



Project Proposal for

Ghana

January 2025

Component: Revenue

Module: RM I – Tax Policy



PROJECT SUMMARY**COUNTRY:** Ghana**LEAD DEPARTMENT:** FAD**REGION:** AFR**PLANNED DATES:** FY26/27**FUNDING PROGRAM TITLE:** Ghana – GPFP Revenue Module I&II**PROJECT MANAGERS:** Eduardo Camero Godinez (Tax Policy, FADT2, Lead)**ESTIMATED BUDGET** \$427,689

CONTENTS

Acronyms.....	4
I. Project Purpose	5
II. Background.....	6
Macro-fiscal situation	6
Country engagement and alignment to reform priorities	6
IMF priority areas / cross-cutting themes.....	6
III. Project Modules - Description.....	7
Table 1. Summary of Objectives covered by the Proposal	7
A. RM I – Tax Policy.....	7
Scope	7
Program Objectives	7
Expected Results (outcomes).....	8
IV. Organizational Arrangements	8
A. Country Engagement.....	8
B. Delivery Modalities.....	8
C. Coordination / Cooperation.....	8
V. Risk Assessment and Mitigation	9
VI. CD Delivery Plan.....	10
Table 2. Summary of Indicative CD Delivery.....	10
Table 3. First year workplan	10
VII. Program Financials	10
VIII. Targeted Logical Framework	11
A. RM I – Tax Policy.....	11

ACRONYMS

CD	Capacity development
EIFRA	Extractives Industries Fiscal Regime Act
FAD	IMF's Fiscal Affairs Department
FARI	Fiscal Analysis of Resource Industries framework
MNRW	Managing Natural Resources Wealth Thematic Fund
STX	Short-term expert

I. PROJECT PURPOSE

Country request and relevance/importance

Ghana has been producing petroleum since the discovery of the Jubilee field in 2007, and has been significantly “de-risked” through proven production and with additional exploration opportunities. It has also been a long-established gold producer. More recently, there is exploration of critical minerals for the energy transition (e.g., lithium). While the broad framework of the minerals and petroleum fiscal regimes is sound, it lacks cohesion, careful integration, consistency and comprehensiveness, and would benefit from stronger safeguards against strategic tax behavior by international companies. The IMF’s Fiscal Affairs Department (FAD) has delivered capacity development (CD) on mining and petroleum tax policy since 2018 under a project funded by the Managing Natural Resources Wealth Thematic Fund (MNRW), beginning with an extractives industry fiscal regime diagnosis conducted in 2019 that has guided the work to draft a new Extractives Industries Fiscal Regime Act (EIFRA). FAD has also delivered assistance on petroleum revenue forecasting, developing a revenue forecasting model based on the Fiscal Analysis of Resource Industries (FARI) framework, and building capacity to update and use the model and to reconcile tax outturns for the sector. Authorities have confirmed their interest in continuing to receive CD on extractives tax policy, most recently in the meeting with FAD in the context of the 2024 Annual Meetings.

Description of Modules

Module 1 will continue to develop capacity of government staff to analyze and design extractives tax policy, along four main dimensions. First, sustainably build capacity in the Ministry of Finance-led inter-agency team to update, maintain and operate the petroleum revenue forecasting model. Second, providing legislative drafting support to finalize the EIFRA and, related regulations and other official documents to facilitate implementation of the EIFRA. Third, provide advice on emerging issues of extractives tax policy including related to the mining sector. Fourth, develop a FARI-based mining sectoral revenue model.

The estimated budget for this two-year project is \$427,689, and endorsement is requested for the full amount through FY27.

II. BACKGROUND

Macro-fiscal situation

Ghana is implementing economic and fiscal reforms while facing economic headwinds including from a disappointing cocoa agricultural season and increased power outages. The primary fiscal balance improved by over 4 percent of GDP last year. Looking ahead, the authorities are committed to further advancing fiscal consolidation, including to achieve primary fiscal surpluses of ½ percent of GDP this year and 1½ percent of GDP in 2025. These efforts are underpinned by reforms to bolster revenue mobilization and streamline non-priority expenditures, while expanding social protection programs to mitigate the impact of fiscal adjustment on the most vulnerable. The authorities are also taking steps to strengthen tax administration, expenditure controls and management of arrears, fiscal rules and institutions, and SOEs management—including in the energy and cocoa sectors.

Country engagement and alignment to reform priorities

Ghana has a 36-month Extended Credit Facility (ECF) Arrangement, which was approved by the Board in May 2023. In the latest Memorandum of Economic and Financial Policies (part of the Second Review of the ECF), authorities informed that the draft EIFRA is undergoing internal review and that and expect to submit the bill in the short term to Parliament.

IMF priority areas / cross-cutting themes

None

III. PROJECT MODULES - DESCRIPTION

This proposal will provide CD support to Ghana in the area of extractives tax policy. FAD CD will support improvements within the strategic objectives presented in Table 1.

Table 1. Summary of Objectives covered by the Proposal

Component	Module	Objective
Revenue	RM I / Tax Policy	- Strengthen Policy Monitoring, Evaluation, and Institutions – TPM - Improve Tax Policy Design - TPD

A. RM I – Tax Policy

Scope

FAD has delivered CD on mining and petroleum tax policy since 2018 under a MNRW-funded project. Assistance on policy has focused on consolidating and modernizing key fiscal legislation for the extractives sector in one legal act, the EIFRA. Adopting the EIFRA will be a key development for Ghana's extractive industry, as it will determine tax policy for all future mining and petroleum projects and will be a significant factor in attracting new investments to the sector while providing an appropriate share of revenue for government. FAD has also delivered assistance on petroleum revenue forecasting, developing a FARI-based revenue forecasting model, a training manual, and building capacity to update and use the model and to reconcile tax outturns for the sector. This has supported the implementation by the authorities of the macro-fiscal framework for managing petroleum revenues. Over the course of CD delivery, there has been a significant emphasis on building capacity of key staff in petroleum and mining fiscal policy.

Program Objectives

The module will continue building capacity of key government staff in using, updating and operating the petroleum benchmark revenue model. As staff already are capable of updating the model, the work will focus on building capacity to use the model to raise potential early flags on compliance issues. The missions will also focus on two issues to ensure authorities effectively take responsibility of the forecasting model. First, by identifying junior staff from MOF and the revenue authority to train them in the use of the model, to minimize disruption from staff turnover. Second, ensuring data provided by the revenue authority from actual tax returns can be consistently and reliably entered as inputs in the model. Authorities will also receive drafting assistance to finish the draft EIFRA to be submitted to Parliament, as

well as to produce other documents needed for implementation. Once the EIFRA is approved, it is expected that additional policy issues will emerge, and FAD will stand ready to offer policy guidance. Lastly, FAD will endeavor to build a mining sectoral model, both to improve mining revenue forecasting and also as a tool to increase authorities' monitoring of fiscal aspects of mining activities.

Expected Results (outcomes)

It is expected that assistance under this module will result in more efficient revenue forecasting and allow authorities to identify emerging tax policy issues. This is expected to support the fiscal management of revenue flows from the extractives sector and to maximize the public revenue potential.

IV. ORGANIZATIONAL ARRANGEMENTS

A. Country Engagement

FAD relationship with key stakeholders in the extractives sector in Ghana is very strong, built on the continued delivery of CD by FAD through the MNRW-funded projects since 2018. This very strong relationship is expected to continue for the duration of the project proposal.

B. Delivery Modalities

CD will comprise of a mix of remote and in-person activities. Virtual deliveries will be used to provide efficiencies to in-person support, including pre-engagement meetings and post-follow-up meetings. The following CD activities will be delivered as a package:

- **Headquarters-led (HQ) missions and staff visits** to provide strategic recommendations, conduct regular follow-ups, assess progress, ensure short-term expert (STX) work is aligned to plans, coordinate with other CD providers, and adjust reform implementation plans.
- **STX visits** to help implement the recommendations delivered by the HQ missions; a limited number of STXs will be assigned to provide specialized assistance in specific areas of tax policy and revenue administration.

C. Coordination / Cooperation

Partner	Coordination Type	Coordination Area	Frequency
IMF's area department and resident representative	Sharing of information, insights, and recommendations	Extractives Industries Tax Policy – priorities, recommendations, and status of reforms	Regular, bi-yearly

V. RISK ASSESSMENT AND MITIGATION

Category/Module	Description	Risk Assessment	Mitigation Measures
EXTERNAL CLIMATE/CONDITIONS			
RM I - Tax Policy	Risk that external events create a more challenging environment to implement reforms	Low	Ensure sufficient flexibility in program execution across countries and allow for ability to adjust activities in the case of adverse events.
POLITICAL SUPPORT			
RM I - Tax Policy	Not enough support from high-level authorities for the mission's outcomes	Medium	Ensure that meeting with high-level authorities are included in the mission
MANAGEMENT AND TECHNICAL STAFF SUPPORT AND COMMITMENT			
RM I - Tax Policy	Potential staff turnover and lack of specific capacities hinder adoption of policy recommendations	Low	Ensure junior staff are included in CD activities early on
RESOURCE ADEQUACY			
RM I - Tax Policy	Insufficient technical capacity and human resources necessary to implement reforms are limited.	Medium	Ensure CD plans include sufficient capacity building and training elements
OTHER RISKS			
RM I - Tax Policy	None	N/A	N/A

VI. CD DELIVERY PLAN

Table 2. Summary of Indicative CD Delivery

CD Modalities (Remote or Field-based CD)	FY25	FY26	FY27	FY28	FY29	Grand Total
RM II – Revenue Administration						
HQ led CD mission	-	1	1	-	-	2
STX visits	-	2	2	-	-	4
Staff visits	-	-	-	-	-	-
Workshops (inc. during HQ and remote CD)	-	-	-	-	-	-

Note:

- In-person delivery was chosen in most instances because of the poor technology available in Ghana and due to the sensitivity of the CD messages being conveyed.
- Remote delivery will be used to provide hands-on support in between travel missions to offer agility and reduce costs
- Collectively, the blend of CD delivery proposed over the duration of this project/program reflects the optimal balance of in-person, remote, and hybrid activities needed to achieve the project/program outcomes taking into account the needs of the country and the resources available.

Table 3. First year workplan

Timing	CD Modality	Proposed Topics of CD
RM II - Revenue Administration		
Q1/FY26	Duty station-based Work - DS	Drafting Support - EIFRA FY26
Q1/FY26	Field-Based work - FB	Petroleum Revenue Forecasting and Mining Modelling Support FY26
Q2/FY26	Field-Based work - FB	Extractives Tax Policy - FY26

VII. PROGRAM FINANCIALS

Module	FY 25	FY26	FY27	TOTAL (USD)
Direct Delivery				
RM I - Tax Policy	-	\$204,903	\$194,807	\$399,710
Trust Fund Management Fee (7%)	-	\$14,343	\$13,636	\$27,980
TOTAL	-	\$219,247	\$208,443	\$427,689

VIII. TARGETED LOGICAL FRAMEWORK

A. RM I – Tax Policy

Objective	
Strengthen Policy Monitoring, Evaluation, and Institutions – TPM	
Outcome(s)	Indicator(s)
Improved structures (e.g., tax policy units) or capacity (e.g., models and tools) related to tax policy advice and analysis.	Improved models to design and evaluate fiscal regimes and forecast revenue in the extractive industry adopted
Objective	
Improve Tax Policy Design - TPD	
Outcome(s)	Indicator(s)
Increased economic efficiency by minimizing economic distortions or addressing externalities or market failures	More efficient extractive industry fiscal regime legislation or model PSA approved