

**IN THE SECOND SESSION OF THE EIGHTH PARLIAMENT OF THE FOURTH
REPUBLIC OF GHANA**



REPORT OF THE FINANCE COMMITTEE

ON THE

**FINANCING AGREEMENT BETWEEN THE
GOVERNMENT OF THE REPUBLIC OF GHANA
(REPRESENTED BY THE MINISTRY OF
FINANCE) AND THE INTERNATIONAL
DEVELOPMENT ASSOCIATION (IDA) OF THE
WORLD BANK GROUP FOR AN AMOUNT OF
*ONE HUNDRED AND FIFTY MILLION UNITED
STATES DOLLARS (US\$150,000,000.00)* TO
FINANCE THE PUBLIC FINANCIAL
MANAGEMENT FOR SERVICE DELIVERY
PROGRAMME**

PARLIAMENT OF GHANA LIBRARY
PARLIAMENT HOUSE
OSU - ACCRA

21ST DECEMBER 2022

1.0. INTRODUCTION

The **Financing Agreement** between the **Government of the Republic of Ghana** (represented by the Ministry of Finance) and the **International Development Association (IDA)** of the World Bank Group for an amount of ***One Hundred and Fifty Million United States Dollars (US\$150,000,000.00)*** to finance the **Public Financial Management for Service Delivery Programme** was *presented* to the House on Friday 11th November, 2022 by Hon. Deputy Minister for Finance, Mrs Abena Osei-Asare on behalf of the Minister responsible for Finance.

Pursuant to Article 103 of the 1992 Constitution and Orders 169 and 171 of the Standing Orders of the House, the Agreement was *referred* to the Committee on Finance for consideration and report.

The Committee met and discussed the Agreement with a Deputy Minister for Finance, Hon. Abena Osei-Asare and a team of 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 Honourable Deputy Minister for Finance and the team of 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)

3.0. BACKGROUND

Ghana has a history of PFM reforms that dates back to over two decades ago. Specifically, the Public Financial Management Reform Program (PUFMARP) was implemented from 1997-2003, the Short-Term/Medium-Term Action Plan (ST/MTAP) in 2006-2009; The Ghana Integrated Financial Management System (GIFMIS) in 2010-2014; and the Public Financial Management Reform Project (PFMRP) in 2015-2020.

These reforms yielded some significant results. Prominent among them is the Public Procurement (Amendment) Act 2016 (Act 914); Ghana Revenue Authority Act, (2009), Act 791 that merged the three Revenue Agencies (Internal Revenue Service, Customs Excise and Preventive Service, and Value Added Tax). More recently, the PFM reforms have achieved the following:

- i. Establishment of State Interests and Governance Authority (SIGA);

- ii. Design and ongoing implementation of business intelligence data warehouse by Ghana Revenue Authority (GRA);
- iii. Public Financial Management Act, 2016 & Public Financial Management Regulations 2019 LI 2378;
- iv. GIFMIS rollout to MDAs, Metropolitan, Municipal, and District Assemblies (MMDAs), and;
- v. Human Resource Management Information System (HRMIS) rolled out to all MDAs; and Support to roll-out of electronic procurement system (e-GP).

Despite these achievements, considerable challenges remain that affect the economy and the efficient delivery of public services. In the education sector, for instance, fragmented responsibilities for spending and the large wage bill have resulted in budget processes that do not support optimal service delivery. The large wage bill limits infrastructure investments in lagging regions. Additionally, inadequate sub-sectoral allocations coupled with insufficient focus on productivity enhancement in the agriculture sector also compounds the problem of agriculture under-investment. Finally, local Governments often do not have sufficient human and administrative capacity to effectively deliver services and are susceptible to corruption and patronage.

In response to these challenges, Government has designed a new PFM strategy (2022-2026) which was approved by the

Ministry of Finance on April 5, 2022. The primary objective of the PFM Strategy, estimated at US\$300.0 million, is to help consolidate and sustain the gains from the PFM reforms undertaken over the last two decades and to address remaining PFM weaknesses. Government is partnering with the World Bank to implement a proposed PFM for Service Delivery Program designed to support Government's **PFM Strategy (2022-2026)**.

3.1. PROJECT OBJECTIVE

The Program Development Objective of the *PFM for Service Delivery* is to, "**improve resource mobilization and allocation, budget execution and accountability which will, in turn, enable better public service delivery.**" The object of the program would be achieved through Nine (9) Disbursement Link Indicators (DLIs) which are fully aligned with the PFM Strategy.



4.0. TERMS AND CONDITIONS OF THE LOAN

The total financing of US\$150.0 million for the Program will be provided as Credit on IDA blend terms as follows:

Repayment Period	25 years
Grace Period	5 years
Maximum Commitment Charge	0.5 - One-half of one percent (1/2 of 1%) per annum on the Unwithdrawn Financing Balance.

Service Charge	1.31% - sum of three-fourths of one percent (3/4 of 1%) per annum plus the Basis Adjustment (+56bps) to the Service Charge on the Withdrawn Credit Balance.
Interest Charge	1.35% - sum of one and a quarter percent (1.25%) per annum plus the Basis Adjustment to the Interest Charge (+10bps) on the Withdrawn Credit Balance.

The financing has a grant element of 26.0% and covers the full cost of the proposed activities.

5.0. OBSERVATIONS

5.1. The Disbursement Linked Indicators

The Disbursement Linked Indicators are framed to increase tax receipts and compliance; enhance coordination and alignment of external finance; enhanced transparency of State Owned Enterprises (SOEs); improve management of public investments; improve preparation and implementation of annual budgets; and improve accountability and legislative oversights.

5.2. Alignment with Government Broad Objective

The Committee noted that the PFM for Service Delivery Program is in line with Government's broad objective of improving budget management, financial control and reporting of the country. The program will enhance fiscal discipline, strategic allocation of resources, and service delivery through strengthened systems and procedures and targeted capacity building.

5.3. Addressing Gaps in the PFM System

The Committee observed that the program will support Government to implement the next phase of its PFM Strategy to address the remaining gaps to ensure that the PFM system of the country is robust in delivering improvements in domestic resource mobilization and expenditure management. The interventions in the PFM for Service Delivery Program seek to improve domestic revenue mobilization; enhance expenditure and debt management; promote efficient delivery of public services among other interventions.

5.4. Key Results Areas

The Committee was informed that the aims of the programme will be achieved through the following four (4) Key Results Areas:

- i. **Key Result Area 1: Improve Public Resource Mobilization.** The result area will support the Government program in improving public resource mobilization, which will lead to increased fiscal space.
- ii. **Key Result Area 2: Improve Resource Allocation Consistent with Government Priorities.** The result area will support the PFM Strategy in improving resource allocation and involves managing subsidies/transfers to SOE sector.
- iii. **Key Result Area 3: Improve Budget Execution and Accountability to Enable Better Service Delivery.** The result area will improve budget execution and

accountability, and in turn, enable better service delivery.

- iv. **Key Result Area 4: Strengthen Reforms Coordination and Stimulus for Change.** This result area ensures that PFM reforms implementation is effectively led through an adequate governance structure, an effective change management approach, a smooth coordination and progress reporting mechanism.

6.0. CONCLUSION

In view of the foregoing, the Committee respectfully recommends to the House to adopt this report and approve by Resolution, the **Financing Agreement** between the **Government of the Republic of Ghana** (represented by the Ministry of Finance) and the **International Development Association (IDA)** of the World Bank Group for an amount of **One Hundred and Fifty Million United States Dollars (US\$150,000,000.00)** to finance the **Public Financial Management for Service Delivery Programme** in accordance with article 181 of the 1992 Constitution of the Republic of Ghana.

Respectfully submitted.

PARLIAMENT OF GHANA LIBRARY
PARLIAMENT HOUSE
OSU - ACCRA



.....
HON. KWAKU KWARTENG
(CHAIRMAN, FINANCE COMMITTEE)



.....
MRS. JOANA A.S. ADJEI
(CLERK, FINANCE COMMITTEE)

21ST DECEMBER, 2022