

EARMARKED FUNDS CAPPING AND REALIGNMENT (AMENDMENT) BILL, 2022

MEMORANDUM

The object of the Bill is to revise the percentage cap on Earmarked Funds from twenty-five percent of total tax revenue to seventeen and a half percent of total tax revenue to make available public funds as budget support.

In 2017, Government passed the Earmarked Funds Capping and Realignment Act, 2017 (Act 947) to cap Earmarked Funds at twenty-five percent of total tax revenue so as to free up additional revenue for use as budget support.

However, the dedication of predetermined percentages of tax revenue for future use continues to create rigidity and credibility problems for budget implementation. Based on the 25 percent cap, budgetary allocation to the Earmarked Funds, with allowance for restoration, has averaged thirty-one percent since implementation in 2018. But for lower allocation in 2020 due to the impact of the Covid-19 pandemic, this ratio would have been higher.

With the exception of 2022, where budgetary allocation to the Earmarked Funds was low due to the impact of the Covid-19 pandemic, there has been significant increases from 2018 to date. For example, the budgetary allocation to the Earmarked Funds increased from twelve point two billion Ghana Cedis in 2018 to fourteen billion Ghana Cedis in 2019 before reducing to eleven point eight billion Ghana Cedis in 2020 due to the impact of the Covid-19 pandemic. The allocation increased to eighteen point one billion Ghana Cedis in 2021 and twenty-three point seven billion Ghana Cedis in 2022.

As a result, Government is still faced with the challenge of having to finance governmental activity outside these expenditure lines through borrowing or aid, which has proven to be unsustainable.

In order to address these challenges, while respecting the rationale for the earmarking of these public funds, Government seeks to revise the cap on Earmarked Funds as a percentage of total tax revenue, from twenty-five percent of total tax revenue to seventeen and a half percent of total tax revenue.

Clause 1 of the Bill amends section 2 of Act 947 to revise the cap on the Earmarked Funds specified in the Schedule to Act 947 from twenty-five percent of total tax revenue to seventeen and a half percent of total tax revenue.

Clause 2 amends section 3 of Act 947 to mandate the Minister responsible for Finance to cap budgetary allocations to Earmarked Funds in each year at seventeen and a half percent of total tax revenue.

Clause 3 amends section 8 of Act 947 to provide a new definition for "capped Earmarked Funds".



KEN OFORI-ATTA

Minister responsible for Finance

Date: 20th December, 2012

EARMARKED FUNDS CAPPING AND REALIGNMENT (AMENDMENT) BILL, 2022

ARRANGEMENT OF SECTIONS

Section

1. Section 2 of Act 947 amended
2. Section 3 of Act 947 amended
3. Section 8 of Act 947 amended

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BILL

ENTITLED

EARMARKED FUNDS CAPPING AND REALIGNMENT (AMENDMENT) ACT, 2022

AN ACT to revise the cap for Earmarked Funds and to provide for related matters.

PASSED by Parliament and assented to by the President:

Section 2 of Act 947 amended

1. The Earmarked Funds Capping and Realignment Act, 2017 (Act 947), referred to in this Act as the "principal enactment", is amended in section 2 by the substitution for paragraph (a), of

"

- (a) provide a cap on the Earmarked Funds specified in the Schedule to ensure that tax revenue encumbered by the Earmarked Funds as a result of allocations is seventeen and a half percent of total tax revenue;"

Section 3 of Act 947 amended

2. The principal enactment is amended in section 3 by

- (a) the substitution for subsection (1), of

"(1) The Minister shall ensure that the budgetary allocation

- (a) made in each year to the Earmarked Funds, and

- (b) encumbered in each year by the Earmarked Funds

specified in the Schedule is seventeen and a half percent of total tax revenue."; and

(b) the substitution for subsection (2), of

"(2) The Minister shall, in furtherance of the obligation under subsection (1), ensure that the capped Earmarked Funds amount of seventeen and a half percent of total tax revenue is allocated to the Earmarked Funds specified in the Schedule, each according to a weight which shall be approved by Parliament as part of the Annual Budget for each fiscal year and each Earmarked Fund shall be adjusted accordingly."

Section 8 of Act 947 amended

3. The principal enactment is amended in section 8 by the substitution for the definition of "capped Earmarked Funds" of

"capped Earmarked Funds" means the total amount of all the Earmarked Funds remaining after a cap of seventeen and a half percent of total tax revenue has been applied to the aggregate of all the Earmarked Funds;"

PARLIAMENT OF GUYANA
PARLIAMENT HOUSE