

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

**REPORT OF THE
FINANCE COMMITTEE**

ON THE

**ANNUAL BUDGET ESTIMATES OF THE MINISTRY OF
FINANCE FOR THE 2014 FINANCIAL YEAR**

10TH DECEMBER, 2013

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1.0 INTRODUCTION

The **2014 Budget Estimates** of the **Ministry of Finance** (MOF) were on Tuesday 19th November, 2013 *referred* to the Finance Committee for consideration and report in accordance with Article 179 of the Constitution and Standing Orders 140(4) and 169. This followed the presentation of the Budget Statement and Economic Policy of the Government for the year ending 31st December 2014 by the Hon. Minister of Finance, Mr. Seth E. Terkper.

The Committee met with the Hon. Minister of Finance, Mr. Seth E. Terkper, His two Deputies, Hon. George Kweku Ricketts-Hagan, and Hon. Cassiel Ato Baah Forson, Heads of related Agencies and Officials of the Ministry of Finance and discussed the Estimates.

The Committee is grateful to the Hon. Minister, his two Deputies and the officials for their presentations and clarifications during the deliberations.

2.0 BACKGROUND

The Ministry of Finance is the Government Ministry responsible for effective and efficient management of the economy of Ghana. The Ministry is involved in economic planning, fiscal policy formulation, National accounting and budget preparation and creation of an environment suitable for investment and growth.

3.0 REFERENCE

The Committee referred to the following documents during its deliberations:

- a) The 1992 Constitution of Ghana;
- b) The Standing Orders of the Parliament of Ghana;
- c) The Budget Statement and Economic Policy of the Government of Ghana. for the 2014 Financial Year; and
- d) The 2014 Annual Estimates for the Ministry of Finance

4.0 VISION AND MISSION

The Ministry has as its goal to ensure an efficient and effective management of the economy towards the attainment of upper middle income status and poverty reduction. The Ministry will achieve this through ensuring Economic Growth with stability and the promotion of credible and prudent economic management for Sustainable Development of Ghana and her people through the formulation and implementation of sound financial, fiscal and monetary policies, efficient mobilization, allocation and management of financial resources, establishing and disseminating performance-oriented guidelines and accurate user- friendly financial management information systems and also Creating an enabling environment for investment.

It is the Vision of the Ministry of Finance to become a recognized professional organization, providing excellent Public Economic and Finance Management to improve accountability and good governance.

4.1 AGENCIES UNDER THE MINISTRY

The Ministry of Finance works through the under-listed agencies to achieve its objectives:

- a) Controller and Accountant General's Department (CAGD)
- b) Securities and Exchange Commission (SEC);
- c) Institute of Accountancy Training (IAT);
- d) Public Procurement Authority (PPA);
- e) Financial Intelligence Centre; and
- f) Ghana Statistical Service (GSS)

5.0 2013 PERFORMANCE

During the 2013 financial year, the Ministry of Finance and its agencies undertook the following activities among others;

5.1 Ministry of Finance (Head Quarters)

- a) Collected and updated data on public investment and commenced the development of the Ghana Public Private Partnership (PPP) bill and also conducted series of stakeholder consultations for inputs into the bill;
- b) Signed the Partnership for Growth Agreement with the United States Government and also developed its strategic implementation plan to address the inadequacy and unreliability in the energy sector as well as improve access to finance;
- c) Facilitated the establishment of the Government-Development Partner Group (G-DPG) to serve as the highest-level aid coordination body in Ghana as well as address the need for regular and structured development dialogue between Government and Development Partners;
- d) Held four pre-budget stakeholder consultative meetings;

- e) Commenced the procurement process for the Ghana Aid Information Management System which will interface with GIFMIS to capture Aid Information as well as support the management of donor funded programmes and project;
- f) Organized a production workshop for all MDAs to facilitate the preparation of 2014-2016 Programme Based Budget and conducted policy and technical hearings for the budget preparation process;
- g) Circulated the 2014-2016 Budget Preparation Guidelines to all MDAs and MMDAs;
- h) Organized orientation workshops for Chief Directors, Directors of Policy, Planning, Budgeting, Monitoring and Evaluation Units (PPBMEs) and Finance on the Budget Guidelines;

5.2

Financial Intelligence Centre

The Centre facilitated the amendments of the Anti-terrorism Act, and the Anti-Money laundering Act, identified, sensitized and trained institutions with strategic Anti Money Laundering /Combating the Financing of Terrorism deficiencies.

5.3

Public Procurement Authority (PPA)

- a) Developed detailed Contract Management Manuals for Goods, Works and Services with related Training Manuals and conducted training for 359 officials from 13 Institutions in both the Public Service and the Private Sector aimed at building their procurement capacity;
- b) Implemented a Scheme of Service for Procurement Practitioners for the establishment of Procurement Units within the Public Sector.

5.4

Ghana Statistics Service (GSS)

- a) Produced statistics on inflation rates; construction input costs, gross domestic product and external trade and also updated external trade statistics;

- b) Produced social and demographic statistics on population, health, environmental sanitation, migration, culture, labour/employment, education and crime/judicial proceedings; and
- c) Completed and submitted to Cabinet, a draft bill to guide and moderate the activities of the national statistical system in order to strengthen coordination and collaboration among statistics producing institutions in the country.

5.5 **Securities and Exchange Commission (SEC);**

- a) Commenced the review of the Securities Industry Law.
- b) Completed the proposed merger of the Central Securities Depository and the Ghana Stock Exchange Depository.

5.6 **Controller & Accountant General.**

Deployed the Ghana Integrated Financial Management Information System to MDA Head Offices and Regional Head Offices and started pilot decentralized payroll printing and processing of selected payroll transactions at 4 Regional Centres namely Western, Volta, Northern and Ashanti

6.0 **BUDGET PERFORMANCE IN 2013**

During the financial year 2013, the Ministry of Finance and its agencies were allocated a total budget of **GH¢292,206,478.00** for the implementation of its programmes. Out of this amount is **GH¢214,170,624.00** for GOG, **GH¢46,747,194.00** for Donor Fund, **GH¢27,350,000.00** for ABFA and **GH¢3,938,660.00** as IGF.

6.1 **GOG Budget Performance**

As at 30th September 2013, **GH¢119,821,561.98** representing 55.95% of its approved budget of **GH¢214,170,624.00** had been spent by the Ministry and its agencies. The breakdown by Sector is as follows:

AGENCY	2013 APPROVED GH¢	2013 ACTUAL EXPENDITURE GH¢	VARIANCE GH¢	VARIANCE %
MOFEP HQRs	56,967,719	27,710,442.71	29,257,276.29	51.36
CAGD	122,361,300	76,714,890.80	45,646,409.20	37.30
GSS	16,533,243	9,563,877.51	6,969,365.49	42.15
S E C	3,157,200	1,045,093.46	2,112,106.54	66.90
I A T	1,311,356	215,559.54	1,095,796.46	83.56
PPA	7,129,774	2,985,199.11	4,144,574.89	58.13
F I C	6,710,032	1,639,098.21	5,070,933.79	75.57
TOTAL	214,170,624	119,821,561.98	94,349,062.02	44.05

6.2 I.G.F Retention Performance

A total budgeted amount of **GH¢3,938,660.00** was allocated to the Controller and Accountant General's Department, Securities and Exchange Commission and Institute of Accountancy Training as an IGF for the year 2013 and as 30th September, a sum of **GH¢3,423,804.54** was realized and utilized.

6.3 Donor Budget Performance

Donor Funds allocated to the Ministry and its agencies for the year 2013 amounted to **GH¢46,747,194.00**. An amount of **GH¢32,442,423.97** representing 69.40% has however, been spent as at 30th September, 2013. The expenditure was in respect of the following projects and programmes;

- Economic Management Capacity Building (EMCB)
- Capacity Development Mechanism CIDA Pilot Project(CDM)
- Rural and Agricultural Finance Project (RAFIP)
- Ghana Living Standard Survey- 6 Project

- UNDP Capacity Building in Statistics
- GTZ Good Financial Governance on Paris Declaration
- NREG
- GTZ Good Financial Governance on EITI
- Capacity Building in Public Procurement
- Fiscal Decentralization (Ghana Local Government Capacity Support Project)

6.4 Annual Budget Funding Amount Performance (ABFA)

During the year under review, a total sum of **GH¢27,350,000.00** was allocated to the Real Sector Division of the Ministry of Finance, the Venture Capital Fund and Recapitalization and Rights Issue for the Exim Guarantee Company, Ghana Limited, however as at 30th September 2013 there had not been any releases to that effect.

7.0 OUTLOOK FOR 2014

The 2014 Budget of the Ministry of Finance will be implemented under the following thematic areas;

7.1 Economic Policy Management Programme

- a) Strengthen the coordination and planning of public investment by ensuring efficient and effective management of Government investment in SOEs/ JVCs and developing a national public investment policy and regulation.
- b) Undertake a comprehensive capacity building programme of MDAs/SOEs/MMDAs on the development and management of PPP and Public Investment Programme (PIP) as well as use of the Public Investment Management System (PIMS) software.
- c) Establish a Project Development Fund, Infrastructure Facility Fund and a Viability Gap Scheme in order to support the PPP programme.
- d) Continue work on the Ghana Living Standards Survey 6 and continue with outstanding activities on the 2010 Population and Housing Census.

7.2 Revenue Mobilisation and Management Programme

- a) Establish a joint Task Force to facilitate the operations of the G-DPG as well as support the preparation of an Action Plan for the Government-Development Partner Compact (2012-2022).
- b) Complete the development of the Framework and sign up to the Global Partnership Monitoring Framework in 2014.
- c) Hold consultations with national stakeholders on the Ghana Aid Policy and Strategy (2014 -2017) and submit the final draft to Cabinet for approval.

7.3 Expenditure Management Programme

- a) Strengthen the coordination of the preparation of the national budget by organizing training workshops to build capacity of PPBMEs of all MDAs on the new budgeting process, preparing and circulating implementation guidelines and analyzing MDAs Budget performance.
- b) Streamline the management of project loans and grants to ensure compliance with the requirements of the FAA and FAR for accounting and reporting
- c) Deploy the Oracle Fixed Asset Module under GIFMIS on a pilot basis to enable the Controller and Accountant-General's Department take inventory of all public assets and create an assets database.
- d) Expanded TSA strategy to cover all Government accounts at the Bank of Ghana and the commercial banks to further improve cash forecasting and also reduce bank charges.
- e) Establish 5 Regional payroll printing centers and 10 regional personnel processing centres to enable MDAs/MMDAs in the regions and districts input data into the payroll system aimed at deletion of names of separated staff and improve the management of the payroll.
- f) Public Procurement Authority to work with public service organizations to ensure that Procurement Units are established for the management of public procurement and to migrate existing staff appropriately unto the Procurement Class.

- g) Redesign a Public Procurement Model of Excellence (PPME) tool and institutionalise it in all entities.

7.4 Debt Management Programme

- a) Review the Medium Term Debt Strategy to serve as a guide for public debt borrowing; and
- b) Continue to publish the annual public debt reports as well as review borrowing guidelines and disseminate to MDAs and investors to facilitate the process of procuring loans.

8.0 2014 BUDGET ALLOCATION

To implement the above programmes, the Ministry of Finance and its agencies have been allocated a total amount of *Two Hundred and Twenty-four Million, Two Hundred and Forty- six Thousand, and Twenty Ghana Cedis (GH¢224,246,020)*. Out of this, *One Hundred and Ninety-four Million, Eight Hundred and Fifty-eight Thousand, Nine Hundred and Forty-six Ghana Cedis (GH¢194,858,946.00)* is GOG and *Six Million, One Hundred and Forty-seven Thousand, Seven Hundred and Seventy Ghana Cedis (GH¢6,147,770.00)* is IGF, whilst Development Partners Funds (DP) is *Twenty-three Million, Two Hundred and Twenty-nine Thousand, Three hundred and Four Ghana Cedis (GH¢23,239,304)*. Below is the summary of the 2014 allocation:

Table 2: Summary of 2014 budgetary allocation to Ministry of Finance and Agencies

No	ITEM	GOG (GH¢)	IGF (GH¢)	DONOR (GH¢)	TOTAL (GH¢)
1	Compensation	152,119,242	-	-	152,119,242
2	Goods & Service	37,121,458	6,147,770	5,190,581	48,459,809
3	Capital Exp.	5,618,246		18,048,723	23,666,969
	TOTAL	194,858,946	6,147,770	23,239,304	224,246,020

The Budget allocations for the 2014 financial year will be disbursed among the cost centers of the Ministry of Finance as follows:

Table 3: MOF 2014 ALLOCATIONS BY DIVISION

	Emp. Comp (GH¢)	Goods & Services (GH¢)	CAPEX (GH¢)	TOTAL (GH¢)
MOF HQ.	22,146,956	20,413,632	11,716,803	54,277,391
CAGD	111,627,386	17,131,313	10,130,166	138,888,865
GSS	11,026,936	3,288,115	300,000	14,615,051
PPA	2,727,958	3,799,008	300,000	6,826,966
IAT	528,989	522,886	140,000	1,191,875
SEC	1,842,473	2,280,399	230,000	4,352,872
FIC	2,218,544	874,456	1,000,000	4,093,000
TOTAL	152,119,242	48,309,809	23,816,969	224,246,020

9.0 OBSERVATIONS

9.1 Allocation for Goods and Services and Assets

The Committee observed that, out of the 2013 budgetary appropriated amount of GH¢ 47,069,550, only GH¢16, 478,068.52 has been released to the Ministry of Finance and its agencies to meet their Goods & Services expenditure as at 30th September, 2013. The Committee also observed that apart from the Ministry Headquarters and Controller and Accountant General's Department which received some releases for their capital expenditure all the other agencies did not receive anything to meet their capital expenditures though request for releases were made.

The Ministry however, explained that with the introduction of the GIFMIS and other expenditure control mechanisms put in place, most of the agencies were unable to access their allocations for capital expenditure as at 30th September. The Minister was however, hopeful that with the education and training given the agencies would be able to access their allocations under the various cost items.

9.2 Expenditure on Employee Compensation

The Committee observed that unlike other Ministries and their agencies, the actual expenditure on employee compensation of the Ministry of Finance and its agencies was less than the budgeted amount.

It was explained that the less than budgeted expenditure was as a result of a policy to review all Contract appointments of Consultants and the denomination of payment of all consultants' fees in the local currency. The Committee also learnt that the late placement of newly recruited staff on the payroll of the Controller and Accountant General Department and the Securities and Exchange Commission also contributed to the less expenditure on Compensation. Non-payments of maintenance allowance due staff of the Controller and Accountant General Department was another reason for low expenditures on compensation.

9.3 Dwindling Donor Support

The Committee noted that, the donor budget allocation to the Ministry of Finance for the 2014 financial year is GH¢23, 239,304. This amount is about 50.29% less than 2013 allocation of GH¢46, 747,194. The Minister explained that the ministry has scaled down its allocation for donor support because of indication from development partners that with the attainment of a lower middle income status, Ghana will no longer benefit from many development assistance programs. The Committee recommends to the Minister of Finance to as a matter of priority; take the necessary policy measures to increase domestic revenue generation to meet the increasing government expenditure.

9.4 Projection and Performance on IGF in 2013

The Committee noted that as at September, 2013 the Securities and Exchange Commission and the Institute of Accountancy Training had exceeded their IGF revenue target by 132.30% and 131.50% respectively. The Controller and Accountant General Department however, achieved 71.59% of its target. The IGF performance of the three institutions is explained in table 4 below:

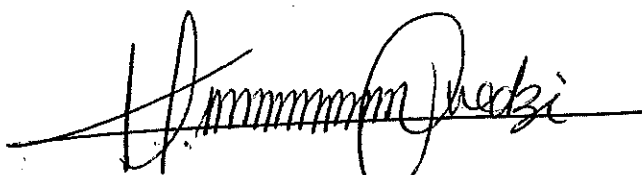
Table 4: IGF performance as at 30th September, 2013

AGENCY	APPROVED 2013 BUDGET GH¢	ACTUAL 2013 GH¢	VARIANCE GH¢	VARIAN CE %
CAGD	2,943,151	2,107,039.64	836,111.36	71.59
S E C	955,509	1,264,165.54	(308,656.54)	132.30
I A T	40,000	52,599.36	(12,599.36)	131.50
TOTAL	3,938,660	3,423,804.54	514,855.46	86.93

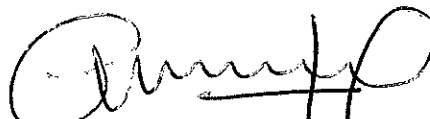
9.0 CONCLUSION

The Committee, after its deliberation finds the 2014 Budget Estimates justifiable and recommends to the House to approve the sum of **Two Hundred and Twenty-four Million, Two Hundred and Forty-six Thousand, and Twenty Ghana Cedis (GH¢224,246,020)** to enable the Ministry of Finance implement its programmes for the 2014 financial year.

Respectfully submitted.



HON. JAMES KLUTSE AVEDZI
CHAIRMAN, FINANCE COMMITTEE



ROSEMARY ARTHUR SARKODIE
CLERK, FINANCE COMMITTEE

December, 2013