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Walking the Tightrope: Ghana's 2026 Budget Between Good Vibes and Hard Realities

Summary Perspective: Good Vibes and Hard Choices

Ten months into President Mahama's second term, the story has evolved from the "near-perfect turnaround" of mid-year optimism to a far more complicated reality where genuine progress coexists uneasily with persistent structural fragilities and an increasingly narrow fiscal path.

The 2026 Budget, themed "Resetting for Growth, Jobs, and Economic Transformation," delivers on the promise of fiscal consolidation that has defined the administration's early months. Undoubtedly, the numbers tell a story of disciplined restraint that would have seemed impossible just two years ago:

- A primary surplus of 1.6% of GDP: a significant achievement for any first-term budget
- An overall fiscal deficit of 1.5% of GDP (commitment basis), well within IMF programme targets
- Continued macroeconomic stability: inflation trending steadily toward the 8% target, a stable cedi that has defied historical patterns of volatility, and growth projected at least 4.8%.

These achievements deserve recognition and represent real progress in a country that has long struggled with fiscal discipline and policy consistency. The "good vibes" that have permeated Ghana throughout 2025, from business confidence to public sentiment, are not entirely misplaced, and there appears to be genuine momentum on the Government's fiscal agenda.

Yet beneath this veneer of stability lies a more troubling reality that demands scrutiny. The government has achieved fiscal consolidation primarily through severe compression of goods and services (a historically low 0.3% of GDP) and a capital programme whose ambition far outstrips the state's demonstrated execution capacity. Revenue projections appear optimistic, given Ghana's persistent challenges in collecting revenue. However, implementation capability across ministries and agencies remains questionable, and structural vulnerabilities persist largely unaddressed. With the IMF programme set to end in 2026 and significant debt obligations looming (GH¢20 billion in 2026, escalating to GH¢50.3 billion in 2027, and GH¢45.8 billion in 2028), as well as substantial short-term treasury bill maturities exceeding GH¢137 billion, Ghana faces a narrowing path to sustainable prosperity.

This analysis examines both the considerable progress made and the complex realities that threaten to derail it, offering an independent assessment of whether Ghana's current trajectory can deliver the transformation it promises or whether we are witnessing yet another cycle of ambitious declarations followed by disappointing implementation.

The Consolidation Achievement: Credit Where It Is Due

Let us begin with what cannot be disputed: the Mahama administration has delivered the fiscal consolidation it promised. The primary surplus target of 1.5% of GDP for 2026 represents genuine fiscal discipline, especially considering the political pressures of a new administration with high public expectations. The overall deficit target of 2.2% of GDP (on a commitment basis) in 2026 aligns with the IMF's programme targets and signals a continued commitment to macroeconomic stability.

This is no small achievement. When we presented our mid-year review, we questioned whether the impressive early numbers could be sustained once the "grace period" of a new government elapsed. The fact that discipline has been maintained through the traditionally challenging second half of the fiscal year suggests this administration understands the stakes.

The macroeconomic environment has also remained broadly supportive:

- Inflation continues its downward trajectory toward the 8% target
- The cedi has maintained relative stability, representing a marked contrast to the volatility of recent years
- Growth projections of circa 4.8% for 2026 also appear achievable given current momentum

Social intervention programmes have been reinforced. The LEAP programme remains properly adjusted to account for inflation, with reach to be extended to 49,420 (i.e. from 350,580 to 400,000) new households. With the NHIF uncapped and the GSFP budget increased, the government remains committed to the needs of the marginalised and vulnerable.

For a country that has experienced significant economic turbulence, this stability provides a foundation for recovery, and the Government deserves its plaudits.

The Arrears Audit: A More Favourable Starting Point Than Claimed

It is worth remembering, however, that one of the most significant claims in the 2025 mid-year budget was that the government inherited GH¢67 billion in arrears from December 2024, a figure that helped frame the administration's narrative of inherited fiscal distress.

We noted in our mid-year review that this figure required scrutiny, particularly after the IMF's March 2025 report cautioned that "a significant share of such payables may not be supported by valid documentation."

The 2026 Budget now provides further clarity, and the results are instructive. Of the GH¢68.8 billion in payables submitted for audit:

- GH¢47.8 billion was validated as legitimate claims (69% of the total);

- GH¢10.4 billion was rejected outright due to unsupported documentation, duplicate IPCs, inflated invoices, falsified store receipts, and instances where no work was done;
- GH¢1 billion comprised Bank Transfer Advices already approved for payment: funds that would have been disbursed before audit intervened;
- GH¢2 billion was reclassified from claims to commitments;
- GH¢8.6 billion remains under review, pending further validation.

This matters considerably. In effect, the inherited fiscal position was GH¢21 billion better than initially claimed, a 31% overstatement. While GH¢47.8 billion in validated arrears remains substantial and represents a genuine burden, the distinction between claimed and actual obligations has several implications:

First, it suggests the fiscal hole inherited by the current Government was not as deep as portrayed. This doesn't diminish the government's consolidation achievement, but it does reframe it. The starting point was more favourable than suggested.

Second, the findings reveal troubling weaknesses in public financial management systems across administrations. Serious questions need to be asked across the Government about how GH¢10.4 billion in fraudulent or duplicate claims could have entered the system; even more damning was that GH¢1 billion in duplicate payments, which were ready for disbursement. Altogether, these lapses point to the fundamental control failures that transcend political transitions.

Third, it also raises questions about the use of the initial GH¢67 billion figure in framing fiscal narratives. Was this an honest assessment based on available information, or an attempt by the finance minister to lower the performance evaluation standard for the new administration? The distinction matters for accountability.

Altogether, the government deserves credit for conducting the audit and publishing results that complicate its own narrative. This transparency is commendable. But it also means we must recalibrate our assessment of both inherited challenges and current achievements. Ghana's fiscal consolidation is real, but it began from a stronger position than initially reported.

The Compression Problem: When Austerity Becomes Self-Defeating

This current government has reiterated its commitment to maintaining fiscal discipline, strengthening revenue mobilisation, and ensuring debt sustainability. To restore investor confidence and achieve stability, government spending on goods and services was cut down to 0.3% of GDP, an all-time low since 2018. Government has been fiscally disciplined, which is laudable; nonetheless, fiscal discipline is required in

the right proportion.

The government needs to be fiscally disciplined enough to cut out reckless spending, but also fiscally forthcoming (in terms of goods and services) to ensure the smooth functioning of the government machinery. The best kind of austerity is the one that strikes the right balance between revenue mobilisation and expenditure cuts (eliminating wasteful spending).

However, the method of achieving fiscal consolidation in this budget raises immediate red flags. Goods and services allocation at just 0.8% of GDP for the entirety of 2026 represents operational starvation. Unfortunately, such allocations represent institutional underfunding rather than an efficiency issue. Historical experience across Sub-Saharan Africa shows that such severe compression typically leads to service delivery failures and the accumulation of new arrears as agencies struggle to function.

The 2026 budget essentially portrays a country attempting major infrastructure expansion while starving the operational systems needed to maintain and utilise that infrastructure. That contradiction is sure to emerge quickly in 2026.

Revenue Realities: The Optimism Gap

Perhaps the most important question about the budget is how its promises will be fulfilled. The revenue projections present an area of concern. The budget assumes total revenue of 16.8% of GDP, up from historical averages of around 15%, a 1.8 percentage point increase that would be remarkable if achievable. Yet the specifics of how this windfall will materialise remain frustratingly vague.

Yes, the government has announced VAT reforms and other tax measures, which we applaud in principle. The simplification of the VAT system and elimination of cascading effects from various levies represent sound policy. But as we noted in our mid-year review, Ghana's VAT compliance gap stands at approximately 60%. Without addressing the fundamental issues of tax administration and the large informal sector, even the best-designed tax policies may surely underperform.

Additionally, the heavy reliance on "administrative improvements" by the Ghana Revenue Authority (GRA) is particularly concerning. While the GRA has made genuine efforts to modernise, expecting administrative measures alone to deliver a step-change in revenue collection is optimistic at best. Historical evidence suggests that sustainable revenue growth requires a combination of policy reforms, administrative improvements, and structural economic adjustments.

Ghana has undergone several tax reforms, which have not lived up to the hype.

The underperformance of these reforms stems from the fact that the fundamental issues have been overlooked: people hate paying taxes, tax administration is inefficient, and there are several incentives and opportunities to circumvent systems put in place. Introducing new technologies in the tax administration process, which this government promises to do, does not necessarily address these issues.

Tax administration needs to be approached from a business model perspective where the needs of the customer (in this case, the taxpayer) are paramount, bearing in mind that people generally hate taxes. Thus, tax registration and payment must be made convenient, which calls for innovation. Ghana must adopt a frugal innovation model to tax administration, steering clear of sophistication towards simplicity, affordability, and efficiency.

On the issue of simplicity, the tax process ought to be user-centric. Here are some interesting facts to consider: About 80% of the labour force is employed in the informal sector. This group is also overwhelmingly dominated by low-skilled and digital novice workers. Considering this, are technologically advanced mediums or techniques what the country really needs to collect taxes?

Inefficiency is at the core of the problems of tax administration. Excessive delays in service provision incentivise desperate, well-resourced individuals to pay their way through, effectively creating a “backdoor market.” If tax administrators are disarmed of the leverage they hold over taxpayers, the leaks in the tax system will be curtailed to the barest minimum.

Furthermore, the government appears to be riding on the back of favourable commodity prices, particularly gold and cocoa. While the Ghana Gold Board has performed well (transparency concerns notwithstanding), commodity-dependent revenues are inherently volatile, and questions must be asked about what happens when gold prices normalise, or cocoa production faces climate shocks.

This year, all revenue targets were missed except for non-oil non-tax revenue. In a year where mineral and oil prices have been stable, if not favourable, this is concerning, perhaps not yet apparent in this fiscally restrained period. Until Ghana addresses its narrow tax base and revenue inefficiencies head-on, the optimism built into the 2026 projections remains fragile.

The Debt Overhang: Tomorrow's Crisis Today

As mentioned earlier, perhaps most concerning is the looming debt service obligation. The mid-year budget acknowledges repayment obligations of:

- **GH¢20 billion in 2026**
- **GH¢50.3 billion in 2027**

- **GH¢45.8 billion in 2028**

This is a repayment cliff that would challenge even a much larger economy. While the recent debt restructuring has provided temporary relief, these obligations represent a fiscal time bomb.

The financing strategy compounds these concerns. With a significant reliance on domestic sources (GH¢71 billion or 4.4% of GDP), the government risks crowding out private sector credit at precisely the moment when private investment is needed to drive growth. It's a classic catch-22: the government needs to borrow to finance its programmes, but that borrowing may strangle the private sector growth needed to generate future revenues.

Such heavy domestic dependence could potentially:

- Crowd out private credit;
- Keep lending rates elevated;
- Forces banks to absorb more sovereign exposure post-DDEP;
- Reduces space for private-sector-led growth.

Ghana is entering a period where its fiscal needs and those of the private sector may come into direct conflict. This is a space that warrants close attention.

Growth Initiatives: Big Ambitions, Questionable Delivery

Beyond stability, growth is expected. The budget's growth agenda centres on the Big Push initiative, the 24-Hour Economy programme, and agricultural interventions, such as oil palm development. The Big Push initiative seeks to increase infrastructure, promote trade and attract investment. The budget has set aside GH¢ 30 billion for this initiative in 2026, up from GH¢ 13.9 billion this year. The next few years will serve as the real test of fiscal discipline, a feat which was easily attainable under fiscal austerity.

The gulf between ambition and implementation capacity remains vast. Typically, such huge infrastructural investments are debt-financed. For these projects to be worthwhile, they should, at the very minimum, be able to service the debt accrued in their acquisition. This calls for a thorough investment appraisal and risk analysis. What informs the stipulated USD 10 billion, financing options, timing, and execution of the project? The growth optimising function of the government should be augmented to include an extensive cost-effectiveness analysis and impact evaluation to mitigate the risks of debt distress and maximise social welfare.

While the Big Push and the 24-Hour Economy are conceptually interesting, they lack publicly available implementation plans and clarity on private sector incentives.

The Government's oil palm programme could revolutionise agriculture, but similar initiatives have floundered purely due to poor execution. Delivery capacity in the Ministry of Food and Agriculture and district structures remains unchanged from the last administration.

Ghana has a long record of announcing ambitious programmes with catchy names and disappointing results. Nothing in the 2026 Budget suggests a departure from that pattern.

Structural Vulnerabilities: The Unchanged Landscape

Our mid-year review highlighted several structural vulnerabilities. Six months later, these remain largely unaddressed:

The Wage Bill (5.7% of GDP): The 9% salary increase adds GH¢8.2 billion without productivity improvements. Continued payroll irregularities and the presence of ghost workers suggest that systemic control weaknesses persist.

Energy Sector Deficits: Despite progress on ECG privatisation, the sector continues haemorrhaging resources. The US\$1.5 billion paid in 2025 and ongoing obligations represent a massive quasi-fiscal drain. Without tariff adjustments and operational efficiency improvements, this sector will continue threatening fiscal stability.

State-Owned Enterprise Losses: Beyond vague commitments to "recapitalisation and reform," the budget provides little evidence of serious SOE restructuring. Profits from SOEs could have served as alternative financing sources; however, this has only been theoretical in Ghana's case. The performance of SOEs has been abysmal, consistently recording losses. SIGA reported losses of nearly GH¢ 10 billion in 2024 alone, adding to the burden of the country.

Implementation Capacity: The budget does not indicate a step-change in the state's ability to execute complex programmes. The same ministries and agencies that have struggled with implementation for decades are now expected to deliver transformation.

The IMF Factor: After the Programme, What?

The IMF Extended Credit Facility has served as an important anchor for fiscal discipline and policy credibility. But this programme ends in 2026, removing both the external monitoring and the signalling effect that has helped maintain investor confidence. The post-IMF period will test whether Ghana has internalised fiscal discipline or merely performed it for external audiences.

History offers sobering lessons. Countries often experience "graduation fatigue" after IMF programmes, relaxing discipline once external pressure eases. With elections

approaching in 2028, political pressures for increased spending are expected to intensify. The government's ability to maintain fiscal discipline without external anchors will determine whether current gains prove lasting or temporary.

Whether Ghana sustains current gains will depend on whether reforms have become institutionalised or remain externally driven.

Opportunities Amid Challenges

Despite these concerns, we must acknowledge genuine opportunities within the budget:

- The usage of Petroleum Funds for strategic investment in commercially viable domestic energy sector projects, if properly structured and managed, could help Ghana better capture and deploy resource revenues;
- The focus on agricultural transformation through programmes like oil palm development also addresses a critical need for economic diversification;
- The infrastructure push, if well-executed, could address binding constraints to growth;
- VAT reform, energy sector restructuring, and digitalisation efforts signal the right intentions.

Moreover, the government's apparent commitment to reform suggests an understanding of what needs to be done. The challenge, as always, is moving from recognition to implementation.

Risk Assessment: Three Scenarios for 2026

Based on our analysis, we see three potential scenarios for Ghana in 2026:

Optimistic Scenario (25% probability)

- Revenue measures deliver 70-80% of projected gains
- Big Push programme achieves 60% implementation rate
- Commodity prices remain supportive
- Fiscal targets broadly met with minor slippage

Base Case (50% probability)

- Revenue shortfall of 1.0-1.5% of GDP
- Continued expenditure compression creates operational crises
- Some progress on flagship programmes but below expectations
- Fiscal slippage requires mid-year adjustments
- Domestic borrowing crowds out private investment

Pessimistic Scenario (25% probability)

- Revenue shortfall exceeds 2% of GDP
- Expenditure pressures force abandonment of fiscal targets
- Implementation failures discredit flagship programmes
- Energy sector crisis re-emerges
- Market confidence weakens, forcing emergency measures

Recommendations: From Tightrope to Solid Ground

For Ghana to move from walking a tightrope to achieving sustainable progress, we recommend:

Immediate Actions (Q1 2026)

- **Realistic Revenue Recalibration:** Revise projections based on achievable improvements, not optimistic assumptions
- **Operational Funding Restoration:** Increase goods and services allocation to at least 1.5% of GDP to prevent service collapse
- **Implementation Taskforce:** Create high-level delivery units for flagship programmes with clear KPIs and accountability
- **Energy Sector Acceleration:** Fast-track ECG privatisation and implement cost-reflective tariffs

Medium-Term Structural Reforms

- **Wage Bill Rationalisation:** Comprehensive public sector reform linking compensation to productivity
- **Revenue Base Broadening:** Move beyond administrative measures to address informality and expand the tax net
- **SOE Restructuring:** Clear timelines for commercialisation, privatisation, or closure of loss-making entities. The Ghanaian model of the state as a major employer has failed, and it is time to transition to one where the private sector takes the lead.
- **Debt Management Strategy:** Build up the sinking fund and explore liability management options before the 2027-28 payment spike.

Institutional Capacity Building

- **Project Management Offices:** Professionalise implementation capacity across MDAs
- **Digital Financial Management:** Expand GIFMIS coverage and real-time expenditure tracking
- **Independent Fiscal Council:** Ensure the Independent Fiscal Council is constituted in January 2026 to maintain discipline post-IMF
- **Transparency Initiatives:** Regular public reporting on programme implementation and fiscal performance

Conclusion: Good Intentions Meet Hard Realities

Ghana's 2026 Budget represents a government caught between laudable ambitions and stubborn realities. The fiscal consolidation achieved deserves genuine credit. Maintaining discipline while navigating political pressures is undoubtedly no small feat. Moreover, the arrears audit, despite revealing a more favourable inherited position than claimed, demonstrates welcome transparency.

Yet the methods for achieving fiscal consolidation raise serious sustainability concerns. A government cannot starve its operations indefinitely without consequences. Revenue projections that assume perfect execution in an imperfect system often lead to disappointment. Flagship programmes that depend on implementation capacity that doesn't really exist also risk becoming expensive failures.

The "good vibes" of 2025 have been real, and they matter. Confidence and momentum can become self-fulfilling if channelled effectively. But vibes alone cannot overcome structural constraints, implementation deficits, and fiscal arithmetic.

The government appears to genuinely want to put Ghana on the right path. Whether it can translate that desire into sustainable progress will depend on its willingness to confront hard realities rather than hope them away. The tightrope can be navigated, but it requires clear eyes, steady hands, and the wisdom to know when ambitious dreams must yield to practical possibilities.

For Ghana's sake, we hope this administration finds that balance.

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