

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

REPORT

OF THE

FINANCE COMMITTEE

ON THE

**ANNUAL BUDGET ESTIMATES OF
THE MINISTRY OF FINANCE FOR
THE 2013 FINANCIAL YEAR.**

MARCH, 2013

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1.0 INTRODUCTION

The Budget Statement and Economic Policy of the Government of Ghana for the 2013 financial year was presented to Parliament by the Hon. Minister for Finance on Tuesday, 5th March, 2013 in accordance with Article 179 of the 1992 Constitution of Ghana. The Budget Estimates of the Ministry of Finance (MOF) were accordingly referred to the Finance Committee for consideration and report pursuant to Orders 140(4) and 169 of the Standing Orders of the Parliament of Ghana.

The Committee was assisted in its deliberations by the Hon. Minister for Finance, Mr. Seth Terkper, and Heads of related Agencies and Officials of the Ministry of Finance. The Committee is grateful to the Hon. Minister and his technical team for their insightful presentation and clarifications during the deliberations.

2.0 REFERENCE

The Committee referred to the following documents during its deliberations:

- The 1992 Constitution of Ghana;
- The Standing Orders of the Parliament of Ghana;
- The Budget Statement and Economic Policy of the Government of Ghana. for the 2013 Financial Year; and
- The 2013 Annual Estimates for the Ministry of Finance.

3.0 VISION AND MISSION

The Ministry of Finance envisages to be recognized as a professional organization, providing excellent Public Economic and Finance Management, improving accountability and good governance. The mission of the Ministry is to ensure Economic Growth with stability for the promotion of Sustainable Development of Ghana and her people. To achieve the above mission, the Ministry has as its goal the efficient and effective management of the economy towards attainment of upper middle income status and poverty reduction.

3.1 AGENCIES UNDER THE MINISTRY

The Ministry of Finance works towards the attainment of its objectives through the under-listed agencies:

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

4.0 2012 PERFORMANCE

During the 2012 financial year, the Ministry of Finance and its agencies activities amongst others, undertook the following:

- The Statistical Service continued work on the 2010 Population and Housing Census, Conducted a User Satisfactory Survey and commenced work on the sixth round of the Ghana Living Standards Survey;
- Completed work on the draft Statistical Bill;
- Developed and issued guidelines for financial sector practitioners;

- Completed work on the Draft Petroleum Revenue Management Regulations and Legislative Instruments aimed at increasing revenue from the natural resource sector;
- Conducted a research to determine the number of exemptions granted by the Minerals Commission, MoFA, EPA and Diplomatic Missions to reduce leakers through tax exemptions;
- Assessed the procurement activities of 1,000 procurement entities for 2011 to determine the level of compliance with the provision of the Public Procurement Act, 2003 (Act 663);
- Adopted the Medium Term Debt Strategy to restrict non concessional terms to projects with high expected risk-adjusted rate of return; and
- Maintained loan guarantee to State Own Companies at marginal levels to limit contingent liabilities to control the growth of public debt.

4.1 BUDGET PERFORMANCE IN 2012

During the year under review, the Ministry of Finance and its Agencies were allocated a total amount of **GH¢165,918,822.00** which was made up of **GH¢103,816,470** of Government of Ghana (GOG) Funds, **GH¢2,391,092.00** of Internally Generated Fund (IGF), ABFA of **GH¢9,000,000.00** and **GH¢50,711,260.00** of Donor Funds.

4.2 GOG BUDGET PERFORMANCE

As at 31st December, 2012, the Ministry had spent **GH¢146,458,523.58** (representing 141.07%) instead of its 2012 budget approved allocation of **GH¢103,816,470.00**. The breakdown of this amount is as follows:

- | | | |
|----------------------|---|-------------------|
| • MOFEP HEADQUARTERS | - | GH¢ 33,463,461.97 |
| • CAGD | - | GH¢ 92,784,651.02 |

• STATISTICAL SERVICE	-	GH¢ 11,560,861.83
• SECURITIES & EXCHANGE COMMISSION-		GH¢ 2,051,449.91
• INSTITUTE OF ACCOUNTANCY TRAINING-		GH¢ 859,824.12
• PUBLIC PROCUREMENT AUTHORITY	-	GH¢ 3,840,312.73
• FINANCIAL INTELLIGENCE CENTER	-	GH¢ 1,897,962.00
Total	-	GH¢146,458,523.58

4.3 2012 I.G.F RETENTION PERFORMANCE

The sum of **GH¢3,013,001.31** being 126% of the total IGF amount of **GH¢ 2,391,092.00** allocated to the Controller and Accountant General's Department, Securities and Exchange Commission and Institute of Accountancy Training in 2012 was utilized in undertaking the core activities of these institutions.

4.4 2012 DONOR BUDGET PERFORMANCE

An amount of **GH¢50,711,260.00** being Donor Fund was allocated to the Ministry and its agencies for their activities in 2012. However, as at December 2012, an amount of **GH¢52,642,821.79** was spent representing 103.81%, a variance of **(1,931,560.79)**. The amount spent was in respect of the following projects and programmes;

- ❖ Economic Management Capacity Building (EMCB)
- ❖ GTZ Good Financial governance on EITI
- ❖ GTZ Good Financial governance on Paris declaration
- ❖ NREG
- ❖ Multi Donor Trust Fund for Capacity Building in Statistics
- ❖ UNDP Capacity Building in Statistics
- ❖ GIFMIS
- ❖ Fiscal Decentralisation

- ❖ Public Private Partnership Programme

4.5 2012 ANNUAL BUDGET FUNDING AMOUNT PERFORMANCE

The sum of **GH¢ 9,000,000.00** was allocated to the Ministry of finance as ABFA during the year under review, and out of this amount, **GH¢5,000,000.00** was allocated to the Venture capital Fund, while an amount of **GH¢2,000,000.00** was allocated to Exim Guarantee Company Ltd for Recapitalization and Rights Issue. The Creative Arts Industry was also supported with amount of **GH¢2,000,000.00**.

5.0 OUTLOOK FOR 2013

The 2013 Budget of the Ministry of Finance will be implemented under three thematic areas as follow:

5.1 Economic Strategy Programme

Under the Economic Strategy Programme, the Ministry intends to undertake the following activities;

- ❖ Cooperate with the IMF to set up a regional training institute in Ghana (AFRITAC WEST) this year to build capacity of Finance and Economic Management Practitioners.
- ❖ Implement a detailed programme to ensure that all the structures are in place to enable the upcoming West African Central Bank (WACB) to be hosted by Ghana become functional by January 2015 will also commence.

5.2 Budget Management

To improve the management of the budget and ensure efficient allocation of resources, the Ministry amongst others, will undertake the following activities:

- i. build capacity of budget units of MDAs;

- ii. develop budget manual to guide MDAs in budget preparation, execution and monitoring;
- iii. undertake extensive gender responsive budgeting capacity building for budget officers within MoF and other identified agencies;
- iv. intensify monitoring and evaluation of projects and programmes of MDAs to ensure the implementation of the budget in accordance with appropriation;
- v. prepare and present to parliament the 2014 Budget Estimates;
- vi. continue to support capacity building in key areas of Public Financial Management (PFM) system for stakeholders at the central and local government levels;
- vii. improve the treasury and payment system by developing a document-flow management system for treasury and administrative operations and fully implement the Treasury Single Account;
- viii. complete work on the creation of the 3 Regional Data Capture Centres to enable all MDAs/MMDAs at the Regional levels to directly key in their payroll data and print payrolls at the regions;
- ix. complete work on the migration of the 22 remaining subvented organizations onto the IPPD system;
- x. ensure full implementation of the Treasury Single Account;
- xi. assess the procurement activities of 1,000 procurement entities to ensure compliance with the provisions of the Public Procurement Act, 2003 (Act 663);
- xii. Submit to cabinet a draft Bill on Public Private Partnership (PPP);
- xiii. Complete work on the draft borrowing guidelines and disseminated it to MDAs and the investor public to facilitate the process of procuring loans;
- xiv. the Ministry will continue to conduct and publish Debt Sustainability Analysis (DSA) and revise the Medium Term Debt Strategy (MTDS) to guide borrowing;
- xv. The GSS will restore the Employment and Wages Survey to provide crucial up-to-date information on employment trends and wage rates in the formal

sector. The Labour Force Survey, Agriculture Census, and Ghana Living Standards Survey will also continue; and

- xvi The Ghana Stock Exchange (GSE) will launch and commence operations on the Ghana Alternate Market and also deepen the stock market through more listings and improved liquidity.

5.3 Public Financial Management Programme

In 2013, the Ministry will undertake the following activities to help improve public financial management in Ghana;

- ❖ Develop the required guidelines for the implementation of the Ghana Aid Policy; develop a manual to streamline the mobilization and management of loans and grants; develop a harmonized GOG-DP activity calendar to streamline DP missions and engagement with GOG; develop a Division of Labour (DoL) matrix and develop mapping and coordination mechanisms in the aid architecture;
- ❖ MOFEP will extend the GSM/GPRS e-monitoring system to more MDAs in the regions and Districts by the end of 2013; and
- ❖ further strengthen NTR Management and transfers into the Consolidated Fund;

5.4 Budget Management

To improve the management of the budget and ensure efficient allocation of resources, the Ministry will undertake the following activities amongst others:

- i. build capacity of budget units of MDAs;
- ii. develop budget manual to guide MDAs in budget preparation, execution and monitoring;
- iii. undertake extensive gender responsive budgeting capacity building for budget officers within MoF and other identified agencies;
- iv. intensify monitoring and evaluation of projects and programmes of MDAs to ensure the implementation of the budget in accordance with appropriation;
- v. prepare and present to parliament the 2014 Budget Estimates;

- vi. continue to support capacity building in key areas of Public Financial Management (PFM) system for stakeholders at the central and local government levels;
- vii. improve the treasury and payment system by developing a document-flow management system for treasury and administrative operations and fully implement the Treasury Single Account;
- viii. complete work on the creation of the 3 Regional Data Capture Centres to enable all MDAs/MMDAs at the Regional levels to directly key in their payroll data and print payrolls at the regions;
- ix. complete work on the migration of the 22 remaining subvented organizations onto the IPPD system;
- x. ensure full implementation of the Treasury Single Account;
- xi. assess the procurement activities of 1,000 procurement entities to ensure compliance with the provisions of the Public Procurement Act, 2003 (Act 663);
- xii. Submit to cabinet a draft Bill on Public Private Partnership (PPP);
- xiii. Complete work on the draft borrowing guidelines and disseminated it to MDAs and the investor public to facilitate the process of procuring loans; and
- xiv. The Ministry will continue to conduct and publish Debt Sustainability Analysis (DSA) and revise the Medium Term Debt Strategy (MTDS) to guide borrowing.

6.0 2013 BUDGET ALLOCATION

The Ministry of Finance has been allocated a total budget of **Two Hundred and Ninety-two Million, Two Hundred and Six Thousand, Four Hundred and Seventy-eighty Ghana Cedis (GH¢292,206,478.00)** for the implementation of its programmes for the 2013 financial year. Out of this, **Two Hundred and Fourteen Million, One Hundred and Seventy Thousand, Six Hundred and Twenty-four Ghana Cedis (GH¢214,170,624.00)** is GOG, **Forty-six Million, Seven Hundred and Forty-seven Thousand, One**

Hundred and Ninety-four Ghana Cedis (GH¢46,747,194.00) is Donor, Twenty-seven Million, Three Hundred and Fifty Thousand Ghana Cedis (GH¢27,350,000.00) is ABFA and Three Million, Nine Hundred and Thirty-Eight Thousand, Six Hundred and Sixty Ghana Cedis (GH¢3,938,660.00) is IGF. Below is 2013 the allocations among the cost centres of the Ministry.

Table 1: MOF 2013 ALLOCATIONS BY DIVISION

	GOG (GH¢)	IGF (GH¢)	ABFA (GH¢)	DONOR(GH¢)	TOTAL (GH¢)
MOF HQ.	56,967,719	-	27,350,000	23,750,148	108,067,867
CAGD	122,361,300	2,943,151	-	14,194,240	139,498,691
GSS	16,533,243	-	-	2,000,000	18,533,243
PPA	7,129,774	-	-	6,802,806	13,932,580
IAT	1,311,356	40,000	-	-	1,351,356
SEC	3,157,200	955,509	-	-	4,112,709
FIC	6,710,032	-	-	-	6,710,032
TOTAL	214,170,624	3,938,660	27,350,000	46,747,194	292,206,478

7.0 OBSERVATIONS

7.1 Expenditure Overrun on Compensation of Employees

The Committee observed that the Ministry of Finance and four of its agencies including, the Controller and Accountant General Department (CAGD), Ghana Statistical Service (GSS), Securities and Exchange Commission (SEC) and the Public Procurement Authority exceeded their budgetary allocations for the year 2012. The Committee was however, informed that this was as a result of salary increments in relation to the implementation of the Single Spine Salary Scheme and associated arrears therein. CAGD also recruited new staff to augment its

staff strength. The expenditure returns of the Ministry and its agencies in respect of employee compensation are shown in Table 2 below.

Table 2: Expenditure Returns on Compensation of Employees for 2012

Agency	2012 provision GH¢	2012 actual Expenditure GH¢	Variance GH¢
MOF	13,340,526.00	18,693,100.97	(5,352,574.97)
CAGD	36,800,000	80,766,253.02	(43,966,253.02)
GSS	4,012,000.00	9,668,538.04	(5,656,538.04)
SEC	848,720.00	1,511,122.74	(662,402.74)
PPA	1,338,000.00	1,949,700.00	(611,700.00)
IAT	120,000.00	6,456.70	113,543.30
FIC	3,074,742.00	1,364,087.00	1,710,655.00

The Committee also noted that there was a low utilization of the Compensation of Employees for the Financial Intelligence Centre. It was explained that the Centre, though the Centre was established in 2010, actual recruitment of permanent staff started in 2012. Furthermore, the initial employees of the Centre were seconded from the Bank of Ghana (BOG) and other related institutions with the cost of operations being provided by BOG.

7.2 IGF RETENTION PERFORMANCE

The Committee noted that the sum of **GH¢3,013,001.31** was realised as against the budgeted amount of **GH¢2,391,092.00** for the Controller and Accountant Generals Department, Securities and Exchange Commission and Institute of Accountancy Training. The amount was utilised in undertaking the key activities of these institutions that are required to retain IGF. As at 31st

December 2012, with the exception of SEC, that realised 92.72% of its target, the IAT and CAGD exceeded their targets.

7.3 ANNUAL BUDGET FUNDING AMOUNT (ABFA)

The Committee observed that the sum of **GH¢ 9,000,000.00** was allocated to the Ministry of finance from the ABFA in **2012**. Out of this amount, **GH¢5,000,000.00** was allocated to the Venture capital Fund, while an amount of **GH¢2,000,000.00** was allocated to Exim Guarantee Company Ltd to satisfy Governments liability with regards to Recapitalization and Rights Issue. The Creative Arts Industry was also supported with amount of **GH¢2,000,000.00**. These sums were released to the respective institutions as at 31st December 2012.

The Committee was informed that section 21(5) of the Petroleum Revenue Management Act, 2011 (Act 815) provides for the use of the ABFA for capacity building. The amount of GH¢2,000,000 allocated to the Creative arts Industry was therefore used for consultancy in respect of capacity building, development of four year development plan for the industry, rehabilitation of ten regional offices for the Musicians Union of Ghana (MUSIGA) and also to support the Ghana Music fair. This expenditure largely falls under the provisions in section 21(5) of (Act 815). The Committee was also informed that the Ministry of Finance released the said allocation to MUSIGA through the Ministry of Tourism.

The Committee noted that paragraphs 107 and 108 of the Budget Statement reported on the Expenditure on the Annual Budget Funding Amount (ABFA) for 2012 financial year. The explanatory statement in paragraph 108 did not reflect the expenditure in the table. The Table below and the accompanying explanatory note however, serves to correct paragraph 108 of the Budget Statement.

The 2012 ABFA was disbursed to the approved four priority areas in accordance with section 21 of the Petroleum Revenue management Act, 2011 (Act 815 or PRMA) as presented in the Table below.

Table 3: Expenditure of 2012 ABFA on Four Priority Areas

NO.	Priority Areas	Amount Spent (GH¢)		
		Goods and Services	Assets	Total
1.	Expenditure & Amortization of Loans for Oil & Gas Infrastructure		100,000,000.00	100,000,000.00
2	Road & Other Infrastructure	43,398,774.00	189,004,495.00	232,403,269.00
3	Agriculture Modernization	30,191,200.00	42,280,624.00	72,471,824.00
4	Capacity Building	49,869,738.00	62,090,000.00	111,959,738.00
5	Total	123,459,713.00	393,375,118.00	516,834,831.00

Of the total ABFA of GH¢516,834,831 an amount of GH¢100,000,000.00, representing 19.3 per cent, was spent on Oil and Gas Infrastructure and Amortization of Loans in respect of such infrastructure whilst GH¢232,403,269.00, representing 45.0 per cent was spent on Road and Other Infrastructure. The remaining GH¢184,431,562.00 (35.7 per cent) was spent on Agriculture Modernisation (GH¢72,471,824 or 14.0 per cent) and Capacity Building (GH¢111,959,738.00 or 21.7 per cent) as shown in Table 3.

Consistent with Section 21 (4) of the PRMA which requires that a minimum of 70 per cent of the ABFA be used for public investments, 76 per cent of the 2012 ABFA was spent on public investments and the remaining 24 per cent was spent on goods and services as shown in Table 3.

9.0 CONCLUSION

The Committee, after careful consideration of the Budget Estimates recommends to the House to approve the sum of **Two Hundred and Ninety-two Million, Two Hundred and Six Thousand, Four Hundred and Seventy-eighty Ghana Cedis (GH¢292,206,478** for the implementation of the programmes and activities of Ministry of Finance for the 2013 financial year.

Respectfully submitted.



HON. JAMES KLUTSE AVEDZI
CHAIRMAN, FINANCE COMMITTEE



ROSEMARY ARTHUR SARKODIE
CLERK, FINANCE COMMITTEE

MARCH, 2013