

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

REPORT OF THE FINANCE COMMITTEE

ON THE

SUPPLEMENTARY ESTIMATES OF GOVERNMENT FOR THE 2016 FINANCIAL YEAR

JULY, 2016

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**REPORT OF THE FINANCE COMMITTEE ON THE
SUPPLEMENTARY ESTIMATES OF GOVERNMENT
FOR THE 2016 FINANCIAL YEAR**

1.0 INTRODUCTION

The review of the Budget and Supplementary Estimates of the Government of Ghana for the 2016 financial year was presented to Parliament by the Hon. Minister for Finance, Mr. Seth Emmanuel Terkper on Monday, 25th July, 2016 in accordance with Article 179 (8) of the Constitution and Order 143 of the Standing Orders of the House. The Rt. Hon. Speaker referred the supplementary estimates of government for the 2016 financial year to the Finance Committee for consideration and report in accordance with Order 169 of the Standing Orders of the House.

Pursuant to the referral, the Committee met with the Hon. Minister for Finance and a team of technical staff from the Ministry of Finance and considered the referral.

The Committee is grateful to the Hon. Minister and the technical team for attending upon it.

2.0 REFERENCES

In examining the referral, the Committee referred to the following additional documents:

1. The 1992 Constitution of the Republic of Ghana;
2. The Standing Orders of the Parliament of Ghana; and
3. The Budget Statement and Economic Policy of the Government of the Republic of Ghana for the 2016 financial year;

3.0 BACKGROUND INFORMATION

The Minister for Finance in presenting the Budget Statement and Economic Policy of the Government of Ghana for the 2016 financial year indicated his preparedness to appear before the House to seek approval for a supplementary budget when the need arises. He further indicated that, the government was monitoring developments in the international market especially regarding commodity prices. Again, the Minister indicated his preparedness to revise either the revenue or expenditure forecast or the scenario underpinning such forecasts in response to commodity price fluctuations. Following the approval of the Budget Statement and Economic Policy of the Government, Ghana's economy has exhibited signs of turnaround and bright prospect as evidenced by a number of achievements. Prominent among these are; narrowing budget deficit, declining debt levels, rapid expansion of infrastructure through prudent fiscal management, stable currency, and bouncing private sector confidence in the economy.

Notwithstanding these achievements, global and domestic developments have affected the assumptions underlying the budget. Prominent among these pressures are:

- i. crude oil prices decline to as low as US\$28 per barrel compared to the US\$53.03 used in the 2016 budget;
- ii. the defect in the FPSO Kwame Nkrumah which affected crude oil and gas production for most part of the first quarter of 2016 making it impossible to produce the number of barrels projected in the budget; and
- iii. increased rebel and terrorist attack that has affected the supply of natural gas through the West Africa Gas Pipeline to Ghana resulting in shortfall in power supply with consequences on economy development.

These developments have affected the country's growth and output, domestic revenue mobilization efforts, as well as general economic activity. They have also undermined the availability of resources for the implementation of key policy decisions outlined in the 2016 budget. These developments necessitated the revision in some of the assumptions underlying the budget and the presentation of a supplementary estimate to review the

economic targets and realign resources to ensure the country maintains its pursuit of growth and macro-economic stability and sustain fiscal discipline for the rest of the year.

In view of these developments, Government is seeking Parliamentary approval to spend an additional GH¢1,888,203,387.00 to meet its expenditure and other obligations for the 2016 financial year.

4.0 JUSTIFICATION FOR THE ESTIMATES

In the face of the challenges enumerated above, it has become necessary to make adjustment to the provisions in the 2016 Budget to accommodate the declining revenue as a result of a fall in crude oil prices, declining domestic revenue due to slowdown in economic activity as a result of power supply shortages;

5.0 2016 MID YEAR REVENUE PERFORMANCE

The Ministry of Finance projected to collect an amount of GH¢11,032.8 million from tax revenue and other non-tax revenues. By 31st May, 2016, the Ministry was able to collect an amount of GH¢10,326.2 million representing 93.6% of the target. The table below shows the revenue performance as at 31st May, 2016

Table 1 : 2016 revenue performance as at 31st May, 2016

SN	Revenue Source	2016 budget (Jan – May) (GH¢M)	2016 Outturn (Jan – May) (GH¢M)	%
1	Income and Property Taxes	4,307.2	3,637.2	84.4
2	Taxes on Domestic Goods and Services	4,928.2	4,969.8	100.8
3	International Trade Taxes	1,797.4	1,719.2	95.7
	Total	11,032.8	10,326.2	93.6

6.0 2016 MID YEAR EXPENDITURE PERFORMANCE

The Country by the end of May 2016 spent an amount of GH¢17,414.6 million as arrears clearance and actual expenditure for the period. An amount of GH¢15,408.0 million representing 88.5% of projected expenditure was actual expenditure incurred for the period. The actual expenditure is in respect of the under listed item in Table 2.

Table 2: 2016 Expenditure Performances as at 31st May, 2016

SN	Expenditure	2016 budget (Jan – May) (GH ¢M)	2016 Outturn (Jan – May) (GH¢M)	%
1	Compensation	5,830.0	5,811.9	99.7
2	Goods and Services	869.1	800.8	92.1
3	Interest Payments	4,180.8	4,014.0	96
4	Grants to other Government Units/Subsidies/Social Benefits	3,778.1	2,894.0	76.6
5	Capital Expenditure	2756.0	1887.3	68.5
	Total	17,414.6	15,408.0	88.5

7.0 2016 SUPPLEMENTARY ESTIMATES

Following the presentation of the 2016 Budget Estimates and Economic Policy of the Government, the Ghanaian economy has experienced some shocks mainly as a result of global and domestic developments that have significantly affected the assumptions underlying the budget thereby casting doubt on the attainment of some of the revenue projections in the budget. These developments has necessitated the need for the Finance

Minister to revise some of the projections in the budget. The revised estimates for the 2016 financial year are as follow:

Table 3: 2016 revised revenue estimates

SN	Revenue Source	2016 Budget (GH¢)	2016 Revised Budget (GH¢)	2016 Supplementary Budget (GH¢)
1	Income and Property Taxes	12,071,992,938	11,358,930,103	(713,062,835)
2	Taxes on Domestic Goods and Services	11,323,878,211	12,116,542,790	792,664,579
3	International Trade Taxes	5,472,581,519	5,653,571,176	180,989,657
4	Social Contributions	352,025,000	352,825,919	800,919
5	Non Tax Revenue	7,209,709,574	6,818,217,965	(391,491,609)
6	Grants	1,607,865,766	1,589,258,687	(18,607,079)
	Total	38,038,053,009	37,889,346,641	(148,706,368)

The projected decline in revenue also necessitated expenditure cuts and reallocated funds to some strategic areas. 2016 expenditure projections were subsequently revised in anticipation of projected decrease in revenue. Summary of the revised expenditure by cost center is presented below:

Table 4: 2016 revised expenditure estimates

SN	Expenditure	2016 Budget (GH¢)	2016 Revised Budget (GH¢)	2016 Supplementary Budget (GH¢)
1	Compensation	14,023,994,590	13,730,924,403	(293,070,187)
2	Goods and Services	2,536,775,747	2,126,866,278	(409,909,469)
3	Interest Payments	10,490,600,361	10,490,266,111	(334,250)
4	Subsidies	50,000,000	50,000,000	0
5	Grants to other Government Units	9,651,420,600	10,489,855,960	838,435,361
6	Social Benefits	75,434,987	75,434,987	0
7	Capital Expenditure	6,676,877,262	6,393,049,439	(283,827,823)
	Total	43,505,103,547	43,356,397,179	(148,706,368)

8.0 OBSERVATIONS

8.1 Constitutional Requirement

The Committee noted that Parliament in December 2015 passed an Appropriation Act which authorizes the Minister of Finance to spend the sum of GH¢43,505,103,547 on various government expenditure for the 2016 financial year. The Ministry of Finance having implemented the approved budget and having regards to the impact of falling commodity prices and the negative impact of irregular power supply on the productive

capacity of the economy, have decided to revise the projected revenue for 2016 financial. In this regard, projected revenue for 2016 was reduced by GH¢148,706,368. The downwards revision of the revenue also correspond with the need to cut expenditure and reallocate funds to finance activities in some strategic sectors of the economy. The Ministry therefore is seeking Parliamentary approval for such a revision and to reallocate expenditure to other sectors. The Committee noted that this request is in accordance with the constitutional requirement under Article 179(8) which states that “*where, in respect of a financial year, it is found that the amount of monies appropriated by the Appropriations Act for any purpose is insufficient or that a need has arisen for expenditure for a purpose for which no sum of monies has been appropriated by that Act, a supplementary estimate showing the sum of money required, shall be laid before Parliament for its approval*”.

8.2 *Appropriation Amount*

The Committee noted that, the Ministry of Finance is seeking Parliamentary approval to spend an amount of *One Billion, Eight Hundred and Eighty-eight Million, Two Hundred and Three Thousand, Three Hundred and Eighty-seven Ghana Cedis (GH¢1,888,203,387.00)* for the 2016 financial year. The Expenditure involves a supplementary allocation of *GH¢1,888,203,387* to be raised mainly from projected increase in Taxes on Domestic Goods and Services and taxes on international trade. The amount will be expended mainly on amortization. The adjusted expenditure is presented in Table 5 below:

Table 5: 2016 Adjusted Expenditure

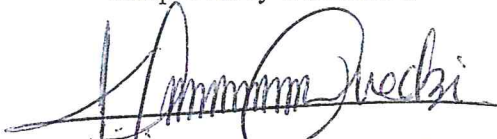
Sn	Expenditure	2016 Budget GH¢	2016 Revised Budget GH¢	2016 Supplementary Budget GH¢
1	Total Expenditure	43,505,103,547	43,356,397,179	(148,706,368)

2	Road Arrears	0	0	0
3	Non Road Arrears	2,313,169,767	2,313,169,767	0
4	Tax Refunds	627,438,420	627,438,420	0
5	Amortization	3,664,140,000	5,701,049,755	2,036,909,755
	Appropriation	50,109,851,734	51,998,055,121	1,888,203,387

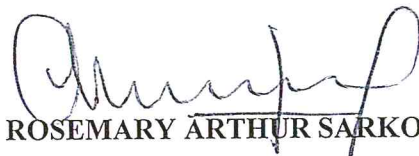
9.0 RECOMMENDATION AND CONCLUSION

The committee having carefully considered the Supplementary Estimates recommends to the House to adopt its report and approve the sum of money not exceeding **One Billion, Eight Hundred and Eighty-eight Million, Two Hundred and Three Thousand, Three Hundred and Eighty-seven Ghana Cedis (GH¢1,888,203,387)** as Supplementary Estimates of Government to be issued from the Consolidated Fund and for withdrawal from other public funds for the purposes of financing government operations during the 2016 financial year.

Respectfully Submitted



HON. JAMES AVEDZI KLUTSE
CHAIRMAN, FINANCE COMMITTEE



ROSEMARY ARTHUR SARKODIE (MRS.)
CLERK, FINANCE COMMITTEE

July, 2016