short by as much as GH¢14.38 billion, representing 39.3% of the budgeted amount. And arrears payment fell short by as much as GH¢8.64 billion, representing 61.8% of the budgeted amount. It is important to point out that these two expenditure items are critical for economic growth and development. Arrears payment, for instance, oils economic activities by providing liquidity to government contractors and suppliers, and the businesses that depend on them. It is also important to understand that government expenditure, being a key component of GDP, has direct declining effect on GDP growth when it is restricted. It is no wonder, therefore, that non-oil real GDP growth momentum declined in the first quarter of 2026, as Table 1 below shows.

[1] *See IFS Policy Brief No. 25: "A Review of the 2026 Budget Statement and Economic Policy of the Government of Ghana."*

Table 1: Year-on-Year Non-Oil Real GDP Growth Rates by Quarter Since 2025

Quarter	Growth Rates (%)
2025Q1	8.0
2025Q2	8.5
2025Q3	6.8
2025Q4	7.1
2026Q1	6.3

Source of data: Ghana Statistical Service

We can see from the table that, although non-oil real GDP recorded a decent growth rate of 6.3% in the first half of 2026, this represents a noticeable decline from the rates recorded over the previous four quarters. Clearly, the sharp decline in government spending is at play here. If the government continues to significantly restrict expenditure as occurred in the first half of the year, then non-oil real GDP growth rate is most likely to decline further.

While it is true that revenue mobilization and foreign borrowing for budget financing fell short of their targets, these cannot fully explain the large expenditure shortfall. In fact, the combined shortfall in total revenue and grants and foreign borrowing amounted to GH¢8.39 billion, which represents less than one-fourth of the total expenditure gap of GH¢35.60 billion. Indeed, the huge shortfall in spending is mostly attributable to a large shortfall in domestic budget financing. Domestic financing of the budget fell short by as much as GH¢34.45 billion, representing 67.2% of the budgeted amount of GH¢51.28 billion. By all indications, this shortfall is the result of a deliberate decision by the government. While starving the budget of domestic financing, the government was at the same time borrowing money to keep in the Sinking Fund. According to the Minister of Finance, GH¢15.6 billion had been accumulated in the Sinking Fund by July 22, 2026, even though such a huge amount was not announced in the initial budget. This raises the following two questions: (1) Was the government not aware while preparing the 2026 budget and setting its financing targets that it would raise such a large amount of money for the Sinking Fund? Or (2) Was it aware but chose not to capture this in the budget that it presented to Parliament? Whatever the case may be, it shows poor planning on the part of the government. This has greatly affected the credibility of the 2026 budget. The government should understand that a budget is not something to treat casually, such that the Minister of Finance can set targets that he wilfully deviates from. This is because large deviations in budget execution have implications for growth as discussed above.

II. Unrealistic Targets and Projections

The 2026 mid-year budget's revenue and GDP targets are not realistic.

a) On Revenue

The government has kept the total revenue and grants to GDP ratio target in the 2026 mid-year budget review at 16.8% as in the original budget, which we argued was unrealistic in our review of the 2026 budget statement. We still maintain that this ratio is unrealistic. By maintaining the ratio, the government appears merely to be following the budgetary tradition in the country's recent history of overprojecting total revenue and grants to GDP ratio. In fact, since 2015 when it was able to hit 16.0%, total revenue and grants as a ratio of GDP has stayed below the 16% mark till now (using the 2018 rebased GDP series to calculate the ratio). Yet, successive governments have repeatedly projected the ratio to be significantly above 16%. For instance, Table 2 below presents data on targets (initial budget and mid-year) and outturns of total revenue and grants as ratios of GDP since 2021.

We can see from the table that from 2021 to 2025, the government's initial budget targets for total revenue and grants as ratios of GDP ranged from 16.2% to as high as 20.0%, with the average for the period standing at 17.5%. Although these targets were mostly revised downwards in the mid-year budget, they were typically kept above 16%, with an average of 16.5%. Yet, the outturns have not only constantly fallen short of both the initial and mid-year budget targets, they have also always fallen short of the 16% mark, with the average for the period being 15.6%. In the face of this

Table 2: Total Revenue and Grants to GDP Ratio Targets and Outturns Since 2021

Year	Initial Budget	Mid-Year Revised Budget	Outturn
2021	16.7	16.5	15.4
2022	20.0	16.4	15.7
2023	18.0	15.8	15.3
2024	16.8	17.4	15.8
2025	16.2	16.4	15.7
Average	**17.5**	**16.5**	**15.6**

Source of data: Ministry of Finance

persistent underperformance, and despite not pursuing any significant revenue policies in the mid-year budget, there is no justification for the government to maintain the total revenue and grants to GDP ratio target of 16.8%.

b) On GDP

Despite evidence necessitating an upward revision to the projected real GDP growth rate for 2026, the government has kept it at 4.8% in the mid-year review. This, indeed, is unrealistic. This is because, since this figure was initially projected in the 2026 budget last November, two sets of GDP data have been released that call for an upward revision to the projected growth rate. The first set of data showed that the overall real GDP growth rate for 2025 was 6.0%, significantly exceeding the 4.8% growth rate the government had projected for that year. The second set showed that year-on-year real GDP growth rate for the first quarter of 2026 was 6.4%, which also far exceeds the 4.8% projected growth rate for the whole of this year. These developments should have informed an increase in the projected real GDP growth rate for 2026 in the mid-year budget, as has been the practice in the mid-year review when evidence warrants a revision. Yet, the government decided not to do so, thereby undermining the credibility of the projected GDP growth figure.

Given that the real GDP growth rate is underprojected, the nominal GDP target for 2026, which also remained unchanged in the mid-year review, is also underprojected, and is thus unrealistic. This, therefore, means that the 16.8% projected total revenue and grants to GDP ratio for 2026, which we demonstrated above to be unrealistic, rests largely on the underprojected nominal GDP for the year. This is because the underprojected nominal GDP serves as the denominator of the revenue ratio, thereby artificially inflating the ratio. This provides additional evidence to support our argument that the targeted revenue ratio is unrealistically high. In fact, by the same reasoning, the total revenue and grants to GDP ratio outturn of 7.8% for the first half of 2026 is also inflated.

III. Data Inconsistencies

There are a number of data inconsistencies in the mid-year budget, which also challenge its credibility.

For instance, in Appendices 2A and 2B of the budget document, the stated total revenue and grants target for the first half of 2026 is GH¢126.14 billion, which gave rise to the shortfall in total revenue and grants outturn of GH¢1.37 billion, as stated earlier. Yet, the targets for the individual components of total revenue and grants sum up to GH¢125.43 billion instead of the stated GH¢126.14 billion, which leaves an unexplained difference of

GH¢712.43 million. This discrepancy has implications for the actual shortfall in total revenue and grants in the first half of 2026. This is because if GH¢125.43 billion instead of GH¢126.14 billion was used as the total revenue and grants target, then the shortfall in total revenue and grants outturn would be GH¢656.93 million instead of the GH¢1.37 billion. We further note that Social Contributions, a traditional revenue line, is missing from these two appendices, even though it appears in the revised budget data for 2026 (Appendices 3A and 3B). We suspect that this missing revenue line is responsible for the discrepancy.

Another example is that Appendix 2B contains two figures with substantial difference in value as tax refunds outturn in the first half of 2026. The smaller figure is GH¢1.59 billion, which is what the Ministry of Finance used to arrive at GH¢124.78 billion as the total revenue and grants outturn for the first half of 2026. The bigger figure is GH¢4.27 billion. If this bigger figure had been used, the total revenue and grants outturn for the first half of 2026 would have been GH¢122.10 billion, GH¢2.68 billion less than the GH¢124.78 billion. The question is, why did the government state the larger tax refunds figure in the budget without using it for its calculations? It is interesting to point out that tax refunds outturn stood at GH¢5.07 billion in the first half of 2025, which far exceeds the even larger figure not used by the government to derive the total revenue and grants outturn in the first half of this year.

IV. Lack of a Strategy to Generate Fiscal Revenue from the Small-Scale Gold Mining Sector

The government did not articulate any strategy in the mid-year budget for mobilizing revenue from the small-scale gold mining sector, despite the critical need for it. Recent developments, in particular the implementation of the Domestic Gold Purchase Programme (DGPP) and the establishment of GoldBod, have revealed that the small-scale mining sector's contribution to gold production and export is much bigger than previously recognized. However, government revenue generation from the small-scale mining sector is woeful.

As an example, in 2025, Ghana's gold export increased by a remarkable 103.3%, from US$10.31 billion to US$20.98 billion. Of this, small-scale mining contributed as much as US$10.80 billion, representing 51.5%. Yet, mineral royalties collected by the government, for instance, which depend almost entirely on gold production (about 97%), improved by only 21.1%, from US$364.87 million in 2024 to US$441.82 million in 2025.[2] Instructively, information published by the Minerals Income Investment Fund (MIIF)[3] suggests that all the gold royalties collected in 2025 came from the large-scale sector,

[2] *Mineral royalty revenues, officially reported in cedis, have been converted here to United States dollars using average exchange rates in 2024 and 2025.*

[3] *See https://miif.gov.gh/royalties-dividends-portfolio/*

with no collections from the small-scale sector despite small-scale gold export constituting 51.5% of the total gold export in 2025 as stated above. This is what largely explains the significantly smaller growth rate of mineral royalties relative to the growth rate of gold export in 2025. Additionally, information obtained from IFS' enquiries into this matter shows that besides royalties, other key revenue instruments in the current mining fiscal regime (such as corporate income tax) yield little to no revenue from the small-scale mining sector. Allowing such a situation to persist means the government is not interested in ensuring that growth in gold export generates anything close to commensurate growth in fiscal revenue from the sector.

4. RECOMMENDATIONS

***I. Improve budget execution by spending in accordance with the budget plan*:** As discussed earlier, the considerable underspending in the first half of 2026 relative to the budget plan not only undermined the budget's credibility, but more importantly, it also left much to be desired in terms of growth and development of the country. The government should therefore ensure that approved expenditures are fully implemented as budgeted, except when genuine revenue and financing constraints prevent this. It is, therefore, regrettable that the government ignored the financing plan in the budget during the first half of 2026 by accumulating resources in the Sinking Fund, something that had not been planned for, creating complications for spending on important items like capital expenditure and arrears payment. Going forward, the government should ensure that financing decisions are consistent with the budget plan.

***II. Make forecasting more evidence-based*:** We have demonstrated that nominal GDP, real GDP growth rate, and total revenue and grants to GDP ratio targets for 2026 are unrealistic. These weaken the credibility of the budget. To address this, the government should ensure that its macroeconomic and fiscal projections are fully informed by all the available evidence. In particular, GDP projections should be updated when new data point to a materially different outlook than previously envisaged. This would help the government set more realistic fiscal targets, enable better planning, and strengthen confidence in the budget. It is important to point out that to improve reliability of budget forecasts, the government can subject these forecasts to independent review before incorporating them into the budget.

***III. Devise a strategy to generate revenue from the small-scale gold mining sector*:** To strengthen revenue mobilization, the government needs to devise a strategy for generating revenue from the rapidly expanding small-scale gold mining sector. As we showed in the paper, the remarkable growth in gold production and export by the small-scale mining sector has not led to any significant growth in mineral revenue, since the government has ignored revenue mobilization from the sector. This situation should not be allowed to persist. The government should understand that Ghana's mineral resources are publicly endowed and held in trust by the state on behalf of the people. Therefore, it is necessary that the state enjoys a fair share of the benefits from the extraction of these mineral resources by whomever extracts them.

***IV. Ensure the consistency and reliability of fiscal data*:** The Ministry of Finance should ensure that fiscal data go through robust validation and verification processes before incorporating them into the budget statement in order to eliminate data inconsistencies. Doing so will help improve the reliability of the fiscal data contained in the country's budget.

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