

IN THE SECOND SESSION OF THE SEVENTH PARLIAMENT OF THE FOURTH
REPUBLIC OF GHANA

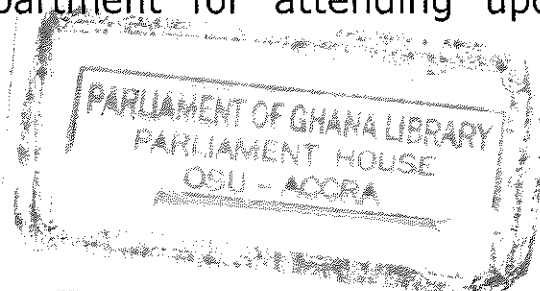
REPORT OF THE FINANCE COMMITTEE
ON THE FISCAL RESPONSIBILITY
BILL, 2018

1.0 INTRODUCTION

The **Fiscal Responsibility Bill, 2018** was *presented* to Parliament and *read the first time* on Saturday 22nd December, 2018 by the Minister responsible for Finance, Hon. Ken Ofori-Atta. The Bill was subsequently *referred* to the Finance Committee for consideration and report in accordance with the 1992 Constitution and Order 169 of the Standing Orders of the House.

The Minister for Finance, Hon. Ken Ofori-Atta and his Deputies, Hon. Kwaku Kwarteng and Hon. Abena Osei-Asare as well as officials from the Ministry of Finance and the Attorney General's Department attended upon and assisted the Committee in its deliberations on the Bill.

The Committee is grateful to the Hon. Minister for Finance and his Deputies and the officials from the Ministry of Finance and the Attorney-General's Department for attending upon the Committee.



Acc NO: 1890
Class NO: BR/FR/18.

1.1 REFERENCES

The Committee referred to and was guided by the following documents *inter alia* during its deliberations on the Bill:

- a. The 1992 Constitution of the Republic of Ghana
- b. The Standing Orders of the Parliament of Ghana
- c. Interpretation Act, 2009 (Act 792)
- d. The Public Financial Management Act, 2016 (Act 921)

2.0 URGENCY OF THE BILL

The Committee determined and hereby certifies that the Bill is of an urgent nature and may be taken through all the stages of passage in one day in accordance with article 106(13) of the 1992 Constitution of the Republic of Ghana and Order 119 of the Standing Orders of the House.

3.0 BACKGROUND

There is a growing number of countries that are adopting fiscal rules to contain pressures to overspend, to ensure fiscal responsibility and debt sustainability.

Government believes that the fiscal responsibility strategy will signal continued commitment towards fiscal discipline and offer comfort to the international markets and relevant stakeholders including Development Partners in the absence of an International Monetary Fund (IMF) supported programme.

4.0 PURPOSE OF THE BILL

The object of the Bill is to provide for fiscal responsibility rules to ensure macroeconomic stability and debt sustainability and to provide for related matters.

5.0 CONTENT OF THE BILL

The Fiscal Responsibility Bill, 2018 is divided into eight (8) Clauses.

Clause 1 of the Bill deals with the object of the Bill. The object of the Bill is to provide for fiscal responsibility rules to ensure macroeconomic stability and debt sustainability.

Clause 2 provides that despite the fiscal policy indicators stated in section 16 of the Public Financial Management Act, 2016 (Act 921), the overall fiscal balance on cash basis for a particular year is not to exceed a deficit of five percent of the Gross Domestic Product for that year and that an annual positive primary balance is to be maintained.

Clause 3 states the circumstances in which fiscal responsibility rules may be suspended. These include occurrences such as natural disaster, public health epidemic, drought or war as a result of which a state of emergency has or may be declared by the President under article 31 of the Constitution; an unanticipated severe economic shock including commodity price shocks; and periods where the Gross Domestic Product growth rate is one per cent or less.

Clause 4 enables Parliament to, in accordance with article 82 of the Constitution, pass a vote of censure on the Minister where the Minister breaches *clause 2* of the Bill by more than one percentage point.

Clause 5 mandates the Minister to submit to Parliament a review of the fiscal responsibility rules specified under *clause 2* every five years.

Clause 6 mandates the Minister to present a quarterly report to Cabinet on the fiscal performance and adherence to the fiscal responsibility rules with a lag period of one quarter. The report is to propose corrective measures in instances where quarterly targets are breached.

Clause 7 deals with Regulations and *clause 8* provides the interpretation of words and expressions used in the Bill.

6.0 OBSERVATIONS

6.1 Breaking the Cycle of Election-Year Spending

The Committee observed that the institution of fiscal rules will greatly support efforts at breaking the election-year cycle of high fiscal slippages and promote fiscal sustainability.

6.2 Cap on Fiscal Deficit

The Committee noted that the Bill requires the overall fiscal balance on cash basis for a particular year not to exceed a deficit of *five percent of the Gross Domestic Product (5% of GDP)* for that year.


6.3 Suspension of the Fiscal Rules

The Committee was informed that in cases of extreme emergencies, the fiscal responsibility rules may be suspended. These include occurrences such as natural disaster, public health epidemic, drought or war as a result of which a state of emergency has or may be declared by the President under article 31 of the 1992 Constitution.

8.0 CONCLUSION

The Committee, in view of the foregoing, respectfully recommends to the House to adopt this report and **pass** the **Fiscal Responsibility Bill, 2018** into law in accordance with Article 106(13) of the 1992 Constitution and Order 119 of the Standing Orders of the House.

Respectfully Submitted.


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HON. DR. MARK ASSIBEY-YEBOAH
(CHAIRMAN, FINANCE COMMITTEE)


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

22ND DECEMBER, 2018