

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

REPORT OF THE

FINANCE COMMITTEE

ON THE

**ANNUAL BUDGET ESTIMATES OF MINISTRY OF
FINANCE FOR THE 2016 FINANCIAL YEAR**

Acc No 437

DECEMBER, 2015

Class No. AE/MOF/2016 C2

**REPORT OF THE FINANCE COMMITTEE ON THE ANNUAL BUDGET ESTIMATES
OF THE MINISTRY OF FINANCE FOR THE 2016 FINANCIAL YEAR**

1.0 INTRODUCTION

The 2016 Budget Estimates of the Ministry of Finance (MOF) was on Friday 13th November, 2015 *referred* to the Finance Committee for consideration and report in accordance with Article 179 of the 1992 Constitution and 140(4) and 169 of the Standing Orders of Parliament. This followed the presentation of the Budget Statement and Economic Policy of the Government by the Hon. Minister for Finance, Mr. Seth Terkper, on behalf of the President for the year ending 31st December 2016.

Pursuant to the referral the Committee met and was assisted in its deliberations by the Hon. Deputy Minister of Finance, Mr. Cassiel Ato Baah Forson, Heads of related Agencies and officials of the Ministry of Finance. The Committee is grateful to the Hon. Deputy Minister and the technical team for their assistance during the deliberations.

2.0 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 2015 Financial Year; and
- d. The 2016 Annual Estimates for the Ministry of Finance

3.0 **BACKGROUND**

The Ministry of Finance and Economic Planning is the Government Ministry responsible for the economic and monetary health of Ghana. The Ministry is involved with economic planning, fiscal policy, National accounting, the National budget, and creating an environment for investment and growth. The objective of the Ministry is 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 Creating an enabling environment for investment.

4.0 **MISSION AND VISION**

The Ministry exists to ensure macro-economic stability for promotion of sustainable economic growth and development through the formulation and implementation of sound financial, fiscal and monetary policies.

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:

- i. Controller and Accountant General's Department (CAGD)
- ii. Securities and Exchange Commission (SEC);
- iii. Institute of Accountancy Training (IAT);
- iv. Public Procurement Authority (PPA);
- v. Financial Intelligence Centre; and

5.0 2015 PERFORMANCE

During the 2015 financial year, the Ministry of Finance and its agencies undertook the following activities among others;

Economic Policy Management Programme

Prudent Fiscal management efforts resulted in an estimated GDP growth of 4.1% by the end of the year as against a projected 3.5%. The Budget deficit which stands at ...% by the end of 2014 is set to be on target at 7.3%. This is largely as a result of good revenue performance, removal of energy-related subsidies and the containment of wage bill overruns. The Domestic Primary Balance achieved a surplus equivalent to 2.8% of GDP by the end of first half of the year of 2015. The Budget deficit was also reduced to 2.3% of GDP. In line with the Governments Medium Term Debt Management Strategy and Debt Management Policies, the pace of growth of public debt as percent of GDP has declined significantly. These developments amongst others have resulted in the country going through another successful performance review under the three year extended credit facility with the IMF. The Specific performance by sector is as follows:

5.1 Ministry of Finance (Head Quarters)

- a) The Ministry in Association with the Institute for Statistical Social and Economic Research (ISSER) and the Overseas Development Institute (ODI) carried out a climate change public expenditure and Institutional Review;
- b) Conducted a survey on the impact of the decline in gold prices on Government revenue and employment and suggested measures of managing such impacts
- c) To eradicate extreme poverty and hunger and to achieve universal primary education, the Ministry undertook an evaluation on the impact of the Ghana School Feeding Programme, from its inception till the year 2015 in 50 selected districts. The findings revealed that the Ghana School Feeding Programme has significantly increased enrolment, especially girl child enrolment and overall performance in beneficiary schools, despite its challenges.

- d) The Ministry developed a financial programming model for Ghana and conducted a number of training and capacity building programmes in financial programming for officers of the Bank of Ghana, Ghana Statistical Service, National Development Planning Commission and the Ministry of Finance. The Ghana Financial Programming Model which will serve as an analytical tool for macroeconomic analysis and forecasting was finalized.
- e) The Ministry with the support of other relevant stakeholders revised the macro-economic framework for 2015 and also developed the 2016 framework.
- f) The Ministry initiated the 'Brown Bag' Policy Seminar Series to create a platform for policy makers and academia to interact and share ideas on topical research publications and to promote evidence-based policy formulation as well as capacity building within the Ministry.
- g) To ensure effective implementation of government policies and programmes, the Ministry set up a technical team to track and monitor the status of implementation of these policies and programmes.
- h) to facilitate the development and amendment of laws, regulations and codes of conduct for the financial sector, proposed suggestions for amendment on the draft Credit Union Regulations were forwarded to the Attorney-General's Department (A-G) for consideration and resubmission to Parliament.
- i) The Deposit Protection Bill as well as Banks and Specialized Deposit-Taking Institutions Bill (SDI) were submitted to Parliament for consideration. The Bank of Ghana developed proposals for the amendment of the Bank of Ghana Act, 2002, (Act 612) with the view to strengthening the operational independence of the central bank.
- j) The Ministry prepared and published the Medium Term Debt Management Strategy (MTDS) for the period 2015-2017. The objective is to lengthen the maturity profile of the entire debt portfolio and reduce refinancing risks associated with rollover of maturing debt within a shorter period. In addition, government developed and published the issuance calendar, in a bid to promote transparency and improve active market participation in the domestic debt market.

5.2 Financial Intelligence Centre

- a. The Financial Intelligence Centre launched and implemented the National Anti-Money Laundering and Combating Financial Terrorism (AML/CFT) Strategy and Action Plan.
- b. The Center reviewed and consolidated the draft reports of the National Risk Assessment (NRA) Working Group. To strengthen the capacity of financial regulatory bodies, a number of officers were trained on AML/CFT, Financial Investigation and promotion of Financial Inclusion.
- c. The FIC also developed an AML/CFT Policy/Guideline for Designated Non-Bank Financial Institutions (DNBFIs).

5.3 Public Procurement Authority (PPA)

- a. To improve procurement activities of public entities, the Public Procurement Authority undertook a nationwide assessment of procurement activities of over 1,000 Public Entities in compliance with the provisions of the Public Procurement Act, 2003 (Act 663). In addition, the Authority developed detailed Contract Management Manuals for Goods, Works and Services. The Authority also continued its training programme aimed at building procurement capacity within the Public Service and the Private Sector.
- b. The Authority in collaboration with the Public Services Commission, Office of the Head of Civil Service and the Local Government Secretariat and other key stakeholders successfully developed a document for the implementation of the Scheme of Service for Procurement Practitioners which is critical for the establishment of the Procurement Units within the Public Sector. In addition, a Migration Criteria was developed for the migration of the staff of the Supply and Materials Management Class (SMMC) onto the established Procurement Class in close consultation with SMMC.

5.4 Ghana Statistics Service

- a) The GSS focused on the implementation of the outstanding post 2010 Population and Housing Census activities; specifically, finalising the 2010 Census Gazetteer and updating and digitizing all the Enumeration Area (EA) maps of Ghana.
- b) The Service produced a disaggregated consumption-based poverty estimates for the 216 districts and 29 sub-metropolitan areas in Ghana. This is referred to as the Ghana Poverty Mapping Report, 2015. In addition, the Service completed the data processing, analysis and report writing activities of the 2014 Ghana Demographic and Health Survey (GDHS) as well as, published and disseminated the main report and key findings of the GDHS during the year under review.
- c) The Service produced the main outputs of the Integrated Business Establishment Survey (IBES) Phase I which included a register of establishments in the country, a report on employment, job creation report and the summary report. Key activities relating to IBES Phase II, such as the sample design and selection of establishments, pilot survey, training of trainers' workshop, the main training of field personnel and commencement of field work were implemented.
- d) The GSS also initiated the annual Labour Force Survey. Activities implemented were the development of survey instruments, sample design, pilot survey, training of field personnel and the commencement of the main field data collection exercise using Computer Assisted Personal Interviewing (CAPI) technique. Preparatory activities for the implementation of the Census of Agriculture were also carried out.

5.5 Securities and Exchange Commission (SEC);

- a) The Securities Industry Bill was submitted to Parliament for consideration.
- b) The Securities and Exchange Commission (SEC) granted approval for the sale of 20,000,000 existing ordinary shares and subscribed 60,000,000 ordinary shares of no par value at GH¢0.05 per share on the Ghana Alternative Exchange (GAX).; and

- c) The Commission approved for issuing and listing of GH¢26,725,101 million notes under the GH¢100 million Note programme.

5.5 Controller & Accountant General.

The Ministry procured an aid management system: Ghana Development Cooperation Management Information System (Gh-DCMIS), which is expected to help capture aid information efficiently as well as support the management of DP funded projects and programmes.

The CAGD in 2013 introduced the Electronic Salary Payment Voucher (E-SPV) and E-Pay slip as a major step in controlling payroll cost. The system is operational in eight regions. The roll out to the remaining two regions (Eastern and Volta Regions) will be completed by the end of the year.

6.0 2015 BUDGETARY ALLOCATIONS

During the year under review the Ministry of Finance and its related agencies were allocated a total budget of *Two Hundred and Forty-five Million, Nine Hundred and Thirty-two Thousand, Two Hundred and Twenty-seven Ghana Cedis (GH¢245,932,227.00)* for the implementation of its planned programmes and activities. Out of this allocation, **One Hundred and Sixty-eight Million, Eight Hundred and Eighteen Thousand and Thirty-four Ghana Cedis (GH¢168,818,034.00)** was from GOG, **Fifteen Million, One Hundred and Sixty-four Thousand, Eight Hundred and Sixty-six Ghana Cedis (GH¢15,164,866.00)** was IGF and Development Partners Funds (DP) was **Sixty-one Million, Nine Hundred and Forty-nine Thousand, Three hundred and Twenty-seven Ghana Cedis (GH¢61,949,327.00)**. The allocation was disbursed among the cost centers as follows:

	GH¢
Ministry of Finance Headquarters	- 73,245,240.00
Controller and Accountant General's Department	- 139,510,573.00
Ghana Statistical Service	- 19,461,346.00
Public Procurement Authority	- 3,897,473.00

Institute of Accountancy Training	-	944,775.00
Security and Exchange Commission	-	4,873,666.00
Financial Intelligence Center	-	<u>3,999,154.00</u>
Total	-	<u>245,932,227.00</u>

7.0 2015 BUDGET PERFORMANCE

The performance of the Ministry in terms of its utilization of the budgetary allocation as at 30th September, 2015 is indicated in the Table below:

Table 1: GOG budget performance as at 30th September, 2015

S N	ITEM	2015 PROVISION (GH¢)	2015 ACTUAL (GH¢)	VARIANCE (GH¢)	UTILIZATI ON (%)
1	Compensation	142,483,358	91,410,543.41	51,072,814.59	64.16
2	Goods and Services	23,334,676	12,056,728.63	11,277,947.37	51.67
3	Capital Expenditure	3,000,000	779,530.63	2,220,469.37	25.98
4	Sub Total	168,818,034	104,246,802.67	64,571,231.33	61.75
5	IGF (Retained	15,164,866	7,725,623.08	7,439,242.92	50.94
6	Development Partner Fund	61,949,327	40,857,285.43	21,092,041.57	65.95
7	Grand Total	245,932,227	152,829,711.18	93,102,515.82	62.14

As 30th September, 2015, the Ministry of Finance as a sector has utilized 64.16%, 51.67% and 25.98% of its compensation of employees, goods and services and CAPEX budget respectively. IGF and Development Partners component also stood at 50.94% and 65.95% respectively.

8.0 OUTLOOK FOR 2016

The 2016 Budget of the Ministry of Finance will be implemented under the following thematic areas;

8.1 Economic Policy Management Programme

- a. In 2016, the Ministry of Finance in collaboration with the Ministry of Environment, Science, Technology and Innovation and other relevant stakeholders will implement measures to position Ghana in readiness to access global climate funds to undertake low emission and climate resilient programmes and projects.
- b. The Ministry will undertake a planned evaluation of the Capitation Grant to ascertain whether the programme has succeeded in eliminating fees and charges and improving livelihood of beneficiary Communities and its impact on school enrolment and performance.
- c. Carry out a research on agriculture sector Financing and insurance and undertake public expenditure review of the sector.
- d. The GSS in 2016 will commence the process of rebasing the Consumer Price Index (CPI) by moving the current base year from 2012 to 2014 and the estimation of the quarterly Gross Domestic Product by using the expenditure approach.
- e. The GSS will also use the Survey of well-being via instant Frequency Tracking (SWIFT technology to inform policy decision making, planning, monitoring and evaluation of programmes.

8.2 Revenue Mobilization and Management Programme

- a. The Ministry will roll out the Ghana Development Cooperation Management Information System which will capture aid information and assist in the management of development partner (DP) funded projects and programmes.
- b. Revise the Ghana Development Cooperation Policy to pave way for the development of guidelines for sourcing, allocating, utilization and coordination of all DP funded projects and programmes.
- c. The Ministry will also continue to pursue Aid Effectiveness Agenda under the BUSAN Protocol in order to better coordinate and manage the principle of ownership, alignment, harmonization, managing for results and accountability
- d. The Ministry will deploy electronic monitoring systems across the regional and Districts collection points of a number of MMDAs and interface the system with the

Integrated Financial Management and Information System to help improve NTR/IGF collections and controls.

8.3 Expenditure Management Programme

- a. The Controller and Accountant General's Department will undertake a post-implementation audit of the Electronic Salary Payment Voucher (E-SPV) and E-pay slip system introduced in 2013.
- b. The Department will also replace the manual payroll input forms with an electronic input form at the Personnel Processing Directorate and extend same to Personnel and Processing Sections in all MDAs and MDAs
- c. The Ghana Revenue Authority also commenced the process of widening the tax net using Geographic Positioning Systems to map the location of unregistered taxpayers and to include them in the tax register. Businesses in the Greater Accra Region have been mapped.
- d. The Ministry will intensify efforts to increase revenue through special tax audits of companies and the Rent Tax Task Force will be intensified.

8.4 Public Debt Management Programme

The Ministry will continue the implementation of fiscal consolidation measures combined with a more ambitious medium-term adjustment to reduce the risk of further worsening debt and debt-service indicators.

- a. The Ministry will update and publish the Debt Sustainability Analysis (DSA) report and revise the Medium Term Debt Strategy (MTDS) document in 2016 to guide future borrowing. Recommendations from these reports will also serve as useful inputs into the budget statement and economic policy of government.

9.0 2016 BUDGET ALLOCATION

To implement the above programmes an amount of *Two Hundred and Seventy-two Million, Four Hundred and Seventeen Thousand, Seven Hundred and Eighty-two Ghana Cedis (GH¢272,417,782.00.00)* allocated to the Ministry and its agencies for the 2016 financial year. This is made up of *Two Hundred and Six Million, Six Hundred and Twenty-six Thousand, Five Hundred and Twenty Ghana Cedis (GH¢206,626,520.00)* from GOG, *Fourteen Million, Seven Hundred and Seventy-five Thousand, Eight Hundred and Twenty-six Ghana Cedis (GH¢14,775,826.00)* from IGF and Development Partners Funds (DP) contribution is *Fifty-one Million, Fifteen Thousand, Four Hundred and Thirty-six Ghana Cedis. (GH¢51,015,436.00).*

The Budget allocations for the 2016 financial year will be disbursed among the cost centers of the Ministry of Finance as follows:

	GH¢
Ministry of Finance Headquarter	- 82,800,977
Controller & Accountant General's Department	- 163,028,588
Ghana Statistical Service	- 13,735,164
Public Procurement Authority	- 2,965,322
Institute of Accountancy Training	- 793,449
Security and Exchange Commission	- 5,349,999
Financial Intelligence Center	- <u>3,744,283</u>
Total	- <u>272,417,782</u>

The allocation to the Ministry will be disbursed in the various cost centers as follow:

Table 2: 2016 allocation to the Ministry of finance by cost center

S N	AGENCY	Personnel Emolument (GH¢)	Use of Goods and Service (GH¢)	Capital Expenditure	Total
1	Ministry of Finance Headquarters	35,175,320	16,736,308	30,889,349	82,800,977
2	Controller and				

	Accountant General's Department	143,291,589	9,410,686	10,326,313	163,028,588
3	Ghana Statistical Service	11,583,448	1,351,717	800,000	13,735,165
4	Public Procurement Authority	2,321,984	643,338	0.00	2,965,322
5	Institute of Accountancy Training	662,816	130,633	0.00	793,449
6	Security and Exchange Commission	4,000,139	1,349,860	0.00	5,349,999
7	Financial Intelligence Center	3,367,894	376,389	0.00	3,744,283
	Total	200,403,190	29,998,930	42,015,662	272,417,782

10.0 OBSERVATIONS

10.1 General Budget Performance

Capital Expenditure

The Committee noted that apart from the Ministry Headquarters and the Financial Intelligence Centre which used a total amount of GH¢779,530.63 out of the approved capital expenditure budget of GH¢3,000,000.00 to pay for 2014 outstanding claims and consultancy services, the remaining agencies could not utilize the capital expenditure budget due to the moratorium on commencement of new projects.

I.G.F Retention Performance

The Committee observed that, as at 30th September, 2015, a total amount of GH¢7,725,623.08 representing 50.94% of the planned budgeted expenditure of GH¢15,164,866.00 has been realised and utilised as retained IGF. The Agencies of the

Ministry that collects and retain IGF are the Controller and Accountant General's Department (CAGD), Securities and Exchange Commission (SEC) and Institute of Accountancy Training (IAT). Examination of the performance revealed that SEC and IAT respectively achieved 85.62% and 71.55% whilst CAGD's achievement was 42.98%. It was explained that CAGD's achievement of less than 50% was due to its inability to implement the 2% service charge upon which its projection was made.

Donor Budget Performance

The Committee was informed that out of the total approved Development Partner Fund budget of GH¢61,949,327.00, the Ministry Headquarters had received and utilised 48.41% whilst CAGD had received and utilised 56.05%. The receipt and utilisation by GSS however, was 206.45%. The significant receipt and utilisation by GSS, it was explained was due to more than expected scale up support for the Agency and the depreciation of the currency. The detailed receipts and utilisation of the Ministry and the two Agencies are depicted in the Table below:

Table 3: DP budget performance as at 30th September, 2015

SN	Agency	2015 PROVISION (GH¢)	2015 ACTUAL (GH¢)	VARIANCE (GH¢)	UTILIZATION (%)
1	MOF HEADQUARTERS	41,842,234	20,254,061.90	21,588,172.10	48.41
2	CAGD	13,901,201	7,791,199.87	6,110,001.13	56.05
3	GSS	6,205,893	12,812,023.66	(6,606,130.66)	206.45
	Total	61,949,328	40,857,285.43	21,092,042.57	65.95

10.2 Budgetary Allocations to PIAC

The Committee noted with delight that in line with the provisions of the Petroleum Revenue Management (Amendment) Act, a total amount of GH¢967,774 has been allocated from the ABFA under the Ministry of Finance budget for the implementation of the activities of the Public Interest and Accountability Committee (PIAC) for the year

2016. As Hon. Members may recall, PIAC was established under Section 51 of the Petroleum Revenue Management Act (Act 815) to:

- a. Monitoring and evaluating compliance with the Act by the Government and other relevant institutions in the management and use of petroleum revenues;
- b. Providing a platform for public debate on spending prospects of petroleum revenues in line with development priorities; and
- c. Providing an independent assessment on the management and use of revenues.

PIAC was also mandated by the Act to publish semi-annual and annual reports by the 15th September and 15th March each year, without a dedicated source of funding. This situation resulted in PIAC's over-dependence on donor support for the implementation of its activities.

The Committee is of the view that with this allocation, PIAC would be strengthened to effectively and efficiently carry out its mandate and also reduce its over-dependence on donor support. The Committee therefore urges the Minister to ensure the timely release of the funds to PIAC to enable it implement its planned programmes and activities timeously.

10.3 **2016 BUDGET ALLOCATIONS**

The Committee noted that 2016 GOG allocation has increased by an amount of GH¢36,840,713.00 (21.82%) over the 2015 allocation. The increase was mainly on account of increase in the amount of compensation of employees as a result of the new levels for categories 2 and 3 allowances and the 10% increment granted to public service workers for 2016.

Development Partners fund allocation also decreased by GH¢10,933,891.00 representing 17.65%. It was explained that some projects being funded under DPs have ended and the rest have been scheduled to end in 2016. IGF retained which also decreased by GH¢389,040.00 (2.57%) is also on account of reduction in the projected IGF retention by CAGD and reduction in enrollment of the Institute of Accountancy

Training from 150 in 2015 to 120 in 2016. Detailed analysis of the 2015 and 2016 allocations is shown in the Table below:

Table 4: 2015 and 2016 allocation to the Ministry of Finance by Agencies

Agency	2015 Appropriation (GH¢)	2016 Allocation (GH¢)	Variance (GH¢)	Variance (%)
MOF	73,245,240	82,800,977	9,555,737	13.05
CAGD	139,510,573	163,028,588	23,518,015	16.86
GSS	19,461,346	13,735,164	(5,726,182)	-29.42
SEC	4,873,666	5,349,999	476,333	9.77
IAT	944,775	793,449	(151,326)	-16.02
PPA	3,897,473	2,965,322	(932,151)	-23.92
FIC	3,999,154	3,744,283	(254,871)	-6.37
TOTAL	245,932,227	272,417,782	26,485,555	10.77

11.0 CONCLUSION AND RECOMMENDATION

The Committee, after careful examination of the Budget Estimates recommends to the House adopt its report and approve the sum of **Two Hundred and Seventy-two Million, Four Hundred and Seventeen Thousand, Seven Hundred and Eighty-two Cedis (GH¢272,417,782.00)** to enable the Ministry of Finance and its Agencies implement their programmes for the 2016 financial year.

Respectfully submitted.


HON. JAMES KLUTSE AVEDZI
CHAIRMAN, FINANCE COMMITTEE


ROSEMARY ARTHUR SARKODIE (MRS.)
CLERK, FINANCE COMMITTEE

December, 2016