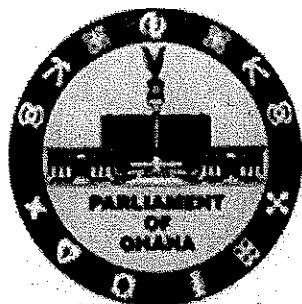


**IN THE FOURTH SESSION OF THE SEVENTH PARLIAMENT OF THE
FOURTH REPUBLIC OF GHANA**



REPORT OF THE FINANCE COMMITTEE ON THE SUPPLEMENTARY ESTIMATES FOR THE 2020 FINANCIAL YEAR

1.0 INTRODUCTION

The Supplementary Estimates for the 2020 Financial Year were *laid* in the House on Thursday 23rd July, 2020 and *referred* to the Finance Committee for consideration and report, pursuant to Article 179(8) of the 1992 Constitution and Order 143 of the Standing Orders of the House. This followed the presentation of the Mid-Year Fiscal Policy Review of the 2020 Budget Statement and Economic Policy to Parliament pursuant to Section 28 of the Public Financial Management Act, 2016 (Act 921).

The Committee subsequently met and considered the Supplementary Estimates with the Minister responsible for Finance, Hon. Ken Ofori-Atta, Deputy Ministers for Finance, Hon. Kwaku Kwarteng and Hon.

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Abena Osei-Asare as well as a technical team from the Ministry for Finance.

The Committee hereby presents this report to the House pursuant to Order 161 of the Standing Orders of the House.

2.0 REFERENCES

The Committee referred to and was guided by the following documents in its deliberations on the Supplementary Estimates:

- The 1992 Constitution of the Republic of Ghana
- The Public Financial Management Act, 2016 (Act 921)
- The Budget Statement and Economic Policy of Government for the 2020 Financial Year
- The Mid-Year Fiscal Policy Review of the 2020 Budget Statement and Economic Policy
- The Standing Orders of the House

3.0 BACKGROUND

In November 2019, the 2020 Budget Statement and Economic Policy of Government was presented to the Parliament for approval in line with Article 179 of the Constitution and Order 140 of the Standing Orders of the House.

The Budget reflected the strategic focus of 2020 as a year for roads and building a stronger economy for jobs and prosperity.

Since the 2020 Budget was approved by the House, many significant developments have arisen on the macroeconomic front, especially the completely unanticipated COVID-19 pandemic and its effects on almost all sectors of the economy.

Another significant occurrence was the sharp decline in world crude oil prices resulting partly from the production misunderstanding between some major international players and later exacerbated by the COVID-19 global pandemic.

Whilst revenue has taken unanticipated nosedive, additional and unbudgeted expenditure has become necessary to deal with the COVID-19 pandemic and other related matters.

The Supplementary Payments to be undertaken have given rise to the need for some adjustments in the annual estimates approved for the 2020 fiscal year.

The instant Supplementary Estimates have been presented to Parliament in accordance with Article 179(8) of the Constitution which provides that *"where in respect of a financial year, it is found that the amount of moneys appropriated by the Appropriation Act for any purpose is insufficient or that a need has arisen for expenditure for a purpose for which no sum of moneys has been appropriated by that Act, a supplementary estimate showing the sum of money required, shall be laid before Parliament for its approval."*

3.1 2019 MACROECONOMIC PERFORMANCE

The performance of the economy for the 2019 financial year is summarized in Table 1 below:

Table 1

Indicator	Revised Target for 2019	Outturn for 2019
Overall Real GDP Growth Rate (%)	7.0	6.5
Non-Oil Real GDP Growth Rate (%)	5.9	5.8
Overall Fiscal Balance (% of GDP)	-4.5	4.8
Primary Balance (% of GDP)	1.1	0.8
Gross International Reserves in months of imports of goods and services	3.6	4.0

Source: Ministry of Finance

Total Revenue and Grants at the end of December, 2019 amounted to GH¢53,380 Million (equivalent to 15.3% of GDP) compared to the Revised Budget estimate of GH¢58,897 Million (equivalent to 17.0% of GDP).

Total Expenditure for the 2019 financial year including arrears amounted to GH¢70,271 Million (20.1% of GDP) compared to the revised budget figure of GH¢74,612 Million (equivalent to 21.6% of GDP). The outturn shows a 5.8% deviation from the revised budget

but an 18.5% year-on-year growth on the outturn for 2018 which amounted to GH¢59,309 Million.

4.0 MACROECONOMIC TARGETS FOR 2020

Macro-fiscal targets/indicators for the year 2020 have been revised as captured in Table 2 below:

Table 2

No.	Item	2020 Budget Proj	2020 Revised Proj
1	Real GDP growth rate (%)	6.8	0.9
2	Non-Oil GDP growth rate (%)	6.7	1.6
3	End-Period Inflation (%)	8.0	11.1
4	Fiscal Balance (% of GDP)	-4.7	-11.4
5	Primary Balance (% of GDP)	0.7	-4.6
6	Gross International Reserves in months of imports of goods and services	≥3.5	≥4.0

Source: Ministry of Finance

4.1 FIRST QUARTER PERFORMANCE FOR 2020

Real GDP grew by 4.9% in the first quarter of 2020, compared to 6.7% growth achieved for the first quarter of 2019.

Growth in the Non-Oil Sector was 4.9% compared to 6.0% in the corresponding period of 2019.

The Industry Sector recorded a growth of 1.5% in the first quarter of 2020 compared to 8.4% during the same period in 2019. Growth in the Services Sector rebounded strongly to 9.5% in the first quarter of 2020 compared to 7.2% recorded during the same period in 2019, whilst the Agricultural Sector recorded a growth of 2.8% in the first quarter of 2020 compared to 2.2 % during the same period in 2019.

4.2 SUPPLEMENTARY PROVISION FOR 2020

The total amount of the supplementary estimates is ***Eleven Billion, Eight Hundred and Ninety-Six Million, Four Hundred and Seventy-Seven Thousand, Five Hundred and Sixty-Six Ghana Cedis (GH¢11,896,477,566).***

5.0 OBSERVATIONS AND RECOMMENDATIONS

5.1 Exchange Rate

The Committee observed that the Ghana Cedi started the year strongly, appreciating by 4.5% on a year-to-year basis by the end of February 2020 on the back of the US\$3.00 Billion Sovereign Bond

issue, strong macroeconomic fundamentals and Bank of Ghana's forward auction sales, among others.

However, the deterioration in financial market risk sentiment due to the spread of COVID-19 as well as the seasonal demand pressures from the energy and corporate sectors weighed heavily on the Cedi. On a year-to-date basis, the Cedi depreciated by 2.4% against the US Dollar and the Euro in June 2020 but appreciated by 4.5% against the Pound Sterling, compared to a depreciation of 8.3%, 7.9% and 7.6% against the US Dollar, the Euro and the Pound Sterling respectively over the same period in 2019.

5.2 Gross International Reserves

The Committee noted that the country's Gross International Reserves stood at US\$9,171.36 Million at the end of June 2020 from a stock position of US\$8,418.08 Million as at the end of December 2019. The June 2020 reserve level was sufficient to provide 4.3 months of import cover, compared to 4.0 months of import cover as at December 2019.

5.3 2020 Budget Implementation Challenges

The Committee noted that the implementation of the 2020 Budget for the first half of the year has been relatively successful, albeit with some significant challenges, mostly related to the COVID-19 pandemic.

On the one hand, there has been less robust revenue mobilization relative to programme targets. Total Revenue and Grants for January to June 2020 amounted to GH¢22,007 Million, compared to the programme target of GH¢29,759 Million, resulting in a shortfall of 26.0% or a performance rate of 74%. The provisional outturn constitutes 32.8% of the annual target compared to the programmed execution of 44.4% of the annual projection.

On the other hand, there has been a faster execution of expenditures. The execution of expenditures for the period January to June 2020 exceeded the programme target by 11.5%, reflecting a faster execution rate due to unprogrammed COVID-19 related expenses. Consequently, Total Expenditure (including arrears clearance) for the period amounted to GH¢46,352 Million compared to a programme target of GH¢41,554 Million.

These developments have pushed the financing requirements above the programmed levels for the period and has consequently widened the fiscal deficit target for the year 2020 from the original programmed target of 4.7% of GDP to a revised target of 11.4% of GDP.

5.4 Establishment of National Development Bank

The Committee observed that the Government of Ghana is working with KfW, the World Bank, Agence Française de Développement (AFD) and the European Investment Bank (EIB) to set up and operationalize the National Development Bank of Ghana by September 2020.

The Bank will focus on transforming industry, agriculture, agro-processing and housing and mortgage subsectors of the economy over the medium term. It will also serve as a promotional bank for the country, with a focus on mobilizing medium to long term funds and channeling them into the economy through the financial system as a wholesale bank. It will deploy products and instruments such as credit guarantee funds, refinancing of Participating Financial Institutions (PFIs) loans, term loans, business development services, and factoring, among others.

To make this dream a reality, an amount of GH¢580 Million has been allocated as part of the Supplementary Estimates to support the establishment of the National Development Bank.

5.5 Factors Necessitating a Review of the Macro-Fiscal Framework

The Committee noted that among other things, the following developments have necessitated the revision of the 2020 macro-fiscal framework:

- Slowdown in economic activities as a result of the impact of the COVID-19 pandemic, resulting in a downward revision in the growth of real GDP from 6.8% to 0.9% growth;
- Shortfalls in domestic direct and indirect taxes, as well as custom taxes, as a result of the impact of the COVID-19 pandemic, estimated at GH¢4,269 Million (1.1% of GDP);

- Shortfall in petroleum revenue mainly due to decline in crude oil prices (from US\$62.6 per barrel used in the 2020 Budget to US\$39.1 per barrel) as a result of the pandemic, estimated at GH¢5,105 Million (1.3% of GDP);
- Shortfall in Non-Tax Revenue (Non-Oil) estimated at GH¢3,941 Million (1.0% of GDP);
- Increase in expenditure to contain the COVID-19 pandemic estimated at GH¢11,788 Million (3.1% of GDP);
- Reduction in selected programmed expenditures to make room to additional unprogrammed expenditures induced by the impact of the pandemic; and
- Adjustments to both domestic and external financing as part of measures to close the financing gap resulting from the shortfalls in revenue and the increased spending in the wake of the COVID-19 pandemic.

In view of these developments, and consistent with Section 28(2)(d) of Act 921, the 2020 GDP projections as well as the 2020 Fiscal Framework have been revised to take account of the modifications necessary to readjust the public finances.

ATTACHMENT: Please find attached a detailed breakdown of the planned expenditure comprised in the Supplementary Estimates.

5.6 Adjustment in 2020 Appropriation

As a result of the revisions to the 2020 macro-fiscal outlook, the 2020 Appropriation of GH¢98.0 Billion that was approved by this House in December 2019 will not be adequate to cater for the additional programmed needs which will increase the total Appropriation to GH¢109.9 Billion.

It has therefore become necessary that an amount of **GH¢11.9 Billion** be approved as supplementary estimates to the original Appropriation of GH¢98.0 Billion to bring the revised Total Appropriation for the 2020 Financial Year to GH¢109.9 Billion.

5.7 Supplementary Appropriation Bill

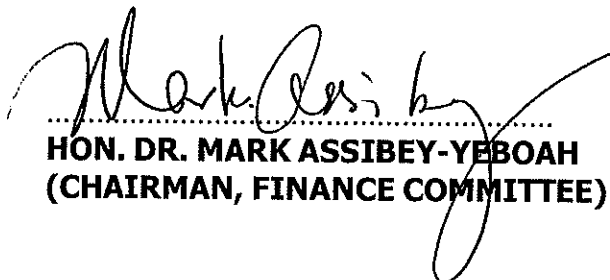
The Committee noted Article 179(9) of the Constitution which provides that *"Where, in the case of a financial year, a supplementary estimate has been approved by Parliament in accordance with clause (8) of this Article, a supplementary Appropriation Bill shall be introduced into Parliament in the financial year next following the financial year to which the estimate relates, providing for the appropriation of the sum so approved for the purposes specified in that estimate."*

In compliance with this constitutional requirement, the Committee recommends to the Ministry of Finance to endeavor to present a Supplementary Appropriation Bill to Parliament next year, providing for the appropriation of the sum of money involved in the instant Supplementary Estimate.

6.0 CONCLUSION

The Committee respectfully recommends to the House to *adopt* this report and *approve* by Resolution, the sum of ***Eleven Billion, Eight Hundred and Ninety-Six Million, Four Hundred and Seventy-Seven Thousand, Five Hundred and Sixty-Six Ghana Cedis (GH¢11,896,477,566)*** as **Supplementary Estimate** for the **2020 Financial Year** for the purpose of meeting expenditure to carry out Government's services in accordance with Article 179(8) of the Constitution.

Respectfully submitted.



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



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

3RD AUGUST, 2020.

SUMMARY OF SUPPLEMENTARY ESTIMATES

S/N	DESCRIPTION	Supp.		Goods &	
		Estimates GH¢ Millions	CoE GH¢ Millions	Services GH¢ Millions	CAPEX GH¢ Million
1	Cost of COVID-19 Preparedness & Response Plan 1 - Implemented by MoH	580	-	580	-
2	Cost of COVID-19 Preparedness & Response Plan 2 - To be implemented by MoH	762	-	510	252
3	Health Infrastructure (Agenda 111): Mobilisation advance for District and Regional Hospitals; Infectious Disease Centres	600	-	240	360
4	Coronavirus Alleviation Package (CAP 1)	1,204	80	1,124	-
5	Coronavirus Alleviation Package (CAP 2)	2,028	-	1,958	70
a.	<i>o/w Relief for payment of Electricity Bills</i>	1,028	-	1,028	-
b.	<i>o/w Market Fumigations etc.</i>	50	-	50	-
c.	<i>o/w Other CAP 2 Programmes (CARES Programme)</i>	950	-	880	70
6	National Development Bank	580	-	-	580
7	Other COVID-19 Related Expenditures	6,142	497	3,743	1,902
7.1	<i>o/w Fumigation and Supply of PPEs to schools</i>	220	-	220	-
7.2	<i>o/w Additional Allocation to Parliamentary Service, EC, NIA and Security</i>	1,756	0	1,079	677
a.	<i>Support to EC</i>	300	-	180	120
b.	<i>Support to NIA</i>	300	-	300	-
c.	<i>Security</i>	1,106	0	599	507
d.	<i>Support to Parliamentary Service</i>	50	-	-	50

Stay Safe: Protect yourself and others.
Observe the COVID-19 Health and Safety Protocols.

3 | Ministry of Finance: Professional, Ethical, Efficient, Responsive – Transforming Ghana Beyond Aid
Insert Presentation Title Here

SUMMARY OF SUPPLEMENTARY ESTIMATES

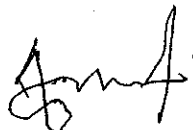
S/N	DESCRIPTION	Supp. Estimates		Goods & Services		CAPEX
		GH¢ Millions	Millions	GH¢ Millions	Millions	
7.3	Payments of Outstanding Claims (Statutory Funds)	1,502	-	1,487	15	
a.	<i>o/w District Assemblies Common Fund</i>	144	-	144	-	
b.	<i>o/w National Health Insurance Fund</i>	335	-	335	-	
c.	<i>o/w Getfund</i>	211	-	211	-	
d.	<i>o/w Road Fund</i>	15	-	-	15	
e.	<i>o/w SSNIT</i>	700	-	700	-	
f.	<i>o/w NPRRA</i>	94	-	94	-	
g.	<i>o/w Energy Fund</i>	3	-	3	-	
7.4	Payments of Outstanding Claims (MDAs)	1,310	-	100	1,210	
a.	<i>o/w Roads</i>	800	-	-	800	
b.	<i>o/w Agriculture</i>	230	-	-	230	
c.	<i>o/w Energy</i>	100	-	-	100	
d.	<i>o/w Works and Housing</i>	80	-	-	80	
e.	<i>o/w Others</i>	100	-	100	-	
7.5	Shortfall in Compensation	497	497	-	-	
8	MDA Allocations and Contingency	857	-	857	-	
a.	<i>o/w General Government Services</i>	370	-	370	-	
b.	<i>o/w Contingency and Net Adjustment</i>	487	-	487	0	
	GRAND TOTAL	11,896	577	8,155	3,164	

Bill gets to Cabinet for onward submission to Parliament for consideration and passage.

7.0 CONCLUSION

In conclusion, the Committee having carefully examined the 2020 Annual Budget estimates of the Ministry of Trade and Industry recommends to the House to adopt its report and approve the sum of **Four Hundred and Sixty-Six Million, Five Hundred and Sixty-Five Thousand, Seven Hundred and Thirty-Eight Ghana Cedis (GH¢466,565,738.00)** for the year ending 31st December, 2020 being budgetary allocation for the Ministry of Trade and Industry to enable it undertake its programmes and activities for the 2020 fiscal year.

Respectfully submitted.



**HON. NANA MARFO AMANIAMPONG
CHAIRMAN, COMMITTEE ON TRADE,
TRADE, INDUSTRY & TOURISM**



**MR. SAMUEL ADDEI CLERK,
COMMITTEE ON TRADE,
INDUSTRY & TOURISM**

DECEMBER, 2019