

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

**REPORT OF THE SELECT COMMITTEE
ON ROADS & TRANSPORT**

ON THE

**2008 ANNUAL BUDGET ESTIMATES OF THE
MINISTRY OF AVIATION**

1.0 INTRODUCTION

1.1 In accordance with Article 179(1) of the 1992 Constitution of the Republic of Ghana, the Budget Statement and Economic Policy of the Government of Ghana for the 2008 financial year was presented to the House on Thursday, 15th November 2007 by the Minister of Finance and Economic Planning, Hon. Kwadwo Baah-Wiredu.

Subsequently, the Committee on Roads and Transport was charged to consider and report to the House, the budgetary allocation made to the Ministry of Aviation for the 2008 financial year pursuant to Order 140(4) and 189 of the Standing Orders of Parliament.

1.2 In considering the referral, the Committee benefited from further clarifications from the Sector Minister, Ms. Gloria Akuffo and officials of the Ministry of Aviation, Ghana International Airlines Limited (GIAL), Ghana Civil Aviation Authority (GCAA) and the Ministry of Finance and Economic Planning (MOFEP).

The Committee is grateful to the Hon. Minister and all officials present at the Committee's Sitting for their cooperation.

2.0 REFERENCE DOCUMENTS

The Committee referred to the following documents during its deliberations:

- a) The 1992 Constitution of the Republic of Ghana.
- b) The Standing Orders of Parliament.
- c) The Budget Statement and Economic Policy of the Government of Ghana for the 2008 financial year.
- d) Report of the Committee on Roads and Transport on the 2007 Annual Budget Estimates of the Ministry of Aviation.

3.0 MISSION STATEMENT OF THE MINISTRY

The Ministry of Aviation exists to promote a competitive, efficient and cost effective Aviation Sector. It also ensures safety and security standards as well as orderly growth of the air transport sector to support social and economic development whiles minimising the impact of air transport operations on the environment.

4.0 OBJECTIVES OF THE MINISTRY

In line with its Mission, the Ministry of Aviation will focus on the following objectives:

- i. Liberalisation of the regulatory framework which is aimed at providing a favourable operating environment in which operators can conduct their business according to the market and commercial needs.
- ii. Institutional restructuring of the Aviation Sector.
- iii. Participation of Private Sector in the investment and Management of Aviation infrastructure and services.
- iv. Encouraging general aviation and aviation support services such as the use of micro-light aircraft in agriculture, passenger transport and health delivery services among others.
- v. Ensuring high safety, security and environmental standards.
- vi. Development of human resource and information technology in the Aviation Sector.

5.0 REVIEW OF YEAR 2007 BUDGET AND PERFORMANCE OF THE MINISTRY

- 5.1 For the year 2007, Parliament approved an amount of **One Million, Five Hundred and Fifty Thousand, Nine Hundred Ghana Cedis (GH¢1,550,900.00)** allocated to the Ministry of Aviation by the Government of Ghana for its operations.

In the course of the year however, MOFEP issued a circular to all Ministries, Departments and Agencies (MDAs) indicating a reduction in the allocations as a result of constraints on the national budget. Thus, the Ministry of Aviation's allocation of GH¢1,550,900.00 was reduced to GH¢1,402,760.00. The disbursement of this amount is shown in the Table below.

**DISBURSEMENT OF FUNDS APPROVED AND ACTUAL EXPENDITURE
(JANUARY-NOVEMBER 2007)
(IN MILLION GHANA CEDIS)**

Item	Approved Budget	Revised Budget	Expenditure to Date	% Achieved
Personnel Emolument	125,400.00	125,400.00	30,520.00	24.34
Administration	436,700.00	436,700.00	260,070.00	59.55
Service	493,800.00	345,660.00	119,245.00	34.49
Investment	495,000.00	495,000.00	426,849.00	86.23
Total	1,550,900.00	1,402,760.00	836,684.00	59.65

5.1.1 Personnel Emolument

As shown in the above table, an amount of GH¢125,400.00 was allocated to the Ministry for its Personnel Emolument. Actual expenditure for Personnel Emolument by the Ministry as at November ending was GH¢30,520 representing 24.34% of the approved figure.

The Minister for Aviation explained to the Committee that only 24.34% of the provision made for personnel emolument had been disbursed because most of the Ministry's staff are personnel transferred from other Ministries and were paid by their various former place of work.

5.1.2 Administration

For its administrative activities, an amount of GH¢260,070 representing 59.55% of the total allocation of GH¢436,700 had been disbursed by the Ministry as at the end of November 2007.

5.1.3 Service

The Ministry of Aviation was allocated an amount of GH¢493,800 for its Service expenditure. This amount was however revised downwards to GH¢345,660 by MOFEP. As at the end of November 2007, GH¢119,245.00 representing 34.49% of the total revised allocation for Service activities had been disbursed.

5.1.4 Investment

A sum of GH¢495,000 was approved for the Ministry to undertake its investment activities. An amount of GH¢426,849 representing 86.23% of the provision for investment activities had been utilised by the Ministry as at the end of November.

As at November ending, an amount of GH¢836,683.80 representing 59.65% of the total revised allocation of GH¢1,402,760 had been disbursed by the Ministry. As indicated to the Committee, the Ministry has not been able to utilise a substantial percentage of its allocation due to late releases of funds by MOFEP and lengthy procurement procedures which prevented the Ministry from accessing funds to meet its operational needs. However, processes are far advanced to enable the Ministry utilise the remaining funds to meet its commitments under the year 2007 budget.

5.2 Despite the late releases of funds, the Ministry of Aviation did not relent on its efforts in achieving its objectives for year 2007. The Ministry made significant progress in the following areas among others:

a. Liberalisation of Bilateral Air Services Agreement

In line with the Ministry's policy of liberalising the legal and regulatory framework of the Aviation Sector, two new Bilateral Air Services Agreements were negotiated with Saudi Arabia and China. The Agreement with Germany was also reviewed.

b. Aviation Policy

In collaboration with GCAA, the Ministry developed a detailed Aviation Policy Guideline for the Aviation Sector.

c. Kotoka International Airport (KIA) Phase III Rehabilitation Works

Contract for the scope of works for the Phase III of the rehabilitation of KIA has been signed and a loan agreement for this project is expected to be signed by the end of this year. All things being equal, works will commence after the Ghana CAN 2008 Games.

d. Rehabilitation of Regional Airports

To give our Regional Airports a new facelift, the Ministry of Aviation awarded contracts for the rehabilitation of the Kumasi, Tamale and Takoradi Airports. Contractors have already mobilised to the various sites and Phase I of the Project constituting rehabilitation works for Ghana CAN 2008 Games will be completed by end of December 2007.

e. Safety and Security at KIA

The Ministry of Aviation through GCAA procured two state of the art fire tenders to deal with emergencies and rescue operations at KIA. Security screening equipment has also been installed at KIA.

e. Institutional Restructuring

Physical separation of GCAA into two entities (GCAA and Airport Company) has been completed. The Board of Directors for the two Agencies have been constituted by His Excellency, President John A. Kufuor and duly inaugurated.

6.0 **OUTLOOK FOR YEAR 2008**

For the year 2008, the Ministry of Aviation will focus on its liberalisation policy, human resource development, promotion of private sector participation and the development and expansion of infrastructure. To this end, the Ministry will pursue the following programmes among others:

- i. Continue to review and negotiate new Bilateral Air Services Agreements with African Member States under its policy of liberalising the regulatory framework to attract more airlines and increase frequencies.
- ii. Continue to promote the Private Sector to invest and manage activities in general aviation and aviation support services.
- iii. Ensure that GCAA comes out with an appropriate regulatory framework to regulate operations of the Ultra Light Aircraft which will be used in agriculture, passenger transport, tourism and health delivery services.
- iv. Continue to monitor the operations of GCAA and GACL and ensure that GCAA and GACL continue with the infrastructural development of KIA under the KIA Phase III Project. The works will include:
 - rehabilitation of Taxiway/Apron;
 - construction of a new fire station;
 - rehabilitation of terminal buildings;
 - supply and installation of electronic equipments and terminal building furniture;
 - construction of Passenger Boarding Bridges; and
 - expansion/refurbishment of Domestic Terminal.
- v. Ensure that GCAA and GACL complete all internal arrangement of the decoupling processes and operate as separate entities.
- vi. Ensure that the Official Liquidator of Ghana Airways Limited (in official liquidation) finalises creditor validations and bring the liquidation to closure.
- vii. Continue with the preparation of an Aviation Sector Specific Policy and Strategic Plan to guide the direction of the Sector. This will include the development of Airstrips to cater for emergencies and also promote tourism by use of small aircrafts to remote areas.
- viii. In collaboration with GACL, the Ministry will host an African Airports Council International Conference.

increase in burglary at office and official residential facilities, among others.

7.1.3 Service

For its Service activities, the Ministry has been allocated an amount of GH¢493,800.00. This amount will be applied to the following activities among others:

- Preparation of an Aviation Sector Policy and a Strategic Plan.
- Building of human resource capacity.
- Holding Bilateral meetings with African and non-African countries on Air Services Agreements.
- Organisation of stakeholders' workshops, conferences, meetings and other issues on aviation.

7.1.3 Investment

The amount of GH¢396,000.00 allocated to the Ministry, is to cater for the following investment activities:

- Internet Server.
- Purchase of high capacity photocopier, 14 computers and accessories and furniture.
- Refurbishment of office and official residential accommodation.
- Purchase of a mini bus, a saloon car and two motorbikes.

8.0 OBSERVATIONS

8.1 The Committee made the following observations during its deliberations:

a. Budgetary Allocation

As indicated to the Committee by the Minister of Aviation, the Ministry's desired budget for the 2008 fiscal year is GH¢1,767,645.00. However, the amount allocated to it is GH¢1,478,975.00 representing a shortfall of GH¢288,678.00. Ironically, the Committee noted that the approved ceiling for year 2008 is 4.6% less than the amount of GH¢1,550,900.00 approved for the Ministry in year 2007.

Considering the fact that the Ministry of Aviation is still in its infant stages and will need to procure certain basic logistics which cannot be procured under the 2007 budget due to lengthy procurement procedures, the Committee is of the view that, the allocation made for year 2008, if not increased at all, should not have been decreased.

b. Extra Budgetary Requirement

The Committee also took note of an extra budgetary requirement of US\$35.52 million being sought by the Ministry of Aviation for GIAL and Ghana Airways (in official liquidation).

GIAL

According to the Minister, the impasse between the Government of Ghana and the US Private Shareholder is still unresolved to allow for private sector investment in GIAL. As a result, the new National Carrier has been struggling to acquire sufficient working and investment capital for its operations since its inception. Thus, there is the need for the Government to continue to support the Airline to sustain its operations with an amount of US\$25.52 million. The breakdown of GIAL's requirement is as follows:

1. Immediate needs up to end of December 2007	-	US\$16.36 million
2. Subsidy for year 2008	-	<u>US\$ 9.16 million</u>
TOTAL	-	<u>US\$25.52 million</u>

Ghana Airways (in official liquidation)

The Official Liquidator is also seeking a support of US\$10 million as part of Government's pledge to assist in meeting the debt obligations of the defunct Ghana Airways. The breakdown of the requirement is as follows:

1. Severance payment of former Ghana Airways employees	-	US\$ 4.5 million
2. Balance of GOG commitments to specific creditors	-	<u>US\$ 5.5 million</u>
TOTAL	-	<u>US\$10.0 million</u>

c. Inadequate Office Accommodation

It was again noted by the Committee that, the Ministry of Aviation, since its inception, has been occupying part of the Ministerial Block of the former Ministry of Environment, Science and Technology. This same building, the Committee was informed, is still being occupied by staff of the Ministry of Local Government, Rural Development and Environment (Annex) as well as staff of the Ministry of Education, Science and Sports (Annex). As a result, the Ministry is currently saddled with where to accommodate its newly posted staff and staff yet to be recruited.

d. Rehabilitation of Regional Airports

Finally, the Committee also noted the efforts being made by the Ministry of Aviation in the form of undertaking monitoring trips to ensure that the first phase of rehabilitation works at the Kumasi, Takoradi and Tamale Airports are completed by end of December 2007 for the Ghana CAN 2008 Games.

9.0 RECOMMENDATIONS

In view of the observations made above, the Committee recommends the following:

- a. That MOFEP should ensure that the shortfall in the Ministry's allocation for year 2008 is catered for should there be a Supplementary Budget to enable it achieve its objectives. The Committee further urges MOFEP to put measures in place to ensure that funds are released to MDAs on schedule.
- b. That the Government through MOFEP should ensure that the US\$25.52 million and US\$10.0 million extra budgetary requirement of the Ministry for GIAL and Ghana Airways (in official liquidation) respectively be granted

to support the certification of GIAL and its operations and also to settle creditors of the defunct Ghana Airways and its former employees.

That notwithstanding, the Committee expressed disquiet about the level of Government subsidy to GIAL every year and urges the Attorney General's office to pursue amicable settlement of the litigation between GIAL and its foreign partners to enable the Airline attract private sector investors. The Committee also recommends that, monies granted to GIAL should not be written off by the Government. The Airline should be made to pay the monies when its financial standing improves.

- c. That the Government, as a matter of urgency, should provide the Ministry of Aviation with an office complex that can accommodate its staff to ensure a smooth running of the Ministry.
- d. That the Ministry of Aviation should ensure that the rehabilitation works at the Kumasi, Takoradi and Tamale Airports are completed on schedule for the Ghana CAN 2008 Games.

10.0 CONCLUSION


Undoubtedly, the Aviation Sector has a major role to play in the socio-economic development of this country. For the Sector to be vibrant, the Ministry of Aviation which is still in its formative stages should be adequately resourced. This will enable the Ministry play its role efficiently in overseeing the activities of the Aviation Sector.

In the opinion of the Committee, the amount allocated to the Ministry for year 2008 is inadequate to solve its teething problems. The Committee therefore urges MOFEP to allocate additional funds to the Ministry should there be a Supplementary Budget to enable it achieve its objectives. The Ministry of

Aviation should also ensure a judicious use of the amount that has been allocated to it.

Accordingly, the Committee recommends to the House for approval, the total sum of **One Million, Four Hundred and Seventy-Eight Thousand, Nine Hundred and Seventy-Five Ghana Cedis (GH¢1,478,975.00)** allocated to the Ministry of Aviation for the financial year ending 31st December 2008.

Respectfully submitted.



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ABIGAIL ABA ANSO (Ms.)
(CLERK TO THE COMMITTEE)



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HON. ALBERT KWAKU OBBIN
(CHAIRMAN, COMMITTEE ON
ROADS AND TRANSPORT)

DECEMBER 2007