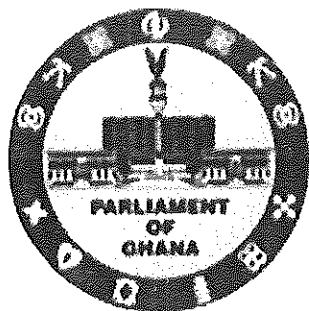


**IN THE FIRST SESSION OF THE EIGHTH PARLIAMENT OF
THE FOURTH REPUBLIC OF GHANA**



**REPORT OF THE
FINANCE COMMITTEE
ON THE
PROGRAMME BASED BUDGET ESTIMATES
FOR THE
MINISTRY OF FINANCE
FOR THE
2021 FINANCIAL YEAR**

March 2021

Acc no: 1130 C₂
Class No: BE/mof/21

1.0 INTRODUCTION

The *Programme Based Budget Estimates for the Ministry of Finance for the 2021 Financial Year* were laid in the House on Friday 12th March, 2021 and referred to the *Finance Committee* for consideration and report in accordance with Article 179 of the 1992 Constitution and Order 140 (4) of the Standing Orders of the House. This followed the presentation of the Budget Statement and Economic Policy of the Government for the 2021 Financial Year by the Minister of State responsible for the Ministry of Finance, Hon. Osei Kyei-Mensah-Bonsu.

A Senior Advisor at the Ministry of Finance, Hon. Abena Osei-Asare, the Chief Director and other officials from the Ministry of Finance attended upon and assisted the Committee in its deliberations on the Estimates.

The Committee expresses its gratitude to the Hon. Senior Advisor and the officials from the Ministry of Finance for attending upon the Committee.

2.0 REFERENCE DOCUMENTS

In considering the Estimates, the Committee referred to and was guided by the following documents:

- i. The 1992 Constitution of the Republic of Ghana.
- ii. Standing Orders of the Parliament of Ghana.
- iii. The Budget Statement and Economic Policy of the Government of Ghana for the 2021 Financial Year.
- iv. Public Financial Management Act, 2016 (Act 921)

3.0 BACKGROUND

The Ministry of Finance (MoF) is one of the Central Management Agencies of the Civil Service of Ghana. The Ministry was established under section 11 & 13 of the Civil Service Law 1993(PNDCL 327) and amended by an

Executive Instrument 28 (E.I 28) Civil Service (Ministries) (Amendment) Instrument, 2017.

The Ministry of Finance exists to ensure effective economic policy management for the attainment of macroeconomic stability and sustainable economic growth through sound fiscal policy and efficient public financial management, competent staff and robust systems for the development of Ghana.

The Ministry achieves its mandate through:

- The formulation and implementation of sound financial, fiscal and monetary policies;
- The efficient mobilization, allocation and management of financial resources;
- Establishing and disseminating performance-oriented guidelines and accurate user-friendly financial management information system;
- Creating an enabling environment for investment.

In furtherance of the foregoing, the Ministry is committed to the pursuit of excellence, transparency, probity and accountability in the management of financial resources.

The vision of the Ministry is to be the lead Economic Management Institution for development and prosperity for all Ghanaians.

4.0 OBJECTIVES AND FUNCTIONS

The goal of the Ministry is to ensure efficient and effective management of the economy towards the attainment of upper middle income status and poverty reduction.

The core functions of the Ministry include:

- Formulation, implementation, monitoring and evaluation of macroeconomic, fiscal and financial policies

- Ensuring effective mobilization of domestic and external resources
- Ensuring effective and efficient allocation and prudent management of resources
- Establishing and disseminating performance-oriented guidelines and deploying efficient financial management information systems
- Create an enabling environment for investment
- Ensuring commitment to transparency, probity and accountability in the management of financial resources
- Ensuring sustainability of public debt, and
- Supporting the development of an efficient financial sector that supports structural transformation of the economy, promotes financial inclusion and is well integrated into the global financial system.

5.0 2020 BUDGET PERFORMANCE

A summary of Budget and Actual Expenditure by the Ministry of Finance for the 2020 Financial Year is presented in Table 1 below:

Table 1 – Budget and Actual Expenditure Summary for 2020

| Expenditure Item | Appropriation Budget | Actuals as at 31 st Dec 2020 | % Actuals |
|----------------------------------|-----------------------|---|---------------|
| Compensation of Employees | 380,763,009.00 | 382,153,703.73 | 100.37 |
| o/w GoG | 362,273,562.00 | 368,448,433.76 | 101.70 |
| IGF | 18,489,447.00 | 13,705,269.97 | 74.12 |
| Use of Goods and Services | 307,144,638.00 | 1,822,412,684.77 | 607.15 |
| o/w GoG | 50,757,037.00 | 36,040,197.35 | 71.01 |
| IGF | 42,795,879.00 | 31,485,062.42 | 172.67 |

| | | | |
|----------------------------|-----------------------|-------------------------|---------------|
| ABFA | 3,091,200.00 | 3,091,200.00 | 100.00 |
| DP Funds (as at Nov.) | 210,500,522.00 | 1,751,796,225.00* | 832.21 |
| Capital Expenditure | 59,994,101.78 | 54,476,029.84 | 90.80 |
| o/w GoG | 45,999,999.00 | 43,470,784.47 | 94.50 |
| IGF | 13,994,102.78 | 11,005,245.37 | 78.64 |
| Total | 747,901,748.78 | 2,259,042,418.34 | 302.05 |

*This figure includes higher than expected DP Funds of GH¢ 1,541.30 million

Table 1: Source – Ministry of Finance

6.0 THE 2021 ANNUAL ESTIMATES FOR THE MINISTRY OF FINANCE

A total amount of **GH¢1,428,017,585** has been allocated to the Ministry of Finance, its Departments and Agencies for the year 2021. The breakdown of the allocation is as follows:

COMPENSATION OF EMPLOYEES:

| | | |
|----------------------------|---|------------------------|
| Government of Ghana | - | GH¢ 390,098,973 |
| Internally Generated Funds | - | GH¢20,392,952 |
| Donor Sources | - | GH¢00,000,000 |
| Subtotal: | - | GH¢410,491,925 |

GOODS AND SERVICES:

| | |
|-----------------------------|-------------------------|
| Government of Ghana | GH¢36,032,964.00 |
| Internally Generated Funds- | GH¢66,380,308.00 |
| ABFA | GH¢2,350,375.00 |
| Donor Sources | GH¢798,671,590 |
| Subtotal: | GH¢903,435,237 |

NON-FINANCIAL ASSETS:

| | | |
|----------------------------|---|------------------------------|
| Government of Ghana | - | GH¢106,900,000 |
| Internally Generated Funds | - | GH¢7,170,423 |
| ABFA | - | <u>GH¢20,000,000</u> |
| Subtotal: | - | <u>GH¢114,090,423</u> |

GRAND TOTAL - **GH¢1,428,017,585**

7.0 ALLOCATIONS TO DEPARTMENTS AND AGENCIES OF THE MINISTRY

The amounts stated below represent allocations to the various Departments, Divisions and Agencies of the Ministry of Finance:

2021 Budget Allocation by DADs –GOG (GH¢)

| DADS | Compensation | Goods and Services | CAPEX | Total |
|-------------------------------------|--------------|--------------------|-------------|-------------|
| Finance HQ | 39,473,537 | 30,152,964 | 101,652,083 | 171,278,584 |
| o/w Basic Allocation | 39,473,537 | 23,277,964 | 1,652,083 | 64,403,584 |
| o/w Housing and Mortgage Scheme | | | 100,000,000 | 100,000,000 |
| o/w Venture Capital | | 4,500,000 | | 4,500,000 |
| o/w Ghana Asset Management Company | | 2,375,000 | | 2,375,000 |
| Controller and Accountant General's | 318,643,846 | 1,654,000 | 1,750,000 | 322,047,846 |
| Ghana Statistical Service | 20,920,558 | 798,000 | 1,315,945 | 23,034,503 |
| Procurement Authority | 4,301,096 | 2,152,000 | 877,000 | 7,330,096 |

| | | | | |
|------------------------------------|--------------------|-------------------|--------------------|--------------------|
| Institute and Accountancy Training | 1,411,505 | 130,000 | 647,000 | 2,188,505 |
| Financial Intelligence Centre | 5,348,432 | 1,146,000 | 657,972 | 7,152,404 |
| TOTAL | 390,098,974 | 36,032,964 | 106,900,000 | 533,031,938 |

8.0 OBSERVATIONS AND RECOMMENDATIONS

i. Policy Formulation and Implementation

The Committee observed that the Ministry of Finance has a key responsibility of formulating and implementing sound macro-economic policies, effective mobilization and efficient allocation of internal and external resources to all sectors of the economy and ensuring sustainable debt management.

ii. Macroeconomic Policy Outcome Indicators

The Committee observed that the 2020 end year Debt to GDP ratio of 76.1% has actually factored in the banking sector clean-up expenditure and energy sector payments. However, these two payments were excluded from the calculation of *Total Expenditure as a Ratio of GDP* and the *Fiscal Deficit as a percentage of GDP (cash)*.

Some Members were of the view that the exclusion of these two major expenditure items in the Total Expenditure and Deficit calculations may negatively impact the comprehensiveness of the data and their comparability with information published by some international bodies.

However, to make the Ministry of Finance's submission consistent with the 2021 Budget Statement and Economic Policy that had already been approved by Parliament, the Ministry was asked to indicate in the footnotes (as it is in the Budget Statement and Economic Policy) a clear explanation of the deficit the Ministry had reported.

The Committee decided to have further engagements with the Ministry of Finance on the reporting of the macro-fiscal figures of the economy going forward.

iii. Housing and Mortgage Scheme

The Committee noted that the Ministry in the year 2020 piloted a financing model for a Housing and Mortgage Scheme to support the delivery of affordable housing and mortgage financing facility to assist the public to own houses. So far, 204 affordable housing units have been constructed at Tema community 22 and Real Estate Investment Trust's (REIT's) (Rent-to-Own) scheme also purchased 120 housing units.

The Committee notes that an amount of GH¢100 Million has been allocated to the Ministry of Finance to support the development of this financing model for the Housing and Mortgage Scheme in the year 2021.

The Committee acknowledges the effort of the Ministry of Finance to support the financing of housing delivery in the country but is of the view that the ultimate objective of the scheme is the delivery of housing, and therefore, the funds when approved should be treated as an allocation to the housing sector during the implementation.

iv. Statutory Reports Submitted in 2020

In the year 2020, the Ministry of Finance successfully prepared and submitted the Ministry's 2019 Annual Financial Statement to the Auditor General. The Ministry also completed and submitted the following statutory reports:

- 2019 Budget Performance Report to Parliament;
- 2019 MoF Annual Progress Report to the National Development Planning Commission;
- 2019 MoF Annual Performance Report to the Office of the Head of Civil Service; and

- The 2020 Transitional Handing-Over Notes to the Office of the Head of Civil Service and Office of the Administrator General.

v. 2020 Economic Policy Achievements

In the advent of the COVID-19 pandemic in the year 2020, there arose an urgent need to put in place a programme to combat the financial strain posed by the pandemic. In response to this, the Ministry successfully prepared a GH¢ 1.2 Billion Coronavirus Alleviation Programme (CAP 1) for the country.

The Ministry further launched the 3 year, COVID-19 Alleviation and Revitalization of Enterprise Support (CARES) Programme on 18th November, 2020 to return the country to Pre COVID-19 growth rates and fiscal responsibility path.

The Ministry also successfully prepared the 2019 Annual Fiscal Risks Statement.

vi. Petroleum Holding Fund Reconciliation

In accordance with Section 15 of the Petroleum Revenue Management Act, the Ministry in 2020 completed the 2019 Reconciliation Report on the Petroleum Holding Fund. The report provided a full year account of petroleum receipts and associated expenditure in 2019.

Also, the 2021 Petroleum Benchmark Revenues were certified by an independent Consultant on 31st August 2020.

vii. Legislation Passed

The Ministry of Finance in 2020 facilitated the passage of some key pieces of legislation to help enhance the financial and investment environment. These pieces of legislation include:

- The Public Private Partnership Act, 2020 (Act 1039)
- The National Insurance Bill
- The Public Investment Management (PIM) Regulations 2020 (L.I 2411)

- Anti-Money Laundering Act, 2020 (Act 1044)

viii. 2020 Population and Housing Census (PHC)

The Ministry through the Ghana Statistical Service, programmed to undertake a population and housing census in the year 2020.

In furtherance of this objective, the 2020 Population and Housing Census (PHC) *training and enumeration instruments* were completed.

The census was however postponed to 2021 due to COVID-19 pandemic.

ix. Financial Intelligence Reports

The Financial Intelligence Center (FIC) has a mandate to request, receive, analyse, interpret and disseminate information concerning suspected proceeds of crime and terrorist property as provided for in Act 1044 or any other relevant law.

The work of the Center is aimed at protecting the Ghanaian economy from the scourge of money laundering and terrorist financing for the enhancement of national and global economic stability and growth.

In the year 2020, the Financial Intelligence Center (FIC) successfully rolled out an analytical software (goAML) to enhance the electronic receipt, analysis and dissemination of financial intelligence to LEAs and other competent authorities.

x. Collaboration between FIC and GRA

The Committee was informed that the Financial Intelligence Center continued to collaborate with the Ghana Revenue Authority to make additional recoveries in respect of under-declared/undeclared taxes.

This collaboration with GRA and other stakeholders has helped to curb the menace of tax evasion and improved revenue mobilization. In the year 2020, a total amount of GH¢33,073,636.00 additional recoveries were made as against GH¢23,122,249.00 for the year 2019.

xi. Protecting the Public Purse

The Public Procurement Authority (PPA) is charged with the responsibility to protect the public purse and ensure the attainment of value for money for every cent spent by Government on procurement.

To build the procurement capacity within the public and private sectors, the Authority in the year 2020 trained about 2,032 persons of various entities. These included:

- 577 Management Staff
- 574 Procurement Officers
- 881 Service Providers

Additionally, the PPA trained 649 persons within the Public Sector and 36 Suppliers on the Revised Standard Tender Documents.

In the year 2021, the PPA intends to build the capacity of 3,000 procurement practitioners and service providers on emerging fields in public procurement.

The Authority will also in 2021 monitor and evaluate 650 Public Enterprises' compliance with the provisions of the Public Procurement Act, 2003 (Act 663) as amended.

xii. Bond Issuance

In 2020, Government through the Ministry of Finance issued the second tri-tranche US\$3.0 Billion Eurobond in line with the Medium-Term Debt Strategy. In line with the use of proceeds as approved in the 2020 Budget, an amount of US\$2.00 Billion was earmarked to finance growth-oriented expenditures in the 2020 Budget and the remaining US\$1.00 Billion for liability management operations.

For the 2021 financial year, Parliament has granted approval for Government to raise International Capital Market (ICM) funding of up to US\$5.00 Billion.

The proceeds would be applied as follows:

- a) Proceeds of up to US\$ 1.50 Billion for budget support to finance growth oriented expenditures in the 2021 Budget.
- b) Proceeds of up to US\$1.50 Billion for reprofiling domestic debt and to conduct liability management of refinancing all or part of the 2023 Eurobonds; and
- c) Based on market conditions, a possible US\$2.00 Billion for the liability management of the 2026 Eurobonds and a further domestic debt profiling.

xiii. Establishment of the Ghana Commodity Exchange

The Committee observed that as part of Government's agenda for agricultural transformation, the Securities and Exchange Commission supervised the establishment of the Ghana Commodity Exchange (GCX) which has a state of the art trading system. The Exchange is helping to facilitate trade in commodities.

xiv. Capital Market Management

The Securities and Exchange Commission (SEC) is the apex body charged with the regulation of Ghana's capital markets.

In the year 2020, the Commission recommended and implemented a Bailout Scheme for investors of the fund managers whose licenses were revoked.

Also, the Commission, through the liquidator, obtained liquidation orders against 34 out of the 47 firms for which liquidation orders were required.

The Committee was informed that the total value of Full and Partial Bailouts, inclusive of administrative costs, is estimated at GH¢8.50 Billion of which GH¢3.4 Billion has been advanced to the bailout vehicle so far. The Commission in the year 2021 will continue the ongoing validation and bailout exercise.

The Commission will in 2021 migrate to a Risk Based Supervisory Framework and also acquire a risk based supervision software to enhance the real-time supervision of regulated entities.

xv. Public Accounting

The Committee noted that the Controller and Accountant General has the mandate to receive, disburse and provide secure custody for public funds. The Department in consultation with the Auditor-General, specifies for covered entities the accounting standards, policies and the classification system to be applied in public accounting to ensure that a proper system of accounting operates and is adhered to.

In the year 2020, the CAGD ensured that the 2019 Annual National Accounts were completed and submitted to the Auditor-General within the mandatory period, i.e. before 31st March, 2020.

The Department will strive to ensure that by the close of the First Quarter of 2021, the 2020 Annual National Accounts would have been prepared and submitted to the Auditor-General as required by law.

xvi. Migration of Public Universities onto the IPPD2

The Controller and Accountant General's Department will in 2021 complete the migration of the eight (8) public universities payrolls onto the IPPD2. This will facilitate timely and prompt payment of the monthly compensation and enhance the disclosure of public sector wage bill for planning purposes.

xvii. Ghana Integrated Financial Management Information System (GIFMIS)

In accordance with Section 25(6) of the Public Financial Management Act, 2016 (Act 921), the Ghana Integrated Financial Management Information System (GIFMIS) is required to be implemented to cover all public funds at Ministries, Departments and Agencies (MDAs) and Metropolitan, Municipal and District Assemblies (MMDAs).

Currently, the system has been deployed to all 260 MMDAs.

In 2021, the CAGD will complete the integration of payroll with the GIFMIS General Ledger. This is aimed at ensuring seamless uploads of payroll cost onto the GIFMIS financials.

xviii. ICT-led Government Payroll Management

The Committee was informed that the Controller and Accountant General's Department (CAGD) will in 2021 continue to enhance the use of Information and Communication Technology (ICT) in the management of the government payroll to ensure efficiency and integrity of the system.

The CAGD will therefore continue the implementation of the *GoG Staff Card* and the Electronic Salary Payment Voucher (ESPV).

xix. In-service Training in Financial Management

The Institute of Accountancy Training (IAT) is an Agency of the Ministry of Finance tasked to primarily provide in-service training in public administration and financial management to the staff of the Civil Service and other Public Services. The institute currently offers diploma programmes including *Diploma in Public Finance and Accounting (DPFA)* and *Diploma in Public Administration (DPA)*.

In the year 2020, the Institute successfully graduated 45 students despite the raging COVID-19 pandemic.

In the year 2021, the Institute will develop and implement modules for short term courses in the areas of the Public Financial Management Act, Public Financial Management Regulations, GIFMIS, Withholding VAT, and Income Tax Act.

The Committee noted that since the establishment of the IAT in 1970, it has operated without any legislative backing. The Committee hence recommends to the Management of the Institute to discuss the future of the institute with the Ministry of Finance so as to determine the future policy direction of the institute.

xx. Venture Capital Trust Fund

The Committee observed that Venture Capital Trust Fund, a critical institution established to drive socio-economic growth by supporting the

private sector to create new companies, improve their efficiencies and expand their operations was left out of the 2021 Budget.

The Fund was initially financed with 25% proceeds from the now repealed National Reconstruction Levy. Since the repeal, the Trust Fund has been receiving some support from the Ministry of Finance in order to make them functional. The absence from the 2021 Budget would adversely impact on its performance as it implies that no financial provision has been made by Government for their 2021 activities.

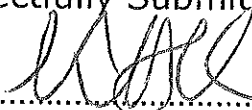
The Committee therefore recommends to the House to urge the Minister for Finance to make provision for the Fund in its Mid-year review. The Committee further recommends to the Ministry of Finance to undertake an audit into the operations of the Fund to assess its efficiency. Such an audit would help reposition the Fund and make it more efficient.

9.0 CONCLUSION

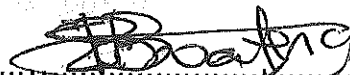
The Committee has carefully examined the 2021 Programme Based Budget Estimates for the Ministry of Finance and found the programmes for which the sums have been allocated to be in line with the mandate of the Ministry and its Agencies.

The Committee therefore recommends to the House to adopt this report and approve the sum of **One Billion, Four Hundred and Twenty-Eight Million, Seventeen Thousand, Five Hundred and Eighty Five Ghana Cedis (GH¢1,428,017,585)** for the implementation of the programmes and activities of the **Ministry of Finance** and its Agencies for the 2021 financial year.

Respectfully Submitted.



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



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

26TH MARCH, 2021