

**IN THE THIRD SESSION OF THE SIXTH PARLIAMENT OF THE FOURTH REPUBLIC OF
GHANA**

REPORT OF THE FINANCE COMMITTEE

ON

**PARLIAMENT OF GHANA LIBRARY
PARLIAMENT HOUSE
OSU - ACCRA**

**THE SUPPLEMENTARY ESTIMATES OF GOVERNMENT
FOR THE 2015 FINANCIAL YEAR**

JULY, 2015

REPORT OF THE FINANCE COMMITTEE

PARLIAMENT FOR GHANA LIBRARY
11, MARKET STREET, ACCRA
GHANA

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FOR THE YEAR 1964

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1.0 INTRODUCTION

The Mid-Year Review of the Budget and Supplementary Estimates of the Government of Ghana for the 2015 financial year were presented to Parliament by the Hon. Minister for Finance on Tuesday, 21st July, 2015 in accordance with Article 179 (8) of the Constitution and Order 143 of the Standing Orders of the House. The Rt. Hon. Speaker referred the Supplementary Estimates to the Finance Committee for consideration and report in accordance with Order 169 of the Standing Orders of the House.

The Hon. Deputy Minister of Finance, Mr. Cassiel Ato Baah Forson and a technical team from the Budget Division of the Ministry of Finance assisted the Committee in its deliberations. The Committee is grateful to the Hon. Deputy Minister and the technical team for the assistance.

2.0 REFERENCES

The under-listed served as additional reference documents during the Committee's deliberations:

1. The 1992 Constitution of the Republic of Ghana;
2. The Standing Orders of the Parliament of Ghana; and
3. The Budget Statement and Economic Policy of the Government of the Republic of Ghana for the 2015 financial year;

3.0 BACKGROUND INFORMATION

The Minister for Finance in presenting the Budget Statement and Economic Policy of the Government of Ghana for the 2015 Financial Year indicated the government's preparedness to seek approval for a supplementary budget when the need arise. Following the approval of the Budget, Ghana's economy has experienced a number of pressures, including domestic and global developments which have affected key assumptions underpinning the Budget as well as projections made in the Budget. This has necessitated the revision of the targets in the 2015 Budget Statement and Economic Policy of the Government and thus, the presentation of a Supplementary Budget. Prominent among the developments that have necessitated the revision of the targets in the 2015 Budget are:

- i. Depreciation of the Cedi with its adverse effect on economic activity, public sector debt and other macro-economic variables;
- ii. Fall in the price of crude oil;
- iii. Rising inflation;
- iv. Falling prices of the country's major export commodities namely; gold and cocoa;
and
- v. Refinancing of existing debt stock.

The above developments necessitated the review of some macroeconomic indicators and realignment of resources so as to maintain the country's pursuit of growth and macro-economic stability for the year.

4.0 JUSTIFICATION FOR THE ESTIMATES

In view of the developments outlined earlier, it has become necessary to make adjustment to the provisions in the 2015 Budget to accommodate the following;

- a. Reduction in projected revenue from GH¢32.4 billion to GH¢30.5 billion on account of falling prices of petroleum products;
- b. Downwards revision of total expenditure and arrears clearance from GH¢41.2 billion to GH¢40.5 billion;
- c. Upwards adjustment on the overall budget deficit from GH¢8.8 billion or 6.5% GDP to GH¢9.7 billion or 7.3% of GDP

- d. Higher interest cost associated with rising interest rates, borrowing and exchange rate depreciations; and
- e. Higher foreign financed capital expenditure due to the exchange rate depreciation;

In view of these developments, Government is seeking Parliamentary approval to spend an additional **GHC865,789,380.00** to meet its expenditure on amortisation of existing debts for the 2015 financial year.

5.0 2015 MID YEAR REVENUE PERFORMANCE

In the Budget Statement and Economic Policy of the Government, the Ministry of Finance projected to collect an amount of GHC32.4.00 from grants, tax revenue and other non-tax revenues. By May ending, the Ministry was able to collect an amount of GHC12,065.3 million representing 9.0% of GDP as against a projected revenue of GHC11,430.9 million. This amount represents 105.5% of the target for the period. The table below shows the revenue performance as at 31st May, 2015.

Table 1: 2015 revenue performance as at 31st May, 2015

SN	Revenue Source	2015 budget (Jan – May) Million GHC	2015 Outturn (Jan – May) Million GHC
1	Domestic Revenue	10,841.7	11,740.2
	O/W Oil revenue	690.2	782.4
	Tax Revenue	8,467.0	9,362.3
	O/W Oil Revenue	191.7	217.0
	Non tax revenue	2,315.6	2,323.0
	O/W Oil revenue	498.5	565.4
	Others	59.1	54.9
2	Grants	589.2	325.1
	Totals	11,430.9	12,065.3

Source: 2015 Supplementary Budget Estimates

6.0 2015 MID YEAR EXPENDITURE PERFORMANCE

The Country by the end of May 2015 spent an amount of GH¢14,590.0 Million representing 10.8% of GDP as against a target of GH¢ 16,053.6 Million or 11.9% of GDP.

The expenditure is in respect of the under listed in Table 2.

Table 2: 2015 Expenditure Performances as at 31st May,

SN	Expenditure	2015 budget (Jan – May) Million GH¢	2015 Outturn (Jan – May) Million GH¢
1	Total Expenditure and Arrears	16,053.6	14,590.0
2	Total Expenditure	14,949.9	14,249.4
3	Compensation of Employees	5,110.9	4,848.9
4	o/w Wages and Salaries	4,288.7	4,238.9
5	Use of Goods and Services	588.0	671.3
6	Interest Payments	3,600.8	3,287.0
7	o/w Domestic Interest	2,844.5.0	2,591.4
8	Subsidies	25.0	0
9	Grants to Other Government Units	2,765.6	2,394.8
10	Social Benefits	56.2	0
11	Others	308.8	865.2
12	Capital Expenditure	2,494.5	2,182.1
13	Arrears Clearance and Tax Refunds	1,103.6	843.3
11	Un allocated	0	502.8

Source: 2015 Supplementary Budget Estimates

7.0 2015 SUPPLEMENTARY ESTIMATES

The revised estimates for the 2015 financial year are as follow:

Table 3: 2015 revised revenue estimates

SN	Revenue Source	2015 Budget (GHC)	2015 Revised Budget (GHC)	Variance (GHC)
1	Income and Property Taxes	11,228,607,519	9,410,805,540	(1,817,801,980)
2	Taxes on Domestic Goods and Services	9,471,695,219	9,348,439,004	(123,230,218)
3	International Trade Taxes	4,705,728,295	4,368,671,223	(337,057,073)
4	Social Contributions	182,584,914	182,584,914	0
5	Non Tax Revenue	5,266,783,466	5,213,960,456	(52,823,010)
6	Grants	1,550,774,000	2,001,764,510	450,990,510
	Total Revenue and Grants	32,406,173,413	30,526,225,646	(1,879,947,767)

Source: 2015 Supplementary Budget Estimates

The 2015 expenditure was also subsequently revised downwards in anticipation of projected decrease in revenue. Summary of the revised expenditure by cost center is presented below:

Table 4: 2015 revised expenditure estimates

SN	Expenditure	2015 Budget	2015 Revised Budget	Variance
1	Compensation	12,312,909,378	12,312,909,378	0
2	Goods and Services	1,970,009,170	1,856,409,779	(113,599,391)
3	Interest Payments	9,577,175,000	9,349,795,000	(227,380,000)
4	Subsidies	50,000,000	50,000,000	0
5	Grants to other Government Units	7,408,583,655	7,190,118,586	(218,465,068)
6	Social Benefits	60,754,863	60,754,863	0

7	Other Expenditure	816,355,697	753,328,765	(63,026,932)
8	Capital Expenditure	6,956,780,498	6,356,966,127	(599,814,372)
	Total	39,152,568,262	37,930,282,498	(1,222,285,763)

Source: 2015 Supplementary Budget Estimates

8.0 OBSERVATIONS

Constitutional Requirement

The Committee observed that the request is in accordance with Article 179(8) which states that “*where, in respect of a financial year, it is found that the amount of monies appropriated by the Appropriations Act for any purpose is insufficient or that a need has arisen for expenditure for a purpose for which no sum of monies has been appropriated by that Act, a supplementary estimate showing the sum of money required, shall be laid before Parliament for its approval*”.

Appropriation Amount

The Committee noted that, the Ministry of Finance is seeking Parliamentary approval to spend an additional sum of ***Eight Hundred and Sixty-five Million, Seven Hundred and Eighty-nine Thousand, Three Hundred and Eighty Ghana Cedis (GHC865, 789,380.00)*** for the 2015 financial year. The amount will be expended on General Government expenditure including among others, debt servicing, payment into the Petroleum Funds and Amortization Payments.

Reduction in Total Government Direct Expenditure for 2015

The Committee noted that in spite of the increased appropriation of ***GHC865, 789,380.00*** the total direct government expenditure is reduced by ***GHC1,222,285,763.00***, from the original ***GHC39,152,568,262*** to ***GHC37,930,282,498***. The overall increase the committee observed was as a result of increase in respect of amortization which has been occasioned because of the exchange rate depreciation.

Reduction in Allocation to the Annual Budget Funding Amount (ABFA)

The Committee noted that the reduction in direct government expenditure was mainly in respect of allocations to ABFA which has occurred mainly due to reduction in projected oil revenues. It was explained that using a seven year moving average, the price of crude oil was estimated at about US\$90 per barrel, a basis on which the oil revenue was projected. Therefore with the current fall in crude price, the expected revenue from oil has reduced leading to a consequential fall in the allocations to the ABFA.

Regarding the implication of the reduction in the allocation to the ABFA on the general allocations to the MMDAs and their planned programmes, it was indicated that the implementation of these programmes would be negatively affected to the extent to which they were based on the ABFA allocations for the year.

The effect of the revised benchmark revenue and the depreciation of the Cedis on specific expenditure lines are presented in table 5 below:

Table: 2015 revised expenditure lines

SN	Expenditure	2015 Budget	2015 Revised Budget	Variance
	Goods and Services (ABFA)	736,254,680	318,884,448	(417,370,232)
2	Domestic Interest Payments	8,034,000,000	7,734,000,000	(300,000,000)
	External Interest Payments	1,543,175,000	1,615,795,000	72,620,000
3	Transfer to Education Trust Fund	843,899,218	853,200,063	9,300,845
4	Transfer to District Assemblies Common Fund	1,585,919,077	1,557,886,962	(28,032,114)
5	Transfer to GNPC from oil revenue	697,688,578	497,954,778	(199,733,800)
6	Tax Expenditure Exemptions	816,355,697	753,328,765	63,026,932

7	Domestic Financed Capital Expenditure	2,557,357,298	1,834,483,117	(722,874,181)
8	Capital Expenditure financed from GIIF	966,608,331	1,039,215,991	72,607,660
9	Capital Expenditure financed from ABFA	1,272,913,171	235,741,412	(1,037,171,759)
10	Foreign financed Capital Expenditure	4,399,423,200	4,522,483,010	123,059,810
11	Non Road Arrears	1,239,043,166	1,539,043,166	300,000,000
12	Tax Refunds	508,120,621	462,017,364	(46,103,256)
13	Amortization	2,799,228,500	4,633,406,900	1,834,178,400

Source: 2015 Supplementary Budget Estimates

GDP Growth

The Deputy Minister of Finance indicated that notwithstanding the challenges which have necessitated the preparation of the Supplementary Budget, the economy showed positive signs of recovery with quarter year GDP growth standing at 4.7% in the first quarter of 2015 as against 3.8% for the same period in 2014. Again, the bold economic measures adopted by the government has also rekindled confidence in the economy resulting in the gradual and envisaged improvement in revenue performance and foreign exchange inflows. To the extent that Ghana's development Partners, including the World Bank, African Development Bank and the European Union have renewed disbursement of Budget Support. The release of these funds the Deputy Minister added, is expected to improve the stability of the cedi, improve balance of payment and reserve positions and improve economic growth.

9.0 RECOMMENDATION AND CONCLUSION

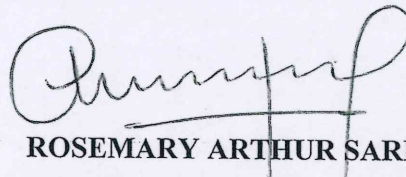
The committee having carefully considered the Supplementary Estimates recommends to the House to adopts its report and approve the sum of money not exceeding ***Eight Hundred and Sixty-five Million, Seven Hundred and Eighty-nine Thousand, Three Hundred and Eighty Ghana Cedis (GHC865, 789,380.00)*** as Supplementary Estimates of Government

to be issued from the Consolidated Fund and withdrawal from other funds for the purposes of financing all government operations during the financial year 2015.

Respectfully Submitted



HON. JAMES AVEDZI KLUTSE
CHAIRMAN, FINANCE COMMITTEE



ROSEMARY ARTHUR SARKODIE
CLERK, FINANCE COMMITTEE

July, 2015

