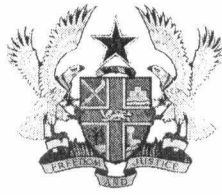


*In case of reply the number and date of this letter should be quoted*

Our Ref. **MOF/PFM/04/17**  
Your Ref. No.



REPUBLIC OF GHANA

**MINISTRY OF FINANCE**  
**P. O. BOX MB 40**  
**ACCRA**

9<sup>th</sup> May, 2017

ALL HONOURABLE MINISTERS  
MINISTRIES/DEPARTMENTS/AGENCIES

### **2017 BUDGET IMPLEMENTATION INSTRUCTIONS**

Following the passage of the Appropriation Act, 2017, (Act 945) by Parliament, the Ministry has issued the Budget Implementation Instructions in accordance with the PFM Act 921 to guide all Ministers (Principal Account holders) and Chief Directors (Principal spending officers) in the implementation of the budget.

2. The Instructions provide information on the procedures for the expenditures in relation to Compensation of Employees, Goods and Services and Capital Expenditures.

3. In line with the provisions in the new PFM law, colleague Ministers are kindly requested to note especially the following;

a. **Compensation**

The policy of Net recruitments is still in place for all MDAs except Education and Health Ministries.

b. **Capital expenditure**

In accordance with section 33 of the PFMA, all multi-year contracts for any project must first seek clearance with the Ministry of Finance to ascertain fiscal space and available funding for outer year commitments. This is to avoid over commitments, delayed payments of projects and arrears build-up.

c. **Issue of Purchase Order under the PFMA 921**

It is an offence to issue any purchase order outside the GIFMIS system or any other electronic platform in use by Government.

d. **Externally Financed Projects**

In view of our debt levels, there is limited space for external financing of the budget. However, other areas can be explored for infrastructure financing that will not directly impact on the public debt levels. This includes the use of

Public Private Partnership (PPP), Build Operate Transfer (BOT) and other interventions. However, Government is currently not in a position to provide any form of financial support including guarantees. In this regard, MDAs are to ensure that all PPP arrangements initiated are commercially and financially viable and will not require Government financial support.

e. **Internally Generated Funds**

That the new earmarked law is in force and therefore the provisions on the IGFs will be implemented.

f. **Reporting**

Chief Directors are required to provide quarterly reports of budget implementation to the ministry for onward submission to Parliament in accordance with Section 30 subsection 3.

g. All State Owned Enterprises, are required by section 93(1) of the PFMA to submit a 921 Financial Plan for the year through the Sector Minister to the Ministry of Finance.

4. The detailed instructions are attached for the attention of all public officials especially Chief Directors, Heads of Institutions, Directors PPME and Directors of Budget and Finance.

5. For clarifications and further explanations please call the following numbers 0501290134, 050407947, 0202030359, 0244811257.

6. Thank you.



**KEN OFORI-ATTA**  
MINISTER

Cc: The Executive Secretary to H.E  
The President, Jubilee House  
The Chief of Staff, Jubilee House  
The Hon. Deputy Ministers, MOF  
The Head of Civil Service  
All Chief Directors, MMDAs  
The Head of Local Govt Service  
The Director of Budget, MOF  
The Controller & Acct. General  
The Auditor-General  
All Heads of Departments/Agencies  
All Regional Coordinating Directors  
All Directors of PPME  
All Regional Budget Officers



**REPUBLIC OF GHANA**

## **2017 BUDGET IMPLEMENTATION INSTRUCTIONS**

**MINISTRY OF FINANCE, 2017**

# 2017 BUDGET IMPLEMENTATION INSTRUCTIONS

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# 2017 BUDGET IMPLEMENTATION INSTRUCTIONS

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## 1.0 INTRODUCTION

The 2017 Budget Statement and Economic Policy of Government was presented to the Parliament of Ghana on 2<sup>nd</sup> March 2017. After Parliamentary debate, the Appropriation was passed into law by the enactment of Appropriation Act, 2017 (Act 945) and given Presidential assent on 31<sup>st</sup> March 2017.

The Public Financial Management Act, 2016 (Act 921) (the 'PFM Act') requires that roles and responsibilities for implementation of Fiscal Policy should be clearly established and defined in order to ensure positive outcomes in implementation. In addition, Regulation 149 of the Financial Administration Regulations, 2004 (L.I. 1802) requires the Minister for Finance to oversee the implementation of the national budget. The Minister for Finance, therefore, hereby issues, for compliance by all Ministries, Departments and Agencies (MDAs), this Budget Implementation Instructions ("Instructions"), for the 2017 financial year.

In 2017, the Budget will be implemented within the context of an IMF programme that is centred on fiscal consolidation and debt sustainability. Another critical component of the programme, is a requirement of zero financing from the Bank of Ghana to Government, as part of a monetary policy under an inflation targeting regime. These restrictions impose significant constraints in the implementation of planned programmes and operations in the Budget. To ensure that Government meets programme objectives, as well as, its fiscal and economic targets, it is essential that all MDAs/SOEs strictly comply with all aspects of these Instructions and prioritize their programmes accordingly.

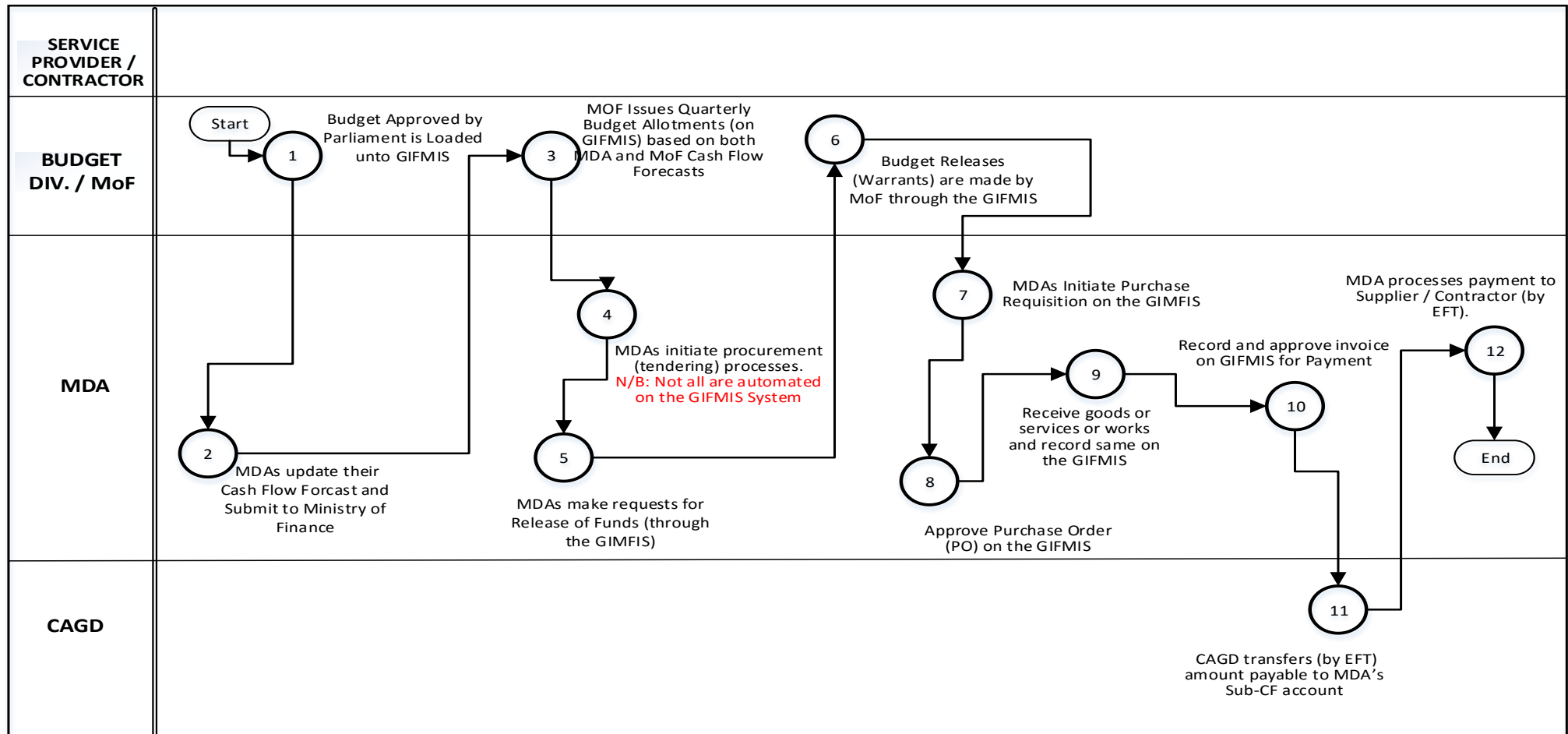
These instructions apply to all the funding sources, including Government of Ghana (GOG) Funds, Development Partner (DP) Funds, and Internally Generated Funds (IGF).

**MDAs are to note that it is imperative that they comply strictly with these Instructions in order to enable expeditious processing of release of funds for budgeted purpose. Failure to comply fully with these Instructions will result in delays of releases, and in some cases, may result in denial of releases.**

The budget execution pathway indicating the business process for Goods and Services as well as Capex on GIFMIS is shown on Figures 1 and 2.

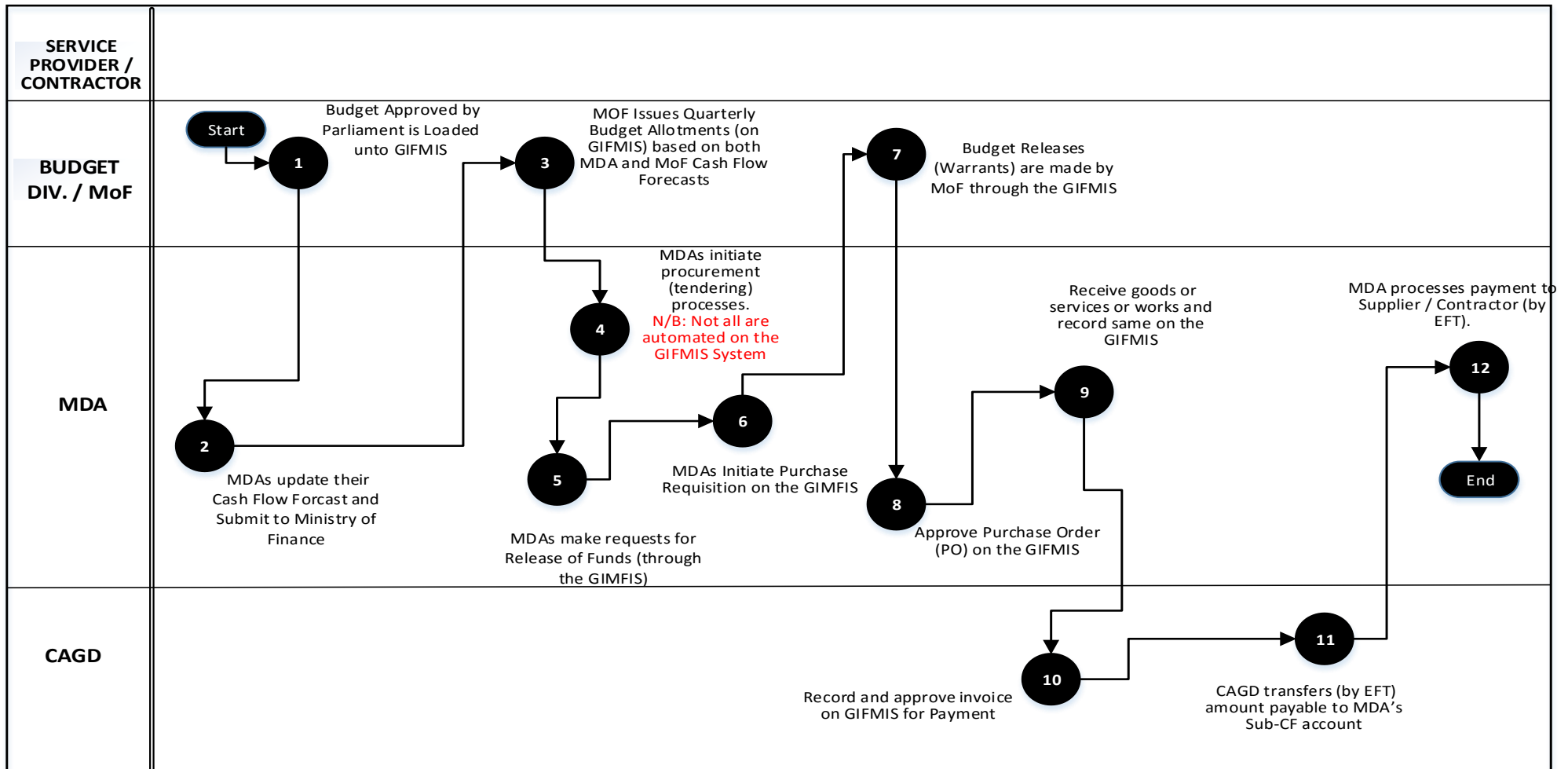
# 2017 BUDGET IMPLEMENTATION INSTRUCTIONS

**Figure 1: BUDGET EXECUTION PATHWAY (GOODS and SERVICES)**  
(Understanding the Business Process for **Goods and Services** on GIFMIS)



## 2017 BUDGET IMPLEMENTATION INSTRUCTIONS

**Figure 2: BUDGET EXECUTION PATHWAY (CAPEX)**  
(Understanding the Business Process for **CAPEX** on GIFMIS)





## **2.0 MDAs MONTHLY WORK PLANS AND BUDGET REQUIREMENTS**

Budget allotments to MDAs will be based on their Work Plans and budget requirements indicated on the Hyperion system during the preparation of the 2017–2019 budget. Where this Ministry is unable to meet an MDA's budget requirements due to revenue constraints, the appropriate budget allotments will be negotiated with the MDA.

The Work Plans and budget requirements would facilitate releases for each MDA. MDAs are to note that they can review their forecast at any time to reflect changes to the timing of request of their budget. As previously stated, the Work Plans and budget requirements cover all funds, regardless of source.

## **3.0 REQUESTS FOR RELEASE OF FUNDS**

### **3.1 COMPENSATION OF EMPLOYEES**

#### **3.1.1 Payment of Salaries**

General warrants will be issued to the Controller and Accountant-General's Department (CAGD) for payment of salaries of employees on the mechanized payroll at the end of each month.

#### **3.1.2 Non-Salary Related Allowance**

Requests for release of funds for non-salary related allowances by MDAs must be initiated on the Ghana Integrated Financial Management Information System (GIFMIS) platform by MDAs. In addition, MDAs are required to submit computed details of beneficiaries and forward these requests to Ministry of Finance for consideration along with all necessary justifications and attachments (approval letters, condition of service, etc.). It is expected that the **Internal Audit Unit** of each MDA will review and validate such requests before they are submitted to Ministry of Finance. MDAs are to take note for strict compliance to ensure speedy processing of requests.

#### **3.1.3 Categories 2 & 3 Allowances**

Payment of Categories 2 & 3 allowances in the Public Service will be guided by the tenets of the new Administrative Rules and Procedures for implementing categories 2 & 3 allowances in the Public Service. MDAs are required to review the current list of beneficiaries to ensure that **ONLY** those who qualify are paid and this is subject to budgetary constraints. ***All previous arrangements in relation to payment of categories 2 & 3 allowances cease to exist and are replaced by the new arrangements in the Administrative Rules and Procedures and this Budget Implementation Instructions.***

## 2017 BUDGET IMPLEMENTATION INSTRUCTIONS

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Applications to Ministry of Finance by MDAs for the utilization of Categories 2 & 3 allowances **must be within budgetary constraints**. MDAs should plan their activities within their budget. Any additions to current list of beneficiaries should always be guided by budget availability. Specific Warrants will be issued to cover the utilization of categories 2 & 3 allowances.

### 3.1.4 Financial Clearance

The Public Services Commission (PSC) started a Human Resource (HR) Audit of the Public Service in 2015. This involved review of existing staffing establishments, head counts and verification of existing staff at specified and expected management units to ensure the right sizing of organizations to achieve optimum performance.

Recruitments and replacements in 2017 will be partly guided by the results of the HR Audit, PSC and OHCS will continue to provide technical clearance for MDAs applying for recruitment and replacement. This may involve a snapshot HR Audit of all or part of an organization. Financial clearance will only be given by MoF if the need to recruit or replace is justified by the PSC and Office of the Head of Civil Service (OHCS).

Government policy on net recruitment is still in force (with the exception of Education and Health sectors, within agreed limits). Replacement of staff **may** be allowed only in certain instances where institutions are understaffed and there is a budget provision.

Furthermore, this Ministry would like to remind MDAs that, it is an offence to authorize applicants to assume duty in anticipation of obtaining financial clearance to regularize their appointments, without first obtaining financial clearance. **MDAs and Metropolitan, Municipal and District Assemblies (MMDAs) that have flouted this directive should relieve such officers of their posts immediately.** This also applies to Contract Appointments.

Appointments that precede the issuance of financial clearance are contrary to financial regulations and against the procedure for recruitment into public institutions in Ghana. The issuance of financial clearance to an institution to recruit/replace/re-engage indicates Government's acceptance of liability to pay the salary of the person and a confirmation that there is budgetary provision for the recruitment.

## 2017 BUDGET IMPLEMENTATION INSTRUCTIONS

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Where it is extremely important for some categories of staff to be recruited, the MDAs/MMDAs will be required to support the request for financial clearance with budget availability analysis and approval from the OHCS or PSC.

Heads of MDAs and MMDAs that flout this directive will be held personally responsible for any resultant financial consequences.

### **3.1.5 Improving Payroll Management**

The size of the public-sector compensation bill (wages, salaries, & other costs), which accounts for a significant proportion of domestic revenue, is a major concern for Government. It is one of the 'Big-Three' budget line items that continue to narrow Government's choices in pursuing higher economic growth and development programmes. The Social Security and National Insurance Trust (SSNIT) database will be used as a filter for the payment of public sector workers. Starting in April 2017, all workers who have not been biometrically registered with SSNIT will be taken off Government payroll.

### **3.1.6 Validation of Staff Salaries**

Payment of employees' salaries validated by MDAs (using the E-SPV system) will continue to be handled centrally by the CAGD. Heads of MDAs are reminded to comply with the Controller and Accountant-General's directives on validation of the monthly salaries of their employees using the E-SPV system (where the E-SPV system has been implemented for the MDA), or the manual confirmation of payroll reports submitted by CAGD to MDAs that are not yet on the E-SPV system. MDAs are also to ensure that the current SSNIT numbers of staff are provided to facilitate payment of monthly salaries.

MDAs are required to seek approval from Ministry of Finance for salary arrears in excess of three months and any related allowances, and must attach relevant documents to their applications. For instance, for new entrants, MDAs must attach copies of financial clearance, appointment letters, acceptance letters, and any evidence of assumption of duty letter. In the case of promotions, copies of warrant for the inputs, promotion letter, and salary arrears templates, should be attached to the application. In addition to the above, all requests for arrears from MDAs in respect of salaries, promotions and/or reinstatement of staff must include:

- Computations of the quantum of arrears; and

## 2017 BUDGET IMPLEMENTATION INSTRUCTIONS

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- In addition, the MDA must have a positive budget balance to accommodate the arrears being requested for without constraining salary payments for the rest of the year.

Before submitting the written application for the release of salary related allowances and salary arrears, MDAs are required to initiate the request on the GIFMIS platform by applying for monthly release at the sub-sub item level to MOF through the established approval hierarchy.

In all cases requests for Financial Clearance and Specific Warrants in relation to Compensation of Employees will be subject to MDAs remaining within their staff strength as at 31<sup>st</sup> January 2017, as well as, an assessed favourable end-of-year balance on their Compensation of Employees Budget.

Failure to strictly adhere to the above will result in delays in processing of requests or denial of the request.

### **3.1.7 Recruitment and Promotion Related Arrears**

In spite of the PSC policy on recruitments and promotions, MoF continues to witness delays in the processing of recruitments and in promotions. These delays create frustrations for new recruits and serve as demotivation for serving officers due for promotion. Further, these delays lead to unexpected accumulation of arrears that hurt the integrity of our fiscal planning.

In order to control the wage bill, and avoid accumulation of compensation arrears that have not been provided for in the current budget, Government will, from 2017, strictly enforce the policy and guidelines on the effective dates of promotions and recruitments within the public service. Substantive dates of recruitments and promotions shall not be backdated without the explicit written permission of the Minister for Finance.

### **3.1.8 Savings in Compensations Vote**

Sector Ministers are hereby challenged to take necessary measures to monitor their wage bills to eliminate any possible "ghost" names and wrongful payments through the implementation of the net freeze policy and the validation of their monthly payrolls using the E-SPV system. Current policy is that, 50% of any verified savings on sector wage budget for 2017 will be made available to the respective MDA for Goods and Services or Capital Expenses to improve performance. This policy was implemented in 2015 and some MDAs benefited from the savings that resulted from their payroll cleaning efforts.

## 2017 BUDGET IMPLEMENTATION INSTRUCTIONS

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### 3.2 GOODS AND SERVICES

Ministry of Finance will issue Budget Allotments to MDAs for Goods and Services based on Work Plans and budget requirements received from MDAs and based on cash flow for the relevant period. The breakdown of the warrants by Programmes and Departments and Agencies within a ministry will be based on the approved budget and Work Plan of the MDA. Where a Ministry wishes to vire between the votes in the issued warrants, an application for virement will have to be made by the MDA on the GIFMIS platform to MOF, showing the source and destination of each amount being vired.

#### 3.2.1 Releases for Foreign Travel Expenses

MDAs are to note that Foreign Travel expenses are to be met from the Goods and Services budget and should not be treated as a separate or additional budget. MDAs must ensure that they obtain approval from the Office of the President before making commitments for foreign travels. MDAs are to use the Procure to Pay (P2P) module on the GIFMIS platform for foreign travels and ensure that requests are based on available balances on their Goods and Services releases.

#### 3.2.2 Medical Treatment

All MDAs are to note that there is no central vote for medical treatment in or outside the country. Requests for medical treatment (local and foreign treatment) will be charged to MDA's Goods and Services budget. MDAs requiring funds for medical treatment must therefore initiate and process their request using their Goods and Services budget on the GIFMIS platform, after obtaining the necessary approvals from the Office of The President. Heads of MDAs are reminded to ensure compliance with the requirement to obtain a review and recommendation of a duly constituted Medical Board before applying for approval to evacuate persons for medical treatment abroad.

#### 3.2.3 Utilities

Following the cessation of the Cross-Debt Settlement arrangement in 2013, there is no Central Vote to accommodate expenditures in respect of utilities. MDAs are reminded that expenditure on utilities forms part of the Goods and Services vote, and must be prioritized in order to be met from the approved Goods and Services vote. All MDAs/MMDAs are also urged to comply with the directives to install pre-paid meters on their premises.

## 2017 BUDGET IMPLEMENTATION INSTRUCTIONS

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### 3.2.4 Property Rate and Ground Rent Payment

MDAs are to meet all expenditure arising from Property Rate and Ground Rent payments from their approved 2017 Goods and Services Budget.

### 3.2.5 Annual Subscriptions to International Organisations

MDAs are reminded that annual subscriptions are payable from their respective Goods and Services budget. MDAs are therefore required to process these subscription payments from their Goods and Services budget to prevent these subscriptions from falling into arrears.

## 3.3 CAPITAL EXPENDITURE (CAPEX)

### 3.3.1 Format for Requests for Capital Expenditure

All requests for release of funds under Capital Expenditure should:

- i. indicate the appropriate budget classification based on the Chart of Accounts;
- ii. show the available, uncommitted budget balance against which the request is being made;
- iii. provide evidence of compliance with the prescribed procurement procedures; and
- iv. Include a certification by the Head of Department that the request being made represents the MDA's most prioritized requirement/projects that must be met from their budgets for the financial year.

MDAs should note that every request will be charged to their approved budget irrespective of how the request was channelled to MOF. All requests must therefore be initiated on the GIFMIS Platform. A Release Request Report must be printed, duly endorsed by the authorized officer and attached to a request letter to Ministry of Finance to facilitate processing of the release. MDAs are reminded that transactions request that cannot be initiated by the MDA because of budgetary constraints, should not be sent in hard copy to Ministry of Finance because no action will be taken on such a request, and it will be returned to the MDA concerned.

Secondly, for all construction works, the claim certificate (Interim Payment Certificate) should have the endorsement of the following:

- i. the Consultant;
- ii. the Head of Department or Agency which is implementing the project;
- iii. the Regional Minister from the Region where the project is located; and
- iv. the Sector Minister.

## 2017 BUDGET IMPLEMENTATION INSTRUCTIONS

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### 3.3.2 Commitment of Approved Budget

MDAs must note that, it is an offence under Section 25 of the PFM Act, to make a commitment over and above duly approved quarterly budget allotment. Any Spending Officer who contravenes subsection (4) of Section 25 of the law is liable to a fine of two thousand penalty units.

### 3.3.3 Award of New Contracts

MDAs are enjoined to obtain duly approved Commencement Certificates from Ministry of Finance before issuing purchase orders for capital expenditure contracts. MDAs are to note this and comply accordingly to eliminate budgetary overruns and its attendant arrears which undermine budget execution.

MDAs are to ensure that all requests for commencement warrant/release of funds are within their approved budget, and must be accompanied by detailed analysis of the budget estimates to confirm that the request can be accommodated in the approved budget.

MDAs awarding new contracts must ensure that there are:

- i. No indexation to a foreign currency, nor is the contract awarded in foreign currency;
- ii. No advance mobilization clauses;
- iii. No price variations; and
- iv. No interest on delayed payments.

MDAs must ensure that all their contracts contain clauses, in the language provided by Ministry of Finance, requiring contractors or service providers to undertake due diligence on the availability of funds for projects before accepting to execute them.

### 3.3.4 Specific Warrants for Continuation of Existing Projects

In order to avoid delays in the payment of contractors and related costs as well as the build-up of arrears, all MDAs are required to obtain Specific Warrants every year from Ministry of Finance before authorising continuation of existing projects.

### 3.3.5 Contract Extensions and Variations

Heads of MDAs are required to apply for and obtain financial clearance from Ministry of Finance before granting extensions to contracts or varying same. Ministry of Finance will not honour any claims for payment in respect of contract extensions or variations not supported by MOF's clearance.

## 2017 BUDGET IMPLEMENTATION INSTRUCTIONS

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MDAs are also reminded to comply with the provisions of the Public Procurement Act on contract variations.

### **3.3.6 Multi-Year Contracts**

In accordance with Section 33 of the PFMA, all multi-year contracts for any project must first seek clearance with the Ministry of Finance to ascertain fiscal space and available funding for outer year commitments. This is to avoid over commitments, delayed payments of projects and arrears build-up.

### **3.4 THE USE OF PURCHASE ORDER (PO)**

All contract awards for goods, services and works must be preceded by a GIFMIS generated Purchase Order (PO). MDAs are to note that it is an offence under Sub-section 1(b) of Section 98 of the PFM Act, to issue a local purchase order outside the Ghana Integrated Financial Management Information System or any other electronic platform in use by Government.

### **3.5 EXPIRY OF 2016 APPROPRIATION**

The 2016 financial year has ended and is officially closed to all transactions. Each appropriation approved by Parliament in 2016, has ceased to have effect, as stipulated in Sub-Section 1 of Section 26 of the PFM Act.

### **3.6 UNDISCHARGED COMMITMENTS AT THE END OF 2016**

All undischarged goods and services as well as capital expenditure commitments at the end of 2016 are to be the first charges on MDAs' 2017 Budget. MDAs that have undischarged commitments from 2016 must initiate and charge them against their approved 2017 Budget. Ministry of Finance will process specific warrants for approval on the GIFMIS platform to facilitate the payment of the outstanding claims.

### **3.7 PAYMENT OF COMPENSATION IN RESPECT OF LAND AND PROPERTY**

As part of measures to streamline payment in respect of compensation arising from acquisition of land by the state or destruction of property as a result of construction of roads or any other infrastructure, MDAs must obtain prior approval from Cabinet before submitting claims to Ministry of Finance for payment. The request to Cabinet must indicate the past and present ownership, the



## 2017 BUDGET IMPLEMENTATION INSTRUCTIONS

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purpose for the acquisition of the land or property, and any history of related payments, as well as, other relevant documents.

### 3.8 SIGNATORIES TO APPLICATIONS FOR WARRANTS AND APPROVALS

All written applications for warrants and approvals to Ministry of Finance should be signed by the Minister or Deputy Minister of the MDA. In their absence, the Chief Director may sign the letters. In the case of the Commissions, the Head of the Commission or any of his or her Deputies should sign the letter.

### 3.9 ENFORCEMENT OF THE PUBLIC PROCUREMENT ACT

As part of public expenditure management framework, Government will strictly enforce the provisions of the Public Procurement Act, 2003 (Act 921) as amended by Public Procurement (Amendment) Act, 2016 (Act 914) (the 'Public Procurement Act'), especially with regard to sole sourcing, which has proven to pose significant risks to fiscal policy management. To ensure that public procurements are done within budgetary constraints, it has been deemed expedient to strengthen the procurement process by introducing another level of approval for MDAs and MMDAs. To this end, sole sourced procurements by MDAs and MMDAs beyond **GH¢50 million** shall be subject to explicit approval by **CABINET**, before submission to the Public Procurement Authority (PPA) for consideration and approval. MDAs and MMDAs are to note that for procurements up to **GH¢5 million**, written approval of the **SECTOR MINISTER** is needed before submission to the PPA, whilst the written approval of the **MINISTER FOR FINANCE** is needed for procurement with values from **GH¢5 MILLION TO GH¢50 MILLION**, before submission to PPA.

### 3.10 FORMAL REQUESTS FOR PAYMENT FOR WORK/GOODS/SERVICES

It has been observed over the years that requests for releases from MDAs for works done, goods supplied or services rendered are not always accompanied by formal request for payment by contractors or service providers. With immediate effect, all requests for payment must be accompanied by a formal request for payment from the contractor or service provider on their company's letterhead, and duly signed by designated director or personnel.

### 3.11 OFFENCES AND PENALTIES UNDER PFM ACT 2016, ACT 921

Ministry of Finance wishes to bring to the attention of all MDAs and MMDAs the offences and penalties indicated in Section 96 of the Public Financial Management Act, 2016, (Act 921), some of

## 2017 BUDGET IMPLEMENTATION INSTRUCTIONS

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which are listed below. All MDAs are required to familiarize themselves with all the offences and penalties in the PFM Act so as to avoid committing the offences:

(1) A person, acting in an office or employment connected with the procurement or control of Government stores, or the collection, management or disbursement of amounts in respect of a public fund or a public trust who

*(a)* makes an unauthorised commitment resulting in a financial obligation for the Government,

*(b)* fails to collect moneys due to the Government,

*(c)* is responsible for any improper payment of public funds or payment of money that is not duly verified in line with existing procedures,

*(d)* is responsible for any deficiency in or for the loss, damage or destruction of any public funds, stamp, security, stores or any other Government property,

*(e)* accepts or receives money or valuable consideration for the performance of an official duty,

*(f)* in relation to the duties of that person, wilfully makes or signs a false certificate, false return or false entry in a book, or

*(g)* fails to report knowledge or information in respect of fraud committed by a person against the Government, contrary to any enactment related to public financial management, to the appropriate authority or law enforcement authority

commits an offence and is liable on summary conviction to a term of imprisonment of not less than six months and not more than five years or to a fine of not less than one hundred penalty units and not more than two thousand, five hundred penalty units or to both.

(2) A person, acting in an office or employment connected with the procurement or control of Government stores, or the collection, management or disbursement of amounts in respect of a public fund or a public trust who authorises an expenditure exceeding the approved appropriation in the relevant budget commits an offence and is liable on summary conviction to a term of imprisonment of not less than six months and not more than twelve months or to a fine of not more than the value of the assessed impact of the commitment or to both.

(3) A person who promises, offers or gives money or any other valuable consideration to another person, acting in an office or employment,

*(a)* connected with the procurement or control of government stores,

## 2017 BUDGET IMPLEMENTATION INSTRUCTIONS

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*(b)* connected with the collection, management or disbursement of amounts in respect of a public fund or a public trust, or

*(c)* with the intent to influence

(i) a decision or action on any question or matter that is pending or is likely to be brought before the person in an official capacity, or

(ii) a person to commit fraud against the Government or to connive with, take part in or allow an opportunity for the commission of the fraud

commits an offence and is liable on summary conviction to a fine of not more than three times the amount offered or accepted or a term of imprisonment of not less than six months and not more than two years or to both.

A Principal Spending Officer or any other public officer shall not commit Government to a financial liability, including contingent liability, unless that Principal Spending Officer is specifically authorized to do so under this Act, the Regulations or directives issued pursuant to this Act. A Principal Spending Officer who contravenes this is liable to an administrative penalty of two thousand penalty units.

(1) A person who

*(a)* refuses or fails to produce or submit any information required under this Act,

*(b)* issues a local purchase order outside the Ghana Integrated Financial Management Information System or any other electronic platform in use by Government,

*(c)* misuses or permits the misuse of any Government property which results in a loss of public resources,

*(d)* contravenes or knowingly permits another person to contravene a provision of this Act or the Regulations, or

*(e)* instigates another person to contravene a provision of this Act or the Regulations,

commits an offence and where no penalty is provided for the offence, is liable on summary conviction to a fine of not less than one hundred and fifty penalty units and not more than two hundred and fifty penalty units or to a term of imprisonment of not less than six months and not more than two years or to both.

(2) A person who contravenes sub-section (1) is, in addition to the penalty specified in that subsection

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(a) liable for any liability contracted on behalf of Government as a result of the contravention; and

(b) subject to disciplinary action by Government including dismissal, demotion or suspension.

### 3.12 CLAIMS AND JUDGMENT DEBTS

Judgment Debts pose a significant risk to effective budget implementation. As part of measures to implement guidelines issued by Government to ensure sanity in the payment of judgment debts and settled claims, all claims exceeding **GHC1,000,000.00** (One million Ghana Cedis) should be submitted to Cabinet for approval prior to final settlement and payment. The Attorney-General may, however, authorise settlement of claims up to the upper limit of **GHC1,000,000.00** (One million Ghana Cedis). All judgements debts must be submitted to the Attorney-general for verification prior to being paid. MDAs which incur Judgment debts by their action or inaction will bear the full cost of servicing these debts from their approved budget.

### 3.13 OFFERING LETTERS OF GUARANTEE OR UNDERTAKING TO CONTRACTORS

It has come to the attention of Ministry of Finance that in spite of Circular No. D39/SF.55 dated 19<sup>th</sup> July 2013 issued by the Attorney-General's Department to MDAs to stop giving letters of guarantee or undertaking to contractors, some MDAs continue with the practice. In the event of a contractor or service provider failing to pay its financier, the MDA or the State, as a result of the guarantee or undertaking becomes liable to pay the financier, causing the State to end up in legal tussles which often lead to judgment debt. As a way of safeguarding the interest of the State, it is now required that all MDAs and MMDAs insert the understated clause in all contracts/agreements in order for them to be paid.

"Pursuant to section 96 (1) of the Public Financial Management Act, 2016, (Act 921), it is an offence to make an unauthorised commitment resulting in a financial obligation for the Government.

I (contractor/supplier name) understand and acknowledge that any unauthorized letter of guarantee or undertaking issued under this contract is unlawful, null and void ab initio, and is not legally binding on government. I understand, acknowledge and agree that any judgment or garnishee order that may be issued in my favour as a result of breach of this

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contract shall be enforceable against that particular MDA and shall not be enforceable against any other Ministry, Department or Agency of the Government of Ghana that is not a party to this contract.

I understand that, “unauthorized letter of guarantee or undertaking” means one that has not been approved by the Ministry of Finance.”

### **3.14 LETTERS OF CREDIT**

All MDAs/MMDAs that have established one letter of credit (LC) or more that are due for maturity in 2017 are required to meet the claims from their 2017 approved estimates as there is no central vote to cover the LC claims.

### **3.15 LIFTING OF FUEL BY SECURITY AGENCIES**

All Security Agencies are informed that there is no central vote for payment of fuel lifting. Consequently, all expenditures in respect of fuel lifting are to be met from their 2017 Goods and Services approved budget.

### **3.16 DUTIES AND TAXES**

All MDAs are reminded that, they will bear all duties, taxes and other related fees and charges in respect of all imports, local purchases and contracts.

### **3.17 SOCIAL INTERVENTION PROGRAMMES**

All MDAs that have responsibility for implementing social intervention programmes in employment generation, health, education, poverty reduction and sanitation are required to submit detailed quarterly reports on the implementation/performance of these programmes to the Ministry of Finance.

## **4.0 COMPREHENSIVE RESOURCE ENVELOPE OF MDAs**

The approved 2017 Budget of MDAs made progress in capturing all sources of funding to MDAs, including Development Partners Fund (Loans and Grants), Internally Generated Funds and Government of Ghana Funds. MDAs must note that any loan or debt agreement which was not in the 2017 budget cannot be serviced in the 2017 financial year (either by way of drawdown disbursement, down payment or principal or interest payment). From 2017, Ministry of Finance will

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ensure that Budgetary Allocations encompass the full scope and nature of the Budgetary Resource Envelope of MDAs, including proper attribution of Development Partner Funds.

### **4.1 Retention of Internally Generated Funds (IGF)**

MDAs that have authorisation to retain and use all or portions of their IGFs are required to ensure that due processes are followed in the use of such funds, as per the 2017 Appropriation Act and MDAs Retention of Funds Act, 2007 (Act 735).

### **4.2 Processing of IGF Transactions**

Effective 2017, all IGF generating institutions are required to process their retained IGF portions on the GIFMIS platform. All MDAs are requested to collaborate with the GIFMIS Secretariat to ensure the system is fully installed or configured at their offices to facilitate processing of transactions. Any MDA that cannot process their IGF through the GIFMIS platform for any reason must seek and receive prior, written authorization from the Controller and Accountant General before processing their IGF outside the GIFMIS platform.

### **4.3 Gross Lodgement of IGF**

In line with Government's Capping of earmarked funds Policy, MDAs that have authorisation to retain and use all or portions of their IGF are required to:

- i. lodge all IGF revenue into their respective Holding Accounts opened and maintained for all MDAs at the Bank of Ghana;
- ii. For MDAs that do not lodge their collections into the Holding accounts at Bank of Ghana:
  - a. lodge all IGF collections (Gross) into their respective Operational IGF Accounts at commercial banks;
  - b. The Commercial Banks will be authorised, through standing orders, to split and transfer the appropriate portion of the IGF (that is not to be retained in accordance with the Capping Act) to the appropriate account at Bank of Ghana.

### **4.4 Contracting of External Loans**

As you may be aware, Ghana's public debt to GDP ratio reached the threshold of 70.2 percent in 2014 for the first time since Ghana went HIPC in 2001. Since then, the ratio has been increasing

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steadily and reached 72.5 percent as at the end of 2016. This is indicating debt distress levels for Ghana.

Following from this, a ceiling on the contracting or guaranteeing of new non-concessional external debt and indicative ceiling on concessional debt has been put in place as part of the IMF's Extended Credit Facility Programme. The ceiling covers loans, suppliers credit and leases for external loans and also covers loans for central government and some SOEs who are deemed to be risky.

The 3-year programme under the IMF provided a total ceiling of US\$ 1,500.0 million which has virtually been exhausted.

In the light of these constraints, all Ministries, Departments and Agencies (MDAs) are to explore other areas of infrastructure financing that do not directly impact on the public debt levels. This includes the use of Public Private Partnership (PPP), Build Operate Transfer (BOT) and other interventions.

### **4.5 Public Private Partnership (PPP)**

We wish to draw your attention to the fact that, Government has adopted Public Private Partnership (PPP) as a financing option for the delivery of public infrastructure and services.

To this end, the National Policy on Public Private Partnerships (PPPs) provides the general principles and the steps that will enable MDAs take full advantage of the opportunities under the policy. The Ministry is also currently developing the appropriate legislative framework to consolidate the PPP process in Ghana.

MDAs that may embark on various PPP arrangements including Build, Operate and Transfer (BOT) and Build Own, Operate and Transfer (BOOT) are advised to carry out a value for money assessment and ensure that risks are allocated to the party that can best manage them. In addition, depending on the project type the following assessments may be considered in line with the policy:

- Affordability Test;
- Financial viability;
- Technical, Legal and Environmental Feasibility;
- Economic viability; and
- Innovation, especially for un-solicited projects.

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It should be noted that, Government is currently not in a position to provide any form of financial support including guarantees. In this regard, MDAs are to ensure that all PPP arrangements initiated are commercially and financially viable and will not need Government financial support.

Please note that in addition to provisions in the National PPP Policy, this Ministry is available to provide the needed technical support to MDAs during the entire PPP process, especially identification and preparation of PPP projects.

### **4.6 Development Partner Funds**

All MDAs are to ensure that due processes for accessing Development Partner Funds are followed to ensure proper accounting and reporting of budgetary inflow from this funding source.

### **5.0 REALIGNMENT OF STATUTORY FUNDS**

As part of measures to reduce rigidities in the budget, starting in 2017, Government has capped all Earmarked Funds at 25 percent of tax revenue to allow a realignment of the freed-up revenues into the budget for other government priorities, and make possible increased expenditure on such priorities as education, health, agriculture, and infrastructure.

### **6.0 VALUE BOOKS**

MDAs that have approval to retain part or all their Internally Generated Funds are required, in line with the 2017 Budget Guidelines, to pay for their Value Books collected from the Controller and Accountant-General's Department, from their Goods and Services votes.

### **7.0 AWARD OF CONTRACTS IN FOREIGN CURRENCIES**

MDAs are reminded that all contracts funded from Government of Ghana (GoG) resources must be awarded in the local currency, the Cedi. In exceptional circumstances where contracts need to be awarded in foreign currency, prior, written approval must be obtained from Ministry of Finance. However, the responsibility for any foreign exchange losses arising thereof shall be borne solely by the MDA from its approved Goods and Service/Capex budget. Contractors/Service providers who wish for payment to be made to an off-shore foreign account will have to bear the bank transfer and telex costs.



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### **8.0 TAX EXEMPTIONS**

It has been observed that some MDAs grant tax exemptions, which they have no authority to grant, in contracts. The authority to grant tax exemptions is vested only in Parliament. MDAs should not conclude contract negotiations or sign any Memorandum of Understanding (MOU) that makes provision for tax exemption of any sort, without the involvement of Ministry of Finance. MDAs are reminded that beneficiaries of tax exemptions are required to pay the relevant duties and taxes and apply for and obtain refunds from GRA.

### **9.0 MONITORING AND REPORTING**

Forthwith, all MDAs are required to provide quarterly reports on expenditures made, progress on the implementation of programmes and sub-programmes and targets using templates provided for the purpose. Scheduled monitoring visits will be undertaken to inspect project sites where necessary for validation. Please note that subsequent quarter releases will be based on receipt of previous quarter reports.

### **10.0 CONCLUSION**

It is the expectation of Ministry of Finance that, these instructions will be strictly adhered to for smooth implementation of the National Budget.

**KEN OFORI-ATTA**  
**MINISTER FOR FINANCE**