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GUIDELINES FOR THE 2011-13 BUDGET PREPARATION

**Prepared and Issued by
Ministry of Finance and Economic
Planning**

July 2010

2011 – 2013 Budget Guidelines

1.0 Introduction

The year 2011 will mark a significant landmark in the history of Ghana as the country joins the league of oil producing countries. It is expected that part of the oil revenues accruing to government will be used in providing improved services in all the priority sectors of the economy in line with the Petroleum Revenue Management Law being proposed.

Given the opportunity presented by the inflow of oil revenue, and considering the high expectation of Ghanaians, it is important that all agencies that are provided with government resources (both oil and non oil) to deliver services go through a major reprioritization review process. MDAs must align their budgets with their strategic plans to enable government systematically and incrementally improve the lives of Ghanaians through effective resource allocation process.

Public Financial Management (PFM) reforms will be vigorously pursued to strengthen and enhance the government's ability to utilize these resources efficiently and effectively to support broad governance and development objectives.

These reforms are critical in view of the fact that the current PFM system is not robust enough and has major challenges which makes it difficult to align government priorities with resource allocation. Additionally, the PFM system places undue emphasis on MDA activities and inputs at the expense of performance, results and accountability.

In view of that, Government is embarking on a major budget reform over the medium term to facilitate the effective, efficient and transparent use of these resources in an accountable manner focused on delivering results.

Improved resources allocation processes will therefore mean that MOFEP will continue to require MDAs to fully disclose contract signed, commitments made, arrears accumulated and outstanding payments as part of their budget proposals. These commitments will form the basis for the outer year's budget proposals and will be the first charge on MDAs budget allocations. MDAs will also be required to present their strategies in phasing out the commitments payments.

In that regard, the 2011 budget preparation will incorporate a few new processes to ensure that public funds are used for programmes which have been well thought out and clear planning process that strategies adopted have been well considered and is the optimum option and that value for money has been fully taken account of. This process will also shift emphasis from inputs and activities in budget preparation to results and performance.

This guideline therefore seeks to provide instructions in accordance with the Financial Administration Regulations (FAR) on the processes by which MDAs will have to prepare their budget submissions/proposal, the type of documents to be submitted, the timelines required for the submission of the documents and the process through which these documents should be prepared.

Please note that no ceilings will be provided in this guideline to allow for MDAs to focus on the process of determining their priorities and costing them efficiently. However MDAs are expected to be guided by historical expenditure trends and the ability of the state to fund these programmes and the hard resource constraints that government has to deal with.

All MDAs should also note that, performance in the delivery of their budgets will be a major consideration in the allocation of resources. The Ministry of Finance and Economic Planning is also resolved to enforce the Financial Administration Act and Regulation on budget management and therefore all Government institutions should ensure that all the issues raised in the guidelines are fully adhered to.

2.0 MEDIUM TERM POLICY PRIORITIES –

STABILITY AND SHARED GROWTH FOR A BETTER GHANA (2010–2013)

With the large fiscal imbalances experienced in 2008 and the difficult macroeconomic situation inherited by the current government, the direction of the medium-term national development policy framework is to achieve and sustain macroeconomic stability while placing the economy on a path to higher and shared growth, reducing socio-economic inequalities, ensuring rapid reduction in poverty and achieving the Millennium Development Goals (MDGs).

The expected oil revenues will accentuate medium term stabilization and growth objectives. However government will manage the expectations of Ghanaians and pledges to use initial modest and increasing oil resources judiciously.

The shared growth agenda will be pursued with a renewed sense of urgency aimed at generating employment and improving the standards of living for our people, especially the marginalized and the disadvantaged. Emphasis will be placed on aggressive investment in policies, programmes and projects related to the following:

- Improvement and Sustenance of Macroeconomic Stability;
- Enhancing Competitiveness in Ghana's Private Sector;
- Agricultural Modernization and Natural Resource Management;
- Infrastructure and Human settlement;
- Energy Oil and Gas industry;
- Human Development Productivity Employment ; and
- Transparent, accountable and efficient government.

2.1 Improvement and Sustenance of Macroeconomic Stability

Despite the significant gains in socio-economic development achieved over the past several years, macroeconomic stability has been erratic due largely to an unfavorable global environment and fiscal slippages. Government is committed to addressing the economic imbalances, re-stabilizing the economy and placing it on a path to accelerated and shared growth, including the achievement of the Millennium Development Goals and middle income status.

2.2 Macroeconomic Framework for 2011 and the Medium Term

In 2011, real GDP is expected to grow at 6.5 percent. However, with the expected benefit from the start of oil production and its related linkages and activities, real GDP growth is projected to surge to over 20 percent. The current account deficit is expected to decline to 8 percent to GDP, and international reserve cover is projected to rise to the equivalent of over 3 months of import of goods and services. Over the medium term, the economy is projected to achieve annual growth averaging about 6.5 percent, while inflation is projected to remain in the upper single digit range.

The objective of achieving single digit inflation will also be pursued with prudent monetary and fiscal policies, and the total public debt will be sustained at around 60 percent of GDP in the medium term.

In 2009 and 2010, the Government committed to pursue measures to ensure a reduction in the fiscal deficit. The deficits are expected to fall to 8.0 percent of GDP in 2010. The strong fiscal consolidation process will be pursued in 2011 with the intent to reduce the deficit further to the 3 to 5 percent range over the medium term. This will be achieved on account of improved expenditure management and enhanced revenue mobilization.

2.3 Enhancing Competitiveness in Ghana's Private Sector

The role of the Private Sector in the development of Ghana's economy has been long recognized. It is a role that is now universally accepted even by countries.

Government has decided to develop a Phase II of the Private Sector Development Programme (PSDP) to carry out reforms required to improve the performance of the private sector and also tackle the endemic problems in the Public Sector.

The strategic objectives are:

- to enhance the capacities of the Public Sector and the Private Sector to drive Ghana's growth and development;
- to improve the investment climate, reduce the cost of doing business and improve Ghana's competitiveness;
- to accelerate the modernization of Ghana's infrastructure and make it competitive through Public/Private Partnership; and
- to expand the investment canvas, improve job creation, expand opportunities for the poor and promote widespread prosperity.

2.4 Agricultural Modernization and Natural resource Management

Currently, Ghana's agricultural profile is characterized by subsistence small holder production units with weak linkages between agriculture, industry and other related infrastructure and services sectors. The sector, as a result, is characterized by low productivity and non competitiveness in production, processing and distribution.

The policy will support commercial agriculture through the introduction of appropriate and improved technologies. The main focus of agricultural development policy over the medium term will be the use of science, technology and innovations to accelerate modernization of agriculture to enhance its efficiency for food security and emergency

preparedness, employment generation (especially for the youth); increased export earnings, strengthen its linkages with agro- industrial development through the provision of agricultural raw materials for value addition and rural development. This will be complemented by an effective natural resource management and environmental governance regime.

2.5 Infrastructure and Human settlement

The critical role of infrastructure in propelling economic growth and sustainable poverty reduction has become more crucial as Ghana aspires to move to become a middle income country. Accordingly, this thematic area seeks to expand existing production infrastructure and ensure that services provided are efficient, reliable and affordable.

The key focus areas of policy are: human settlements development; water, environmental sanitation and hygiene; transport infrastructure; science, technology and innovation and information and communication technology development.

2.6 Human Settlements Development

The overall goal is to ensure that all organized human activity within our cities, towns and villages is undertaken in a planned and spatially determined manner in order to bring about equity and enhance socio-economic development.

2.7 Policy objectives; Spatial /Land Use Planning and Management

The following policy objectives will be pursued in the medium term: promote sustainable, spatially integrated and orderly development of human settlements to support socio-economic development; revise the spatial/land use planning system in Ghana;

Strategies identified include: formulate Human Settlements Policy to guide settlements development; promote a balanced re-distribution of population and a spatially integrated hierarchy of settlements.

2.8 Urban Development and Management

The following policy objectives will be pursued: facilitate completion of comprehensive urban development policy; promote integrated urban planning; promote urban infrastructure development; accelerate provision of basic services; and promote private sector participation in disaster management.

The strategies to be adopted include: guide relevant MMDAs and the private sector to incorporate urban issues in their policies, strategies and work plans; ensure street naming and property addressing system in urban areas; ensure that urban spatial planning plays a critical role in urban management.

2.9 Housing/Shelter

The policy objectives: increase access to safe and affordable shelter; provide relevant opportunities for enhanced participation of the private sector; improve institutional and legal frameworks; sensitize the public about the qualities of local building materials and promote its use; facilitate sustainable land development; improve and accelerate housing delivery in the rural areas and develop a viable and accessible housing finance system.

Strategies: Promote the manufacture and use of local building materials and appropriate technologies in housing; ensure the enforcement of standards for architectural designs and building codes; establish a legal framework to support the construction of condominiums;

Review and implement existing rural housing policy; foster the growth of settlements which can support the rural economy and transformation; promote self-help building schemes organized along communal themes, co operative societies, and crop and trade associations.

2.10 Water, Environmental Sanitation and Hygiene

Policy objectives: i) accelerate the provision of safe water and adequate sanitation facilities; ii) Improve environmental sanitation; iii) ensure proper management of water resources, the implementation of health education program as a component of all sanitation programmes and sustainable financing of environmental sanitation services. Strategies will include:

- Development of District Water and Sanitation Plan (DWSP) and its corresponding Strategic Investment Plans (SIP); strengthen public-private and NGO partnerships in water provision as well as improve community owned and managed water supply systems;
- Implementation of a water policy; Initiate river catchments protection; Prepare a comprehensive Coastal Zone Management Strategy; Set up mechanisms and measures to support, encourage and promote rainwater harvesting; and
- Promotion , construction and use of appropriate and affordable domestic latrines; Integrate hygiene education into water and sanitation delivery; Support public private- partnership in solid waste management and Promote cost-effective and innovative technologies for waste management.

2.11 Transportation: Road, Railways, Maritime and Riverine

2.11.1 Roads and Highways

Policy objectives: prioritize the maintenance of existing road infrastructure; improve accessibility, production and tourism, identifying strategic areas of development and necessary expansion and Concession options for investment in transport infrastructure and services (single and multimodal options); increase charges and penalties on road users in line with the damage done and benefit derived by users; build capacity of local contractors and consultants and ensure their proper classification and use, and develop the institutional and regulatory arrangements for ensuring the most effective and efficient movement of freight and passengers, to and within Ghana.

2.11.2 Railway Network

Existing modern railway system will be rehabilitated in some cases and totally re-built in others, modernized and expanded to support the new oil and gas industry and to ease pressure and congestion on roads and highways.

2.11.3 Aviation

The main focus of aviation infrastructure is to modernize airports other than Accra to enable them play their respective roles in meeting the demand for domestic flights.

The facilities at the Kotoka International Airport will be sustained and progressively improved to make Accra a West African hub and gateway that will lead to growth in

exports and tourism. Domestic air services will be encouraged through tax incentives for locally based airlines. In terms of strategies, attention will be given to ensure that Ghana sustains international safety and security standards at KIA and other airports and ensure compliance with latest global standards to avoid exclusion from key international markets.

2.12 Science, Technology and Innovation to Support Productivity and Development

The Government has prioritized science, technology and innovation as a principal vehicle to drive Ghana's development agenda to achieve middle income status. The medium-term policy objectives are to: promote the application of Science, Technology and Innovation in all sectors of the economy; and strengthen the appropriate institutional framework to promote the development of science and technology research. Strategies will include the

- diffusion and transfer of technology promote the establishment of national science and
- technology theme parks;
- promotion and establishment of national systems of innovation to address the technology development cycle;
- Establishment of science and technology fund to support research activities in our universities and research institutions; provide support for businesses to adopt research and development as critical components of production.

2.13 Information and Communication Technology Development

Key policy objectives: promote rapid development of the national ICT infrastructure; strengthen the institutional and regulatory framework for managing the ICT sector; promote the use of ICT in all sectors of the economy; and facilitate the provision of quality meteorological data and forecast in support of weather sensitive sectors of the economy.

Strategies: provide affordable equipment/accessories to encourage the mass use of ICT; ensure that the broadband high speed internet connectivity is available in every district to increase adequate coverage of ICT infrastructure.

2.14 Energy, Oil and Gas Industry

The role of energy and its related services in facilitating the socio-economic development of Ghana cannot be over emphasized. The recent discovery of oil and gas has also heightened expectations regarding remarkable improvement in national development.

Accordingly, this thematic area, Energy Oil and Gas, seeks to explore the synergies between the energy, oil and gas sectors and the rest of the economy. In this direction, the Energy Sector would ensure secure and reliable supply of high quality energy services for all sectors of the Ghanaian economy and to become a net exporter of oil and power by 2012 and 2015, respectively.

The thematic area is divided into two sections; (1) Oil and Gas and (2) Power. The key focus areas of the Oil and Gas sub-sector are Employment Creation, Protecting the Environment,

Revenue Management, Diversity of the Economy, Capacity Development, Increasing access to Petroleum Products and Petroleum Pricing.

The Power sub-sector on the other hand highlights Electricity/Thermal Energy and Renewable Energy which includes Hydro, Biomass, Wind and Solar. Other focus areas include waste-to-energy, other sources of energy and nuclear, energy efficiency and conservation, transportation, energy and environment, energy and gender, regulatory environment, mobilization of investment for energy sector development, and building human resource capacity and Research and Development.

2.15 Human Development, Productivity and Employment

Human development, productivity and employment are central to the development of the Country. They constitute one of the thematic areas of the national development policy framework aiming at creating an enabling environment for developing the full potential of a healthy, highly skilled and knowledgeable population, capable of creating wealth for national transformation and poverty reduction.

The thematic area focuses on education, youth development, sports development, human resource development and health including HIV/ AIDS. Others are population

management, migration for development, productivity, employment, social protection, poverty reduction and income inequality.

2.16 Education

Education in Ghana is faced with several challenges such as inadequate access to and participation in quality education, long length and high cost of education at all levels. High dropout rates, poor management and delivery of education services and inadequate transparency and accountability in education management system, high adult illiteracy, low supervision, inadequate infrastructure and limited ICT skills and knowledge at all levels

Priority policy interventions have been identified to address the concerns of the whole education sector comprising Pre-school Education, Primary and Junior High School, Second Cycle Education, Technical and Vocational Education, Tertiary Education and Non Formal Education to achieve structural poverty reduction, and facilitate the attainment of the goals of Education For All (EFA), Millennium Development Goals (MDGs) and attaining middle income status.

2.17 Transparent and Accountable Governance

The broad goal of transparent and accountable governance is to empower state and non-state bodies to participate in the national development process and to collaborate effectively to achieve the national development goals and objectives. The collaborative process is to ensure that political, economic and administrative authority is exercised in a manner that ensures that public resources are managed efficiently and with integrity in response to the problems and critical needs of the people.

3.0 Government Priorities for 2011 Budget

In 2011, in line with the Medium term Strategic Framework, Government will focus on four key sectors of the economy to ensure that the necessary interventions are pursued vigorously to make the necessary and significant impact with regard to service delivery. The sectors are:

- Energy - Oil management issues
- Provision of water in deprived communities

- Completion of schools under trees
- Completion of selected ongoing strategic projects in roads, housing and energy

3.1 Energy- Oil Management issues

The potential impact of the oil and gas revenues could be a major force in propelling Ghana to achieving its vision of a middle income status by 2020. The broad policy thrust for 2011 will be to increase access of households and industries to a reliable energy supply. Additionally, the oil and gas industry will be developed with optimal local content and participation to ensure an effective synergy between the oil and gas sector and the rest of the economy. Efforts will also be made to minimize the over concentration of the oil and gas sector to the disadvantage of other sectors of the economy.

3.2 Provision of water in deprived communities

The major policy intervention for 2011 under rural water will be the provision of water in rural areas to address the inadequate supply especially in guinea worm endemic areas and deprived communities. Government will ensure through significant investment that selected communities will have an improved water system to reduce the incidence of water related health issues, enhance school attendance and reduce women's workload due to improved access. Additionally, community owned and managed water supply systems will be improved and public-private and NGO partnership in water provision in rural communities strengthened.

3.3 Completion of removal Schools under Trees programme

In 2010 government resolved to provide school faculties government as part of efforts to eliminate schools under tree. In 2011 this programme will be completed to ensure that children in Ghana who do have to attend school under trees have adequate school facilities for effective learning and teaching.

3.4 Completion of selected ongoing projects in Roads, Housing and Energy

Government has noted with concern the unacceptable high number of uncompleted projects scattered all over the country. These projects, for which huge sums of scarce

public resources have been used to start, are at various stages of completion and in some cases for so many years. Thus in spite of the resources spent on these projects they are still of no benefit to government. In connection with that, government in 2011 will take appropriate measures to review all existing uncompleted projects and reprioritize and develop a phased approach for their completion to enable government institutions utilize the facilities for improved service delivery.

4.0 Budget Management

Over the past few years, there have been major challenges with the budget management and these have affected the delivery of essential services for the people of Ghana. Indeed evidence from internal review processes, confirmed by numerous studies of our budget management system has revealed the following:

- Misalignment of sector plans with budgets;
- Over commitment by MDAs in terms of award of contracts when there is no budgetary provision;
- The award of contracts without seeking commencement certificates and therefore overexposure of governments;
- Non preparation and submission of implementation and procurement plans;
- Undisclosed commitments which have to be paid during the fiscal year; and
- Unplanned P.E. payments.

The effect of these is that the government is unable to implement the programmes which are outlined in the budget and this therefore affects in the delivery of essential services. We wish to note that these off budget expenditures lead to the non implementation of government priorities as outlined in the budget, shifting of funds from one sector to the others and therefore government inability to accomplish its set objectives.

Even when some programmes are implemented there are clear misalignment between the budgets and the outturn.

The above observations also reveal an inherent weakness in the budget preparation process and the non adherence to planning and budget guidelines which requires that all priorities should be properly planned for and incorporated in the budget. Off budget expenditure is an evidence of lack of proper planning and a well thought out budget process to develop strategies.

5.0 Introduction of reforms

To address these weaknesses in the budget management systems, government intends to introduce reform measures over the medium term. These will include the implementation of the programme based budgeting which will seek to shift emphasis from inputs and activities to a more performance oriented and results based budget system.

Over the medium to long term, these reforms will also effectively decentralize and introduce flexibility in budget implementation. Additionally, the reforms will strengthen accountability systems by establishing strong monitoring systems to ensure that resources are not only used for prioritized programmes but government get value for money.

5.1 Programme- Based Budgeting

The Ministry as part of efforts to improve the entire public financial management system to deliver results in a more efficient, effective and transparent manner is planning on introducing programme based budgeting over the next five years. It has been observed that the current budgeting process is too detailed, too tedious, cumbersome and does not lend itself easily to performance measurement due to the over emphasis on inputs and activities. Thus this specific budget reform is expected to introduce a performance orientation, flexibility and improved resource allocation into the budget system.

Programme budgeting refers to the allocation of funds to programmes which funds priority objectives across government notwithstanding its organizational location.

Programme budgeting is thus a system of budgeting that presents the purpose and objectives for which funds are required, the costs of programs and associated costs proposed for achieving those objectives and the outputs to be produced or services to be rendered under each programme.

As part of the process toward the introduction of the budget reforms, a project document will be prepared, setting out clear timelines for the roll out of the programme. In the preparation of the 2011 Budget, two MDAs will be supported to pilot the proposed budget approach.

5.2 Ghana Integrated Financial Management Information Systems (GIFMIS)

The Government of Ghana has embarked on a major financial management reform under the integrated financial Management Information System (GIFMIS). The major focus of the GIFMIS is the upgrading and fresh installation, set-up of the financial accounting and management system for the accounting ,control, audit, and reporting of the national budget. The GIFMIS has 3phases of implementation and will be fully rolled out to all MDAs by the third phase. When completed this reform is expected to lead to efficiency and effectiveness in budget execution and reporting or the purpose for which they are budgeted for but also ensure effectiveness and efficiency.

5.3 New Harmonized Charts of Accounts

MDAs are to note that the harmonized Chart of Accounts which was used last year, should be used for the preparation of the 2011 budget

6.0 Preparation of the 2011 budget proposals

The 2011 budget preparation process starts in July, 2010 with the issuance of this budget guideline and end in mid November, 2010 when the Hon. Minister of Finance and Economic Planning present the Budget Statement to Parliament for approval. In line with this timeframe, MDAs are kindly requested to take note of the budget calendar and the deadlines indicated to ensure that we the budget statement and estimates are prepared on time.

6.1 STRATEGIC PLANS

Sectors were supported by the National Development Planning Commission (NDPC) to prepare their respective Sector Medium-Term Development Plans covering the period 2010-2013 under the Draft Medium-Term Development Policy Framework (2010-2013). Sector MDAs are therefore requested to review their development plans for 2010-2012 to reflect the priorities of the current Medium-Term Development Policy Framework (Ghana Shared Growth and Development Agenda (GSDA, 2010-2013). The strategic plans for 2011-2013 should therefore consist of Annual Action Plans for 2011-2013 of the Sector Medium-Term Development Plans with the rolled over of relevant programmes from 2010 being the top priorities for 2011. MDAs are reminded that that

in prioritizing their policies, programmes and projects, cross-cutting issues such as gender, HIV and AIDS, environment etc should be considered as key priorities.

MDAs without strategic plans are once again requested to contact the NDPC.

6.2 Budgeting for Commitments and Arrears

It has been observed that MDAs do not adequately budget for their commitments on current/ongoing projects especially infrastructure development and other investment projects. There have also been cases where MDAs have embarked on projects for which no provisions have been made for in their budget. These invariably affect the effective implementation of the budget during the year.

To ensure improved budget implementation, all MDAs are required to budget fully for all outstanding commitments, including payment of arrears for ongoing projects as well as new projects.

6.3 Preparation of Budget Documents

Specifically in the 2011 budget the MDAs will be required to prepare/ review and provide the following documents for consideration.

- Fully costed Medium Term Strategic Plan – 2011 – 2013 which will have taken account of all government priorities in the sectors and in line with the National Medium Term Strategic Framework
- Detailed budget proposal for 2011- 2013 derived from MDA strategic plans
- Detailed reports of all contracts (see attached templates)
- Detailed reports on all commitments (see attached templates)

6.4 Budget Committees

In preparing these documents MDAs are to ensure that the budget committees are fully constituted and that the heads of the major cost centres are part of the process of determining the priorities in accordance with the Financial Administration Regulations. They should also review their strategic plans to ensure that all priority programmes are fully captured and that the plans takes full account of the strategies to be adopted to achieve their objectives and that the strategies are well costed. Please note that minutes from their meetings will form part of the budget submissions.

6.5 Personnel Emoluments (Item 1)

Given the large percentage of the discretionary spending taken by personnel emoluments, only salary levels approved by the government should be used by all MDAs in determining personnel costs for 2011. The carry-through costs of salary adjustments in the current year should also be provided for in the 2011 budget.

- MDAs are to note that for the 2011 budget, financial clearance will only be provided for the replacement of existing staff. Only the Ministry of Health (Nurses and Doctors) and Education (Teachers) will be granted financial clearance for the recruitment of new staff.
- The Ministry of Health and Education are required to obtain the appropriate establishment and financial clearance before recruiting new staff.
- No increase in salaries and allowances can be provided for without the approval of the Ministry of Finance and Economic Planning (MOFEP).

In order to estimate accurately the staff strength and expenditure requirement for personnel emoluments, MDAs are requested to fill Annexure-2a detailing staff strength on monthly basis up to June 2010, and projected figures for July to December 2010. The completion of this form is mandatory for all MDAs.

6.6 Administration Expenses (Item 2)

The detailed sub-items under this expenditure have been indicated in the Chart of Expenditure Item Classification attached as Annex 3 and this should be adhered to by all MDAs, where applicable.

6.7 Allowances

This directive is binding on all MDAs, including sub-vented agencies. In this regard, MDAs are required to fill Annex2b indicating Projected Personnel Emolument for 2011 and MTEF and Personnel Emolument-related allowances.

6.8 Payment of Utilities

All MDAs are expected to budget adequately for the payment of utilities especially in the case of electricity and water energy as no budgetary allocation will be made for centralized payment.

6.9 Subscription Payments/Contributions

MDAs are to make sure that adequate provision in their budget proposals and MTEF to cater for their international subscription payments/contributions and all other international financial commitments.

6.10 Service and Investment Expenses (Items 3 & 4)

In an effort to improve on the allocative efficiency of the budget, the budget proposals to be submitted for the budget discussion should address specific issues. In preparing their budget proposals MDAs should separate existing projects and programmes from new ones and take note of the following key issues under the various items

- What type of request is this is it service oriented or investment oriented?
- What is the strategic significance?
- Has the existing project or programme been evaluated?
- How effective is the solution and are there other options?
- Do you have the detailed costing?
- What problems will this help solve?
- Will it lead to improved and expanded services to be delivered?
- Has the Implementation plan be drawn up.
- Any other information

6.11 Foreign travels

Foreign travel costs should continue to be provided for under service expenses (Item 3). Foreign travel expenses can only be utilized after approval has been sought from the Chief of Staff.

6.12 Letters of Credit

It has been observed that some MDAs request for the issuance of Letters of Credit and Promissory Notes without the necessary budgetary provision to back them when they mature. To avoid delayed payments and ensure effective budget implementation, all Letters of Credit and Promissory Notes whose maturity go beyond the 2010 fiscal year should be provided for adequately since there will be no extra funds to cover those claims.

6.13 Consultancy fees

MDAs are reminded to budget for consultancy claims, including services rendered by the Architectural and Engineering Services Limited (AESL). MDAs are informed that no funds will be set aside under MOFEP Budget for the payment for such services.

6.14 Import duties

MDAs should continue to budget for the payment of all custom duties, VAT and other fees and charges on all expected imports, local purchases and contracts. MDAs are to take note that the cost of goods cleared on permit will be debited against their budgets.

6.15 Retention claims

All MDAs are advised to cater for retention claims in their budgets.

6.16 Exchange rate

To have a uniform base for MDA estimates, especially the portions that are exchange rate related, all MDAs should employ the inter-bank exchange rate of GH¢. All MDAs are to use the current foreign exchange rate of 1 US Dollar to 1.43 Ghana Cedis.

6.17 Investment Proposals

Government is deeply concerned about the sheer number of infrastructure projects being undertaken by MDAs which are at various stages of completion. Some of these which has been ongoing for over ten years projects were not carefully considered in terms of cost implications and timelines. This has affected budget preparation and management as indications are that it would require huge sums of money to complete these projects with its resultant cost variations.

Unfortunately new projects are being undertaken without the requisite assessment which further compounds government ability to fund these projects on timely basis. In connection with that the Ministry of Finance and Economic Planning has started an exercise to rationalize the process of implementing infrastructure projects in the country. In connection with that for MDAs who are implementing infrastructure projects MDAs are therefore requested to respond to the following questions;

6.18 Continuing /Ongoing Projects

For continuing projects, MDAs should consider the following in preparing their budget proposal and request.

- Name of project
- Status of project
- What type of project is it? (Office building, schools etc.)
- Contract sum
- Name of contractor
- Name of Signatory of MDA
- Source of funding
- Contract period
- Percentage of work done?
- Total amount spent so far?
- Cost variations made so far?
- Has there been any variation and if so how much?
- Relative progress against planned time and funding?
- Recurrent cost implications (e.g. office furniture computers etc)
- What percentage of your budget is being used for the project

All MDAs should submit a detailed implementation plan and cash plan for their budget proposals. (See attached template) Please note that all priority projects should be budgeted for and that government will not make any disbursement outside the budget which will be appropriated by the Parliament.

6.19 New Projects

- What type of project is this (road construction, school, hospital, office block, resident facility etc)
- For what purpose is the project being undertaken?
- Is it consistent with government priorities? Has it been mentioned in any policy document and which one (e.g. President sessional address, budget statement or national strategic plan)
- Has a feasibility study been conducted?
- Has any economic appraisal been conducted?
- What is the risk to the project?
- What is the total cost of the project?
- What are the sources of funding?
- What is the project period?
- Has the contract been awarded?
- Was there political involvement?
- Who are the expected beneficiaries?
- How will the project improve on service delivery?

- Has a work/cash flow plan programme been developed?
- Will it generate any jobs?
- How much funding has been identified or committed?
- What are the sources and how secure are they?
- What are the recurrent cost (e.g. if it's a school ; teachers, furniture etc) of the budget submission
- Has the implementation plan been completed (procurement plan Cash flow requirement by month)

6.20 Judgment Debt and contractual obligations

In view of the many judgment against government based on bad contract signed which derails budget implementation, it is requested that all MDAs should seek legal advice from the Attorney General's office before entering into any contractual obligation. The Ministry will also sanction any ministry whose action or inaction creates these bad judgments by charging the judgment against their budget.

With award of contracts it has been observed that some contracts are awarded without any budgetary allocations and this puts pressure on the already overstretched budget.

6.21 Bank charges

MDAs are reminded to include in their budget the percentage of bank charges that is associated with transfer of foreign currency and to ensure that these charges are also included in all requests for transfer of foreign currency.

6.22 Negotiation of Loans

MOFEP has noted with great concern that some MDAs negotiate with NBFIs for short term loans and advances without prior knowledge of MOFEP and recourse to parliament, thus breaching the constitutional provision on sourcing for loans. In addition, such acts lead to undue pressure on MOFEP to repay such loans.

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6.23 Compensation payments

MDAs should budget for compensations claims that are due for payments within the fiscal year. MDAs should not assume that because of its size it cannot be accommodated under the ceilings and therefore not provide any budget for it.

6.24 International Commitments

MDAs should budget for the activities that will lead to the attainment of targets and triggers defined in the Multi Donor Budget Support PRSC/MDBS matrices. In addition, where MDAs have signed development credit agreements requiring allocation or utilization of agreed levels of Government of Ghana (GOG) expenditures, these should be appropriately budgeted for as part of Items 3 or 4.

7.0 Tax Revenue

All revenue Agencies are to ensure that they prepare their estimates including the targets set for the medium term for the revenue hearings. Please note that for the 2011 budget discussion, there will be a comprehensive hearing to be facilitated by the Policy Analysis Division and this will form part of the broader budget discussions.

7.1 Revenue

For comprehensiveness of budget preparation and effective budget execution all sources of government revenues (e.g. Mineral development fund) should be included in the preparation of budget proposals.

7.2 Revenue Enhancement Measures/Activities

MDAs should detail out measures and activities to be implemented in 2011 to increase revenue generation and improve collection, accounting and reporting. This should include measures to eliminate revenue leakages.

7.3 Non-Tax Revenue Estimates

All MDAs that subsist on the budget and generate Non-Tax Revenue/Internally Generated Funds (NTR/IGFs) will be required to prepare and submit revenue budgets for 2011 - 2013 as follows:

- Project total NTR/IGFs to be collected in 2011 broken down on a monthly basis by category and type of Revenue.
- Projected revenue must be classified into amount allowed under **Explicit Legislative Authorisation** to be **retained** by MDA and amount to be **lodged** into the Consolidated Fund.
- Formats for the presentation of the revenue estimates and guidelines for revenue projections are attached as tables 1 and 2.

7.4 Budgeting for Expenditure to be incurred out of Retained IGFs.

MDAs are reminded that all expenditures to be incurred out of retained IGFs must be budgeted for as part of the expenditure estimates detailing the objectives, outputs and activities to be implemented. The breakdown of the expenditure into items must also be provided.

7.5 Modalities for Retention/Utilisation of IGFs

MOFEP is currently working on modalities and guidelines for the retention and utilisation of IGFs. This will disseminated to facilitate finalisation of MDAs revenue/expenditure budgets for 2011.

7.6 Proposals for the Review of Rates

MDAs are required to submit proposals for the review of rates, fees and charges collected for goods/services rendered to the public as part of their submissions.

7.7 Disaggregation of MDA Estimates

All MDAs that have offices at the regional and district levels must create Regional and District Cost Centers and budget for them. MDAs that are required to disaggregate their budgets have been listed in Annex 4. All MDAs referred to in Annex 2 should therefore ensure that their budgets are disaggregated to facilitate smooth preparation and implementation. This would be a requirement for the 2011 draft estimates submission.

8.0 Work Plans, Procurement Plans and Cash Flow Forecasts

MDAs are reminded to submit their Work Plans, Procurement Plans and Cash Flow forecasts which should be fairly distributed and not skewed towards any quarter except

those MDAs whose functions are seasonal. These drafts Work, Procurement and Cash Plans must accompany the strategic plans and draft estimates.

8.1 Budget Committees

In the previous Budget Guidelines, MDAs were required to submit reports on stakeholders meetings of the Budget Committees to the Budget Hearings as evidence of well functioning Budget Committees. All MDAs are being reminded to submit these reports to the 2011 Budget Hearings.

9.0 Submission of Estimates

In line with article 179 (1) of the 1992 constitution, the 2011 and MTEF draft Estimates will be submitted to Parliament by 30th November, 2010. MDAs will be expected to take note of the timeline in the budget calendar which is attached.

Colleague Ministers and all Heads of Government institutions are to ensure that the contents of these Guidelines are strictly adhered to and all issues therein are addressed in their draft Budget Proposals. Ceilings for the various items will be provided later and all MDAs will then be required to allocate their resources in accordance with their prioritized activities and outputs.

I count on your co-operation and entreat all Chief Directors to take charge of the preparation of 2011 –2013 Draft Estimates and ensure early submission.

HON. DR. KWABENA DUFFUOR
MINISTER OF FINANCE AND ECONOMIC
PLANNING

ALL SECTOR MINISTERS
ALL REGIONAL MINISTERS
ALL DISTRICT CHIEF EXECUTIVES

Cc: His Excellency, The President
The Chief of Staff

The Chairman, NDPC
The Hon. Deputy Ministers, MOFEP
The Head of the Civil Service
The Auditor-General
The Controller & Acct.-General
All Chief Directors/Directors (1)
All Heads of Depts./ Agencies
All Regional Co-ord. Directors
All Reg. Budget Officers
All Reg. Econ. Plan. Officers
All Dist. Co-ord. Directors