INSTITUTE FOR FISCAL STUDIES

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A REEXAMINATION OF THE LOW GOVERNMENT REVENUE MOBILIZATION IN GHANA

1. INTRODUCTION

The Institute for Fiscal Studies has pointed out on several occasions that government revenue mobilization in Ghana is weak, as it faces serious challenges. Despite this, not much has been done to address these challenges over the years. This paper is, therefore, intended to revisit and reexamine the issue of low revenue mobilization in the country so as to gain greater insights into the problem. This will enable us to better draw the attention of policy makers to this challenging issue. The questions that are addressed in this paper are as follows: (1) How weak is government revenue mobilization in Ghana? (2) What are the implications of the low revenue to GDP ratio? (3) What are the main factors driving the weak revenue mobilization in Ghana? And (4) what are the main solutions? The rest of the paper is therefore designed to address these questions.

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2. HOW WEAK IS GOVERNMENT REVENUE MOBILIZATION IN GHANA?

Table 1: *A sample of 25 Sub-Saharan African Countries and the Sizes of their Total Revenue and Grants to GDP Ratios in 2022 (Or Using Latest Available Data)*

Country	*TR&G to GDP Ratio (%)*	*Rank*
Namibia	31.3	1st
Seychelles	30.0	2nd
Botswana	29.5	3rd
Mozambique, Republic of	28.5	4th
South Africa	26.0	5th
Zambia	26.0	6th
Mauritius	22.8	7th
Rwanda	22.8	8th
Congo, Republic of	22.7	9th
Burundi	21.3	10th
Senegal	21.0	11th
Chad	19.7	12th
Sierra Leone	19.2	13th
Congo, Democratic Republic of the	18.4	14th
Malawi	17.8	15th
Kenya	16.7	16th
Mali	16.1	17th
Ghana	**15.7**	**18th**
Guinea-Bissau	15.4	19th
Tanzania, United Republic of	14.7	20th
Gabon	14.5	21st
Comoros, Union of the	14.5	22nd
Cameroon	14.1	23rd
Uganda	13.1	24th
Madagascar, Republic of	11.5	25th
Average	**20.1**	

Source of data: International Monetary Fund

Government revenue mobilization is very weak in Ghana, as the government of Ghana's revenue falls far short of those of its peers in Africa, on average. As Table 1 demonstrates, while average total revenue and grants to GDP ratio of a sample of 25 Sub-Saharan African countries stands at 20.1%, Ghana's total revenue and grants to GDP ratio stands at only 15.7%, ranking as low as 18th out of the 25 countries,

and falling short of the average by 4.4 percentage points. In fact, in Namibia, Seychelles, and Botswana, total revenue and grants to GDP ratios stand at as high as 31.3%, 30.0% and 29.5% respectively.

Therefore, total revenue and grants to GDP ratios of Namibia, Seychelles and Botswana exceed Ghana's by whopping 15.6, 14.3 and 13.8 percentage points.

3. IMPLICATIONS OF THE LOW TOTAL REVENUE AND GRANTS TO GDP RATIO

The direct implication of the low total revenue and grants to GDP ratio is that the government of Ghana is actually collecting revenues in monetary terms far below its potential.

Table 2: *Actual TR&G Collected in Ghana in 2022 and 2025, Compared with What Would Have Been Collected if TR&G to GDP Ratio in Ghana was the Same as SSA Average and Botswana's*

	2022 (billion)	2025 (billion)
Actual TR&G Collected in Ghana (15.7% of GDP)	GH₵96.65 US$11.68	GH₵224.88 US$17.91
TR&G that Would Have Been Collected if Ghana Had SSA Average Ratio (20.1% of GDP)	GH₵123.48 US$14.93	GH₵288.26 US$22.96
TR&G that Would Have Been Collected if Ghana Had Botswana's Ratio (29.5% of GDP)	GH₵181.23 US$21.91	GH₵423.06 US$33.69

Sources of Data: Ministry of Finance (for Fiscal Data); GSS (for Dollar to Cedi Exchange Rate Data)

As Table 2 shows, in 2022, the government of Ghana actually collected GH₵96.65 billion in total revenue and grants, representing 15.7% of GDP as we saw above. This amount was equivalent to US$11.68 billion in 2022. However, if Ghana's total revenue and grants to GDP ratio was the same as the Sub-Saharan African average of 20.1%, Ghana would have collected GH₵123.48 billion, equivalent to US$14.93 billion. This is US$3.25 billion more than what the government actually collected in 2022. In fact, if Ghana's total revenue and grants to GDP ratio in 2022 was 29.5% as Botswana's, an African country with a heavy resource endowment like Ghana, Ghana would have collected

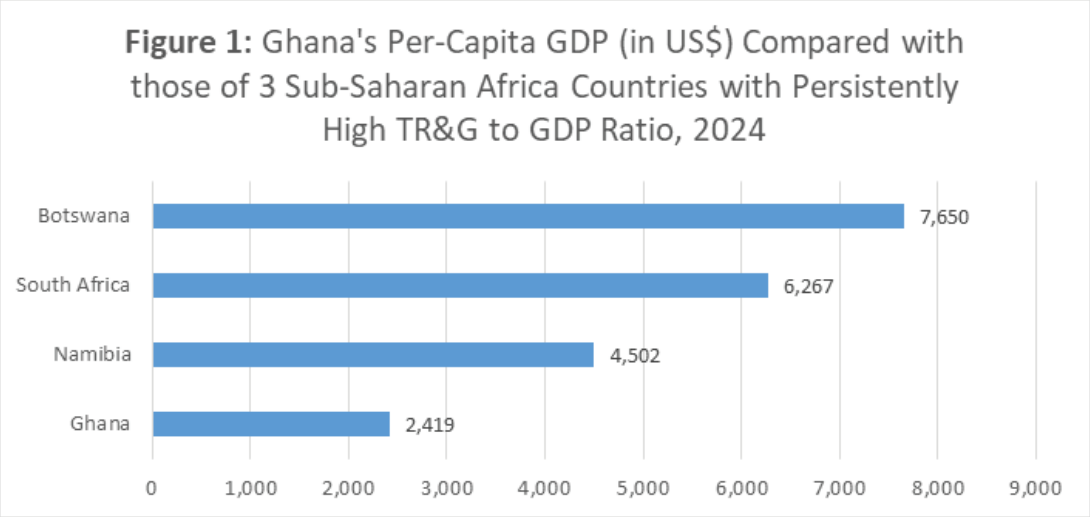
as much as GH₵181.23 billion or US$21.91 billion in total revenue and grants. This represents as large as US$10.23 billion more than the US$11.68 billion the government of Ghana actually collected in 2022.

In 2025, the government of Ghana actually collected GH₵224.88 billion or US$17.91 billion in total revenue and grants, representing the same 15.7% of GDP. Again, if Ghana's total revenue and grants to GDP ratio was the same as Sub-Saharan African average of 20.1%, the government of Ghana would have collected GH₵288.26 billion or US$22.96 billion, representing US$5.05 billion more than the US$17.91 billion it actually collected. Indeed, in 2025, if Ghana's total revenue and grants to GDP ratio had been as Botswana's 29.5%, the government of Ghana would have collected as large as GH₵423.06 billion or US$33.69 billion in total revenue and grants. This represents a whopping US$15.78 billion more than the US$17.91 billion the government of Ghana actually collected in 2025.

As a consequence of the limited revenue mobilization by the government of Ghana, infrastructure development, in quantity and quality, has been very poor in Ghana comparatively. For instance, according to International Institute for Management and Development's infrastructure ranking by country in 2025, using a scale from 0 to 100, with higher scores indicating stronger infrastructure quality and effectiveness, Botswana and South Africa scored 28.3 and 20.4 respectively. However, Ghana scored only 13.5.

Although expenditure management problems have played a critical role in the government of Ghana's excessive borrowing, the low government revenue mobilization has also played an important role. This is because the low revenue mobilization usually leads to shortage of money to fund the government's developmental projects, making it resort to borrowing. This has led to frequent large debt build-ups, high debt service costs, and fiscal/debt crises. Additionally, the low government revenue mobilization in Ghana has meant that Ghana's public sector workers are paid comparatively low salaries in absolute terms, thereby dampening effective demand in the country.

It is important to point out that low government revenue mobilization and its negative effects, as discussed above, culminate in low levels of economic development and national income if they persist for quite a long period of time. Therefore, despite having a great deal of national resource endowment, Ghana's per-capita GDP stood at only US$2,419 in 2024 as Figure 1 demonstrates, using data from World Development Indicators of the World Bank.



However, Botswana, South Africa and Namibia, 3 Sub-Saharan Africa countries with persistently high rates of government revenue mobilization, recorded per-capita GDP of US$7,650, US$6,267 and US$4,502 respectively.

4. THE MAIN FACTORS DRIVING THE POOR REVENUE MOBILIZATION IN GHANA

Three main factors causing the poor revenue mobilization in Ghana are (i) Low extractive revenue generation, (ii) Revenue leakages, and (iii) Excessive use of tax exemptions to attract investors.

(i) Low extractive sector revenue generation

Ghana comparatively generates too small revenue from its extractive sector despite having enormous extractive resource endowments, particularly mineral resource endowments.

***Table 3a**: Government of Ghana's Revenue from Mining* as a Ratio of Mining Value Added, 2019-2023*

Year	Mining Value Added (US$)	Government Mining Revenue (US$)	Government Mining Revenue as a Ratio of Mining Value Added (%)
2019	5,007,347,387	436,725,249	8.7
2020	4,988,909,267	810,527,381	16.2
2021	3,531,026,669	820,847,558	23.2
2022	5,356,050,029	650,135,398	12.1
2023	6,274,005,530	929,790,060	14.8
Average	***5,031,467,777***	***729,605,129***	***15.0***

**Mining here refers to mining and quarrying (excluding oil and gas production).*

***Sources of Data**: GRA (Mining Revenue); GSS (Mining Value Added and Exchange Rate Data)*

***Table 3b**: Government of Botswana's Revenue from Mining* as a Ratio of Mining Value Added, 2019-2023*

Year	Mining Value Added (US$)	Government Mining Revenue (US$)	Government Mining Revenue as a Ratio of Mining Value Added (%)
2019	2,276,656,934	1,348,267,844	59.2
2020	1,363,068,039	839,268,294	61.6
2021	3,078,796,978	2,186,284,806	71.0
2022	4,145,575,005	2,740,249,344	66.1
2023	3,195,862,045	1,483,001,045	46.4
Average	**2,811,991,800**	**1,719,414,267**	**60.9**

**Mining here refers to mining and quarrying (Botswana does not produce oil)*
***Sources of Data**: IMF (Mining Revenue); Statistics Botswana (Mining Value Added); and Bank of Botswana (Exchange Rate Data)*

As Table 3a shows, average value added from mining in Ghana from 2019 to 2023 stood at US$5.03 billion. Yet, average government revenue from mining stood at US$729.61 million during the period, representing only 15.0% of the average value added from mining.

However, in Botswana, as Table 3b shows, average value added from mining from 2019 to 2023 stood at only US$2.81 billion. Nevertheless, the government of Botswana was able to generate as much as US$1.72 billion as average revenue from mining during the period. This represents a whopping 60.9% of the average value added from the sector.

Therefore, even though Botswana's average value added from mining was smaller than Ghana's by 44.1% during the period, on average, Botswana earned more than Ghana by a whopping 135.7% annually. This, indeed, is amazing. It is important to note that this is not because the diamond mostly mined by Botswana is more profitable than the gold mostly mined by Ghana. In fact, in an article published in 2020, entitled "The Role of the Extractive Sector in Ghana's Comparatively Low Public Sector Revenue Mobilization", IFS demonstrated that the value of economic rent (supernormal profit) alone from Ghana's mining sector is larger than the entire value of mining output produced in Botswana.

Although it is not shown in Table 3a above (to match Botswana's mining revenue data, which is available only up to 2023), in 2025, Ghana's mining value added was as large as US$13.40 billion. Out of this, the government of Ghana earned US$1.60 billion as revenue from mining, representing only 11.9% of the mining value added. Now, in 2025, if Ghana's mining sector revenue had matched Botswana's average ratio of 60.9%, the government of Ghana

would have earned a whopping US$8.16 billion from its mining sector, representing as large as US$6.56 billion more than the paltry US$1.60 billion it actually earned from the sector.

Recall from Section 3 of this paper that we calculated that, in 2025, if the government of Ghana had collected total revenue and grants at the rate of 29.5% of GDP as Botswana did, instead of 15.7% of GDP it actually collected during the year, it would have collected additional US$15.78 billion in total revenue and grants. Our calculation in the above paragraph shows that US$6.56 billion out of this US$15.78 billion is explained by the government of Ghana's poor revenue generation from the mining sector alone in 2025. Indeed, if Ghana had been able to generate this additional US$6.56 billion from the mining sector in 2025, its total revenue and grants to GDP ratio would have been 21.4%, which would have been as high as 5.7 percentage points more than the 15.7% of GDP the government of Ghana actually collected in 2025. Moreover, if the government of Ghana had been able to generate this additional US$6.56 billion from the mining sector alone to match Botswana's rate of revenue generation from the sector, Ghana's total revenue and grants to GDP ratio would have been more than Africa's average of 20.1% by 1.3 percentage points.

The question now is, why is it that Botswana is able to generate so much revenue from its mining resource endowment but Ghana is unable to do so? The answer is that the government of Botswana is actively involved in the country's mining sector, partnering private sector companies. Therefore, the government of Botswana does not only earn large corporate income tax revenue from mining because it has an insider knowledge of mining operations and profitability, it earns even larger revenue from dividend payments and royalties. For instance, in 2022, out of the US$2.74 billion the government of Botswana earned as total mining revenue, dividends and royalties stood at US$1.86 billion, representing 68.9% of the total. In Ghana, however, the government of Ghana is not actively involved in the extraction of these publicly endowed resources, leaving it entirely to private sector companies on concession basis. Therefore, in addition to not earning significant dividend from the mining sector, the government of Ghana is unable to comparatively earn much in royalties and corporate income tax from the mining sector because it is largely in the dark when it comes to the operations and profitability of the private sector mining companies.

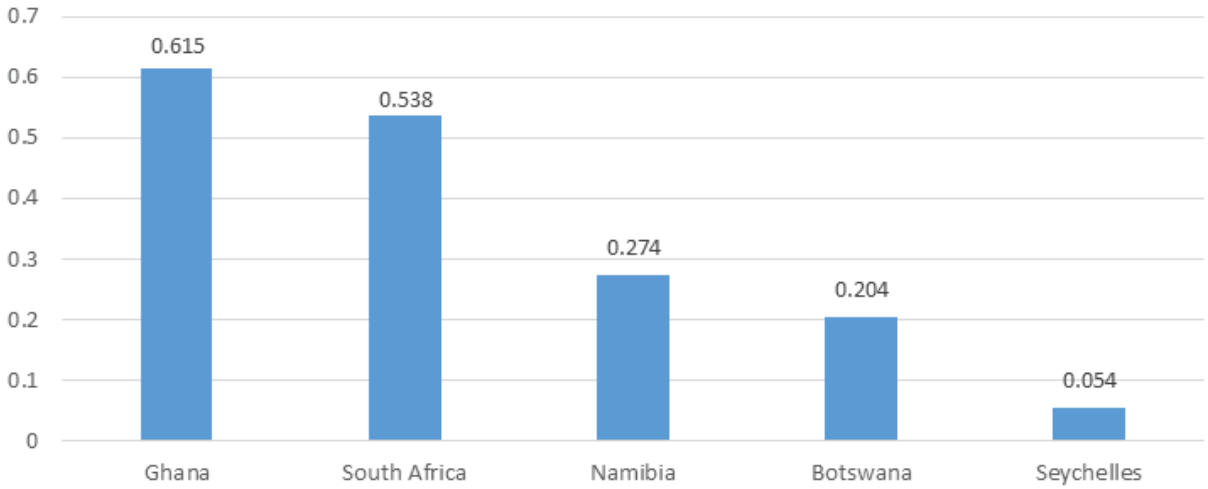
(ii) Revenue leakage

Revenue leakage through underreporting, tax evasion, tax avoidance, and others, in connivance with revenue administrators or otherwise, has long been seen as a major source of Ghana's low government revenue mobilization. In fact, revenue leakage has not only characterized tax revenue collection in the country, it has also characterized non-tax revenue collection.

At least since the 1980s, the government of Ghana has tried to address the problem of revenue leakage through administrative and institutional reforms as well as the application of technology (termed mechanization in the 1980s and the 1990s, and digitization since the 2000s). Despite this, government revenue leakage remains a huge problem in Ghana. For instance, in April 2026, the Commissioner-General of Ghana Revenue Authority, Mr. Anthony Sarpong, revealed that Ghana lost more than GH₵11 billion in revenue at the country's ports, linked to incorrect declarations involving the country of origin, classification of goods and valuation. According to the Commissioner-General, this was unearthed after the introduction of Publican AI system at the ports, and that investigations uncovered collusion among key players within the import chain (Joy News, April 10, 2026).

Revenue leakage in Ghana is mainly due to the widespread corruption in the country. For instance, as Figure 2 shows, political corruption, defined by V-DEM as the extent to which the executive, legislature, judiciary, and bureaucracy engage in bribery and theft, is very high in Ghana.

Figure 2: Political Corruption Index in 2025, Ghana Compared with 4 Sub-Saharan Countries with High TR&G to GDP Ratio



While, on a scale of 0 to 1 (higher is more corrupt), Ghana's political corruption index in 2025 stood at 0.615, those of South Africa, Namibia, and Botswana stood at 0.538, 0.274, and 0.204 respectively. Indeed, Seychelles' political corruption index stood at as low as 0.054 in 2025. It is, therefore, no wonder that these countries are able to mobilize more government revenue and thus have much higher total revenue and grants to GDP ratios than Ghana.

The implication of this is that although Ghana's application of Botswana's mining sector strategy could increase Ghana's total revenue and grants to GDP ratio to 21.4% as we saw earlier, it has to drastically reduce corruption before it can get close to Botswana's total revenue and grants to GDP ratio of 29.5%.

(iii) Excessive use of tax exemptions to attract investors

To attract private investments, particularly foreign ones, the government of Ghana has long offered a wide range of tax exemptions and other fiscal incentives. For example, in 1995, the Rawlings government passed the Free Trade Zone Act (Act 504) to establish Free Zones in Ghana, aimed at promoting processing and manufacturing of goods for export through the establishment of Export Processing Zones (EPZs). To encourage foreign investors, the Act exempted enterprises granted licenses under the Act from the payment of income tax on profits for the first ten years from the date of commencement of operations. Income tax rate after the first ten years was required not to exceed a maximum of 8 percent[1]. The Act also exempted shareholders from the payment of withholding taxes on dividends arising out of Free Zone investments. Enterprises in the Free Zone are also granted 100% exemption from the payment of direct and indirect duties and levies on all imports for production. Also, companies in the Free Zone do not pay export duties. Furthermore, there are no conditions or restrictions on repatriation of dividends or net profit and other foreign transfers by investors in the Free Zone.

Another example is that, as part of its efforts to promote the automotive industry, the Akufo-Addo government provided a generous package of tax exemptions aimed at attracting investment into the industry. The exemptions, according to the Ministry of Trade and Industry, include: (1) corporate tax holiday of 5 years for enhanced Semi Knocked-Down (SKD) registered assemblers; (2) corporate tax holiday of 10 years to registered assemblers and component manufacturers to attract component manufacturers into

[1]*The income tax limit after the first ten years was increased to 15% in 2015.*

Ghana and encourage registered assemblers to upgrade their investment to Completely Knocked-Down (CKD) assembly; (3) exemption of import duties and related charges on any plant, machinery, equipment or parts of the plant, machinery or equipment (that are not already zero-rated) imported for SKD, enhanced SKD and CKD auto assembly; (4) waivers of the import duty and domestic levies on imported SKD, enhanced SKD, and CKD kits and on original equipment component, including import VAT, National Health Insurance Levy, GETFund Levy, EXIM Levy, and Special Import Levy; and (5) 35% import duty rebate for Fully Built Units (FBUs) imported from global original equipment manufacturers (OEMs) under the Ghana Automotive Development Policy, based on the value of their imported SKD/CKD kits.

The above are just two sets of exemptions provided by the government of Ghana. In fact, in a publication, entitled Ghana Incentives Inventory, the Ghana Investment Promotion Centre (GIPC) lists as many as 31 income tax, customs and financial incentive packages that the government of Ghana provides to a wide range of industries in the country for the attraction of investments. These exemptions have significantly undermined the government of Ghana's revenue mobilization efforts.

5. POLICY RECOMMENDATIONS

To be able to mobilize considerable amount of revenue and bring its total revenue and grants to GDP ratio in line with countries like Namibia, Seychelles, Botswana or even South Africa, Ghana has to address the factors limiting its revenue mobilization. In this regard, we recommend the following:

I. Get Actively Involved in the Country's Extractive Sector or Apply Production Sharing Agreement

The government of Ghana should get actively involved in the country's extractive sector by directly investing heavily in the sector. This can be more effective if, like what Botswana does, the government partners with private investors in the sector. As we have recommended several times, to fund this active involvement in the extractive sector, the government may have to scale down its traditional public investment programs (such as in infrastructure) for a while and direct the funds involved to the extractive sector so that more money could be raised later for accelerated public investment in the traditional areas. However, if the government finds it difficult to raise money for this purpose, it can employ production sharing agreement in the sector, since that has proven to be a better alternative for revenue generation in the extractive sector than the current concession regime.

II. Resolutely Fight Corruption While Applying the "Carrot and Stick" Approach to Revenue Mobilization

Although applying the right revenue generation regime in the extractive sector will significantly increase total revenue and grants, we saw in Section 4(i) that this can only move Ghana's total revenue and grants to GDP ratio a few percentage points above Africa's average. To be able to increase total revenue and grants to GDP ratio to the levels of Namibia, Seychelles and Botswana, for instance, the government of Ghana has to resolutely fight corruption in the country, especially in tax and non-tax revenue collection agencies. While doing this, the government should apply what is known as the "carrot and stick" approach, whereby revenue collection agencies and their personnel are rewarded for their good actions but punished swiftly for their bad actions when carrying out their duties and functions as revenue collectors.

III. Review the Existing Exemptions and Refrain from the Overreliance on Exemptions as a Means of Attracting Investment

The government should conduct a thorough review of all existing tax incentive packages (including those on corporate income tax in all sectors of the economy) with the goal of getting rid of those that do not make economic sense in terms of government revenue lost vis-à-vis variables such as employment creation for Ghanaians and foreign exchange inflows (not mere foreign exchange earnings) that support the cedi. Mere contributions to GDP by foreign-owned firms should not serve as a justification for continuous loss of government revenue through exemptions, since contributions to GDP, unlike to GNP (gross national product), may not necessarily benefit Ghanaians. Generally, the government should refrain from over-relying on tax exemptions/incentives to attract foreign investment, since studies have proven that persistent improvement in macroeconomic and political environments are the main attractors of investment, both foreign and local.



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