

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

**REPORT OF THE FINANCE COMMITTEE ON THE
PROVISIONAL ESTIMATES (VOTE ON ACCOUNT)
FOR 2004 FINANCIAL YEAR**

1.0 INTRODUCTION

The Provisional Estimates for 2004 was laid in the House on Thursday, 11th December 2003 pursuant to Article 180 of the Constitution and referred to the Finance Committee for consideration and report in accordance with Order No.169 of the Standing Orders.

The Committee met with the Deputy Minister of Finance and Economic Planning, Hon. Kwaku Manu Agyeman and officials of the Ministry to consider the estimates and reports as follows:

2.0 BACKGROUND

The House will recall that it takes about 3 months (January-March) to consider the Annual Estimates of Ministries, Departments and Agencies (MDAs) and to pass the Appropriation Act. Therefore pursuant to Article 180 of the Constitution, the Minister of Finance, acting on the authority of the President, in the month of December, before the end of the year, requests the House to approve, by Resolution, the withdrawal of monies from the Consolidated Fund for the purposes of meeting Government expenditure in respect of the first three months of the Financial year.

3.0 THE PROVISIONAL ESTIMATES

The total amount of \$5,850,455.00 (amount in millions) is the provisional estimate for the 1st Quarter of 2004 financial year.

The breakdown is as follows:

<u>EXPENDITURE</u>	AMOUNT (Millions of Cedis)
STATUTORY PAYMENTS	2,397,800.00
External Debt	955,125.00
Principal	703,300.00
Interest	251,825.00
Domestic Interest	560,850.00
District Assemblies Comm. Fund	209,025.00
Transfer to Households	270,850.00
Pensions	94,450.00
Gratuities	49,050.00
Social Security	103,800.00
National Health Fund (NHF)	23,575.00
Education Trust Fund	208,725.00
Road Fund	174,575.00
Petroleum Related Fund	18,650.00
DISCRETIONARY PAYMENTS	3,452,655.00
Personal Emoluments	1,657,975.00
Administration	277,520.00
Service	209,340.00
VAT Refunds	32,275.00
Total Investments	849,995.00
Domestic Financed (Excl. DACF & GETF)	218,320.00
Other Cash Expenditure	218,320.00
Net Lending	-
Foreign Financed	631,675.00

Non-Road Arrears Clearance	24,250.00
Utility Price Subsidies	85,500.00
HIPC Financed Expenditure	315,800.00

GRAND TOTAL	5,850,455.00
--------------------	---------------------

Attached is Assumptions for 2004 Statutory Expenditure Projections as Appendix I

4.0 OBSERVATIONS AND RECOMMENDATIONS

4.1 The Deputy Minister of Finance made available to the satisfaction of the Committee estimates of the previous year for purposes of comparison as recommended by the Committee in its report last year and replaced page 3 of the Provisional Estimates for 2004 document with the attached document as Appendix 2.

4.2 Members wanted to know how the approved Supplementary Budget, which was presented to Parliament in November, fits into the current Provisional Account. The Officials from the Ministry explained that the main Budget for the 2004 fiscal year would take care of that and it is in accordance with Article 179 (8) & (9) of the Constitution.

4.3 The Committee took note of the assurance by the Ministry of Finance that the Controller and Accountant-General will ensure that all Ministries, Departments and Agencies operate strictly within the levels set in the Provisional Estimates. They further assured the Committee that all monies budgeted for the MDAs for the first quarter would be released on time.

4.4 The Committee was informed by the team from the Ministry of Finance that the figure presented in the Vote on Account represented 25% of the total budgetary figure for the financial year 2004 for all the items except Administration, Services and Other Cash Expenditure, which represented 20%.

4.5 Members of the Committee wanted to know the justification for the increment of Personal Emoluments from ₵1,191,772.00 in 2003 to ₵1,657,975.00 in 2004. The officials from the Ministry informed the Committee that the Personal Emoluments projection for the first quarter of 2004 has to be looked at within the context of the total projected Personal Emoluments for the year as a whole. Since it is 25% of the total budget estimates as compared to 2003, the 2004 estimates are calculated on a bigger base, which is the projected end-2003 actual wages and salaries. The Officials explained that this is bigger because there were salary increments in the course of 2003, and the supplementary budget also revised the overall Personal Emoluments for 2003 upwards and this has resulted in a much bigger figure in the first quarter compared to that of 2003 first quarter.

4.6 The Members of the Committee expressed concern about how newly trained teachers, nurses/para-medical personnel and other newly to be recruited civil/public servants were left out of last year's Budget. The Committee was informed that new recruitments for the Ghana Education Service and Ministry of Health have been taken care of and as a measure to prevent this problem from re-occurring, the Officials of the Ministry of Finance and Economic Planning met with the Officials of the Ministries of Health, Education and Local Government and Rural Development to ensure non-occurrence of the problem.

4.7 The Committee noted that the utility price subsidy is made up of subsidies equivalent of US\$30 million to Volta River Authority for the importation of crude oil for the Aboadze Thermal plant, and the rest is to be used to subsidize the lifeline consumers.

The Committee also observed that the allocation for non-road arrears for the first quarter represents 25% of the DACF and GETFund accumulated arrears of ₵53.9 billion and ₵43.1 billion, respectively, expected to be cleared in 2004.

4.8 The Committee noted with happiness that Domestic Interest figure has dropped from ₦739,250, million for the 2003 estimates to ₦560,850 millions for 2004 Vote on Account due to the reduction of central government borrowing from the domestic money market. This development the Committee noted would augur well for the private sector access to funds to borrow for their business operations.

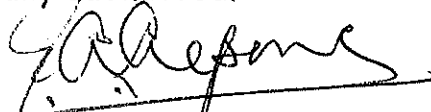
4.9 Similarly, there has been increases in the transfer to Households viz:

	<u>2003</u>	<u>2004</u>
(i) Pensions	₦84,625 million	₦94,450 million
(ii) Gratuities	₦26,225 million	₦49,050 million

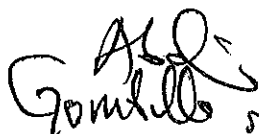
5.0 CONCLUSION

The Committee recommends that the House adopts the report and approve by Resolution the sum of ₦5,850,455.00 (amount in millions) as Provisional Estimates for 2004 for the purposes of meeting expenditure necessary to carry out the services of the Government prior to the coming into operation of the Appropriation Act in respect of the 2004 financial year in accordance with Article 180 of the Constitution.

Respectfully submitted.



HON. EUGENE ATTA AGYEPONG
CHAIRMAN



ALHAJI IBRAHIM GOMBILLA
CLERK

16TH DECEMBER 2003

APPENDIX 1

ASSUMPTIONS FOR 2004 STATUTORY EXPENDITURE PROJECTIONS

Pensions

Projected as 5.7 percent of P.E. i.e. the average trend for 3 years.

Gratuities

Projected as 3.0 percent of P.E. - average trend for 3 years

Social Security (SSNIT)

Calculated as 6.3 percent of PE

Interest Domestic

Derived from Bank of Ghana computations. It is on accrual basis, including interest incurred on GGILBs and interest on TOR debt.

Interest External

Projected on accrual basis. Assumes interest on all GOG loans plus 50 percent of government-guaranteed loans and converted at an assumed path for exchange rates.

Amortisation

Assumes repayment of all government loans plus 50 per cent of government-guaranteed loans, and converted at an assumed path for exchange rates.

GETF

Calculated as 20 per cent of VAT receipts less VAT refunds.

DACF

Calculated as 5 percent of total tax revenue less VAT refunds.

Road Fund

Based on calculations from Ministry of Energy, on assumption of a levy of ¢400 per litre, based on demand volumes.

Other Petroleum-related Fund

Comprises : Energy Fund levy, Exploration levy and Stock levy.
This is formula/rate linked, based on computations from Ministry of Energy.

National Health Fund (NHF)

The 2½ percent of SSNIT contributions.

Non-Road Arrears

Comprises:

DACF arrears clearance of ₪53.9 billion;

GETF arrears clearance of ₪43.1 billion;

VAT Refunds

Computed as 3 per cent of total VAT receipts

APPENDIX 2

SUMMARY OF GOVERNMENT EXPENDITURE

PROVISIONAL ESTIMATES FROM JANUARY TO MARCH 2004

EXPENDITURE	AMOUNT (Millions of Cedis)	
	2003	2004
TOTAL PAYMENTS	4,612,593.00	5,850,455.00
STATUTORY PAYMENTS	2,300,450.00	2,397,800.00
External Debt	936,750.00	955,125.00
Principal	695,750.00	703,300.00
Interest	241,000.00	251,825.00
Domestic Interest	739,250.00	560,850.00
District Assemblies Comm. Fund	112,900.00	209,025.00
Transfer to Households	253,850.00	270,850.00
Pensions	84,625.00	94,450.00
Gratuities	26,225.00	49,050.00
Social Security	130,500.00	103,800.00
National Health Fund (NHF)	-	23,575.00
Education Trust Fund	120,375.00	208,725.00
Road Fund	137,325.00	174,575.00
Petroleum Related Fund		18,650.00
DISCRETIONARY PAYMENTS	2,312,143.00	3,452,655.00
Personal Emoluments	1,191,772.00	1,657,975.00
Administration	138,624.00	277,520.00
Service	104,576.00	209,340.00
VAT Refunds		32,275.00
Total Investments	570,671.00	849,995.00
Domestic Financed (Excl. DACF and GETF)	63,123.00	218,320.00
Other Cash Expenditure	63,123.00	218,320.00
Net Lending	-	-
Foreign Financed	507,548.00	631,675.00
Road Arrears Clearance	50,000.00	-
Non-Road Arrears Clearance	33,000.00	24,250.00
Utility Price Subsidies		85,500.00
HIPC Financed Expenditure	223,500.00	315,800.00
Divestiture Liabilities		-