

# GHANA

## Country snapshot

- Sovereign rating/outlook: Moody's B3/Neg; S&PB-Stable; Fitch B/Neg
- Budget coverage: Central Government
- OBI score: In 2015: 51 out of 100, rank: 41 out of 102 countries surveyed (50/100 in 2012)
- Availability of Year-End Report: Yes
- Fiscal rule/ Fiscal responsibility law: No
- Accounting methodology: Cash
- The Government of Ghana provides limited budget information to the public
- Budget oversight by the legislature is weak
- Existing fiscal rules are insufficient to improve fiscal discipline

## Key areas for improvement

- Improve reporting of entire general government statistics, especially of subnational entities and extra-budgetary funds
- Implement and adhere to fiscal rules with broad coverage of the budget
- Improve Ghana's OBI score by producing and publishing all key budget documents
- Materialize the commitment to work towards making government public procurement completely open

## Budget Reporting

### Timing and Coverage

The Constitution requires the President to present the budget to Parliament at least one month before the end of the Financial year, which follows the calendar year. The enacted budget contains minimal budget information although reforms are underway to include more timely information with broader dissemination, including a citizen's budget statement. Revenues and expenditures are reported for the central government and are audited by an independent institution but the coverage of transactions is uneven. There are also difficulties in accounting for expenses paid by extra-budgetary funds.

The operations of special funds, such as the SSNIT (currently regarded as a public financial corporation by the authorities), the Ghana Education Trust Fund (GETF) and the District Assemblies Common Fund (DACF), are not yet covered in the fiscal accounts. Although the majority of local government expenses are directly met from budgetary accounts, the revenue of local governments and related spending, and transactions financed from the DACF are not yet covered.

Monthly budget implementation reports are available within six weeks. Some factors

undermine their reliability such as the need for comprehensive and timely reconciliation of monthly treasury data with bank accounts as well as a need to improve the economic classification of data in accordance with the *GFSM 2001*. The responsibility for external debt recording and payment is divided among three agencies, which hinders coordination and reconciliation.

***Encourage the authorities to (1) extend coverage of fiscal data to the general government and fully implement a new automated Budget and Public Expenditure Management System and (2) clearly identify the government subsectors for which data are reported and prepare a clear classification of financing, outstanding debt, and guarantees.***

### Revenue & Expenditure Classification

Revenues are broadly classified in line with the IMF's Global Fiscal Statistics Manual. All expenditures are classified by economic and administrative unit but no functional classification of expenditures is presented. The economic classification of data should be improved in line with the *GFSM 2001*.

### Accounting

***Encourage the authorities to report flow of funds on an accrual basis rather than on a cash basis.***

## **Budgeting and the Budget Process**

### Availability of key budget information

Ghanaian budget data has several areas of reporting gaps. Internal consistency checks of reported fiscal data are limited and the quality of data, especially at the sub-national government level, is weak.

In terms of the 8 key budget documents<sup>1</sup> covered by the IBP's Open Budget Survey as reflected in country OBI scores (see below), Ghana does not produce a Pre-Budget Statement, nor a Mid-Year Review and while the others are produced and published, all except the In-Year Reports and the Audit Report are deemed of limited use.

***Encourage the authorities to improve budget transparency by producing and publishing the Pre-Budget Statement and a Mid-Year Review, and also by publishing the Enacted Budget in a timely manner as well as improving macro-fiscal forecasts and reconciliation.***

### Budget Process and Policy Orientation

Ghana's authorities are considering key reforms that include improving transparency in the budget process to prioritize spending, enhance revenue mobilization and strengthen fiscal institutions, including through the possible implementation of fiscal rules. Additionally, Ghana has committed to working towards making government public procurement 'open by default'.

***Encourage the authorities to (1) establish a specialized budget research office for the legislature and (2) implement sound fiscal rules with enforcement***

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<sup>1</sup> Pre-budget Statement, Executive's Budget Proposal, Enacted Budget, Citizens' Budget, In-Year Reports, Mid-Year Review, Year-End Report, Audit Report.

***mechanisms and an independent fiscal council.***

### Credibility

The institutional practice of incremental changes to the initial budget weakens the connection between macro-fiscal policy objectives and budget planning. Medium-term macroeconomic and fiscal projections are in the initial stages of implementation. The government has made progress in the payroll clean-up plan to improve the effectiveness of payroll controls.

***Encourage the authorities to (1) fully implement the Public Finance Management action plan to address weaknesses in macro-fiscal policy planning and enhance budget credibility, (2) adopt regulations and tools for monitoring and controlling the size of multiannual commitments, and (3) revise the budget framework to reduce automatic supplementary appropriations and help comply with possible new fiscal rules.***

## **Fiscal Risk Analysis and Management**

The Ghana Revenue Authority is implementing an electronic system to avoid accumulation of VAT arrears and plans to establish a committee to tackle compliance risks and widen the tax net through improved targeting of audits.

The authorities have drafted a strategy for the completion of the single treasury account, which includes adopting a cash-forecasting model at the ministry of finance to strengthen cash management.

The poor performance of the state-owned electricity generation and distribution companies in Ghana poses substantial risks

to the economy. They are facing large debt accumulation and sizeable payment arrears as a result of low collection rates and below cost-recovery pricing.

***Encourage the authorities to (1) implement a single treasury account (2) strengthen monitoring, evaluation, and governance and accountability frameworks of the state owned enterprises and (3) disclose risks surrounding fiscal forecasts by performing scenario and long-term sustainability analysis.***

### **Open Budget Survey**

The International Budget Partnership prepares the Open Budget Survey, which is an independent comparable measure of budget transparency, participation, and oversight. Ghana's Open Budget Index remained largely unchanged at 51/100 in the 2015 survey from 50/100 in 2012. It ranks 41<sup>st</sup> among 102 countries surveyed. Ghana's score is only marginally higher than the global average of 45/100. Ghana's score of 29/100 for opportunities for the public to engage in the budget process is low. Legislative oversight in Ghana is weak with a score of 54/100. The supreme audit institution has full discretion to perform audits as it sees fit but is not adequately funded and lacks a good quality assurance system. Its score is 67/100.

***Encourage authorities to improve the OBI score by producing and publishing the key budget documents in a timely manner. Ghana should improve legislative oversight by establishing a specialized budget research office for the legislature. Furthermore, the legislature should be provided with the Executive's budget proposal at least 3 month before the start of the budget year. Ghana's OBI score would also be improved through the implementation of formal mechanisms for public participation throughout the budget process.***

**Key websites:** Central Bank: <https://www.bog.gov.gh>; Ministry of Finance: <http://www.mofep.gov.gh>; Open Budget Survey: <http://www.internationalbudget.org/wp-content/uploads/OBS2015-CS-Ghana-English.pdf>

Contact information:

<http://eminvestorsalliance.org/about>

[Fiscaltransparency.net](http://Fiscaltransparency.net)