

IN THE FOURTH SESSION OF THE SEVENTH PARLIAMENT OF THE
FOURTH REPUBLIC OF GHANA



**REPORT OF THE
FINANCE COMMITTEE**

ON THE

**REQUEST TO LOWER THE CAP ON THE
GHANA STABILISATION FUND (GSF)
FROM THE CURRENT US\$300.00
MILLION TO US\$100.00 MILLION IN
ACCORDANCE WITH SECTION 23(3) OF
THE PETROLEUM REVENUE
MANAGEMENT ACT, 2011 (ACT 815)**

MARCH 2020

1.0 INTRODUCTION

The **request to Lower the Cap on the Ghana Stabilisation Fund (GSF) from the Current US\$300.00 Million to US\$100.00 Million** in accordance with Section 23(3) of the Petroleum Revenue Management Act, 2011 (Act 815) was *presented* to the House on Monday, 30th March 2020 by the Hon. Minister responsible for Parliamentary Affairs, Mr. Osei Kyei-Mensah-Bonsu on behalf of the Minister responsible for Finance.

Pursuant to Article 103 of the 1992 Constitution and Order 169 of the Standing Orders of the House, the request was *referred* to the Finance Committee for consideration and report.

The Committee subsequently met and discussed the request with Deputy Ministers for Finance, Hon. Mrs. Abena Osei-Asare and Hon. Kwaku Kwarteng as well as the Chief Director and other officials from the Ministry of Finance.

The Committee hereby submits this report to the House pursuant to Order 161 of the Standing Orders of the House.

The Committee is grateful to the above-mentioned Honourable Deputy Ministers and the officials for attending upon the Committee.

2.0 REFERENCES

The Committee referred to and was guided by the following documents *inter alia* during its deliberations on the Agreement:

- The 1992 Constitution of the Republic of Ghana

- The Standing Orders of the Parliament of Ghana
- The Public Financial Management Act, 2016 (Act 921)
- The Petroleum Revenue Management Act, 2011 (Act 815)

3.0 BACKGROUND

The Corona Virus Disease 2019 (COVID-19) pandemic caused by a novel coronavirus (SARS-CoV-2) is prevalent in over 110 countries and territories, including Ghana. As of March 23, 2020, the outbreak had recorded nearly 436,024 cases and 19,630 deaths globally according to the Coronavirus Worldometer.

The impact of COVID-19 has been profound as it has caused significant disruptions to social and economic activities across the world. With more than 65% of the global economy under some form of a lockdown, most economies are predicted to experience some degree of depression for a foreseeable future. In fact, the United Nations Economic Commission for Africa (UNECA) estimates that this pandemic will cause the projected 2020 GDP growth for Africa to drop from 3.2% to 1.8%.

As at 29th March 2020, Ghana had recorded 152 confirmed COVID-19 positive cases, 5 deaths and only two recoveries.

The economy of Ghana is expected to have a significant negative impact from COVID-19. Preliminary assessment indicates that using an average crude oil price of US\$30 per barrel for 2020, expected petroleum revenue will record a shortfall of

GH¢5,660.35 Million (US\$993 Million). Further, the slowing down of domestic economic activity is expected to hit tax revenue to the tune of GH¢2,254.3 Million. There are also expected negative impacts on the transport, hotel and tourism sectors.

The scale and severity of the impact of COVID-19 on Ghana will depend on the scope and nature of responses from Ghanaians as well as from Government and its international Development Partners (DPs).

To minimise the fiscal impact of the COVID-19 on businesses as well as households and ensure that economic activities are sustained, the Government has proposed a number of measures, one of which is to lower the cap on the Ghana Stabilisation Fund (GSF) from the current US\$300.00 Million to US\$100.00 Million in accordance with Section 23(3) of the Petroleum Revenue Management Act, 2011 (Act 815).

4.0 OBSERVATIONS

6.1 Revenue Shortfall

The Committee was informed that the total estimated fiscal impact from the shortfalls in petroleum receipts, import duties, other tax revenues, and the immediate cost of the Coronavirus Alleviation Programme is GH¢9,505 Million (2.5% of revised GDP).

To close the fiscal gap therefore, Government has proposed a number of policy measures, including the present

proposal to lower the cap on the Ghana Stabilisation Fund (GSF) from the current US\$300.00 Million to US\$100.00 Million.

4.2 Transfer of Excess Amount to Contingency Fund

The Committee noted that the lowering of the cap on the GSF from US\$300.00 to US\$100.00 Million will enable the excess amount in the GSF over the new cap level to be transferred into the Contingency Fund for use to fund the Coronavirus Alleviation Programme (CAP) among others.

4.3 Spending From the Contingency Fund

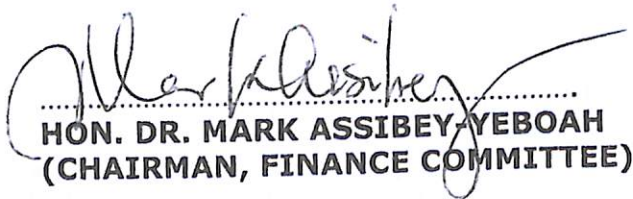
The Committee noted the provisions of Article 177(1) which states that *"There shall be paid into the Contingency Fund moneys voted for the purpose by Parliament; and advances may be made from that Fund which are authorised by the committee responsible for financial measures in Parliament whenever that committee is satisfied that there has arisen an urgent or unforeseen need for expenditure for which no other provision exists to meet the need."*

The Committee thus advises the Ministry of Finance to place the necessary request before the Finance Committee of Parliament for authorisation of the intended expenditure out of the Contingency Fund towards meeting the challenges posed by the COVID-19 pandemic.

5.0 CONCLUSION

The Committee, after carefully examining the request, respectfully recommends to the House to adopt this report and approve the request by the Government of Ghana to Lower the Cap on the Ghana Stabilisation Fund (GSF) from the Current US\$300.00 Million to US\$100.00 Million in accordance with Section 23(3) of the Petroleum Revenue Management Act, 2011 (Act 815).

Respectfully submitted.


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HON. DR. MARK ASSIBEY-YEBOAH
(CHAIRMAN, FINANCE COMMITTEE)


.....
MS. EVELYN BREFO-BOATENG
(CLERK, FINANCE COMMITTEE)

1ST APRIL, 2020

