

2016 BUDGET IMPLEMENTATION INSTRUCTIONS



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2016 BUDGET IMPLEMENTATION INSTRUCTIONS

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1.0 INTRODUCTION

The 2016 Budget Statement and Economic Policy of Government was presented to the Parliament of Ghana on 13th November 2015. After the Parliamentary debate, the Appropriation was passed into law by the enactment of Appropriation Act, 2015 (Act 901) which was given Presidential assent on 30th December 2015. Following this, Regulation 149 of the Financial Administration Regulations, 2004 (L.I. 1802) requires the Minister for Finance (MoF) to oversee the implementation of the national budget. In line with this responsibility, the Minister for Finance hereby issues for compliance by all Ministries, Departments and Agencies (MDAs) this Budget Implementation Instructions for the 2016 financial year.

In 2016 the Budget will be implemented within the context of an IMF programme that requires among other things a Zero Bank of Ghana financing. This introduces a significant constraint 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 important that MDAs take these instructions seriously and comply accordingly.

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

2.0 MDAs MONTHLY WORK PLANS AND BUDGET REQUIREMENTS

Budget Allotments to MDAs will be based on the Work Plans and Budget requirements indicated on the Hyperion system during the preparation of the 2016 – 2018 budget. Where this Ministry is unable to meet the MDAs budget requirements due to revenue constraints, the appropriate budget allotments will be negotiated with the MDAs.

The Work Plans and budget requirements would facilitate releases for your MDA. MDAs are also to note that they can review the forecast at any time to reflect changes to their budget. Please take note that the Work plans and budget requirements cover all funds.

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 for payment of salaries of employees on the mechanized payroll at the end of each month.

Per Government policy, all Subvented Agencies are to be migrated onto the mechanized payroll by end March 2016.

3.1.2 Non-Salary Related Allowance

Requests for release of funds for non-salary related allowances by MDAs must be initiated on the GIFMIS platform by MDAs. In addition, MDAs are required to submit computed details of beneficiaries and forward these requests to the 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 MDAs will review and validate such requests before they are submitted to the 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.***

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Applications to the Ministry of Finance by MDAs for the utilization of Categories 2 & 3 allowances ***must be within budgetary constraints***. MDAs are to plan their activities such that they are not beyond what their budget can contain.

Specific Warrants will be issued to cover the utilization of categories 2 & 3 allowances.

Additions to current list of beneficiaries should always be guided by budget availability.

The Ministry of Finance will not honour any request which does not have a source of funding. MDAs are to note for strict compliance.

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. In order to ensure the effectiveness of this exercise and the reconciliation of the results of the HR Audit with the payroll, all recruitments, replacements and financial clearance will be synchronised with the results of the HR Audit. Financial clearance can only be given by MoF if the need is justified by the HR Audit; there is a projected budget balance and it meets the net freeze criteria.

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.

Further to this, this Ministry will 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 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.

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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 person being recruited.

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

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.

3.1.5 Validation of Staff Salaries

Payment of employees' salaries validated by MDAs (using the E-SPV system) will continue to be handled centrally by the Controller and Accountant-General's Department. 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. Besides, MDAs are to ensure that the current Social Security and National Insurance Trust (SSNIT) numbers of staff are provided to facilitate payment of monthly salaries.

The policy of restricting payment of salary arrears to three (3) months and subjecting any difference to audit validation was introduced in 2014. It is expected that all salary arrears relating to periods before 1st January 2015 would have been submitted for audit validation before 31st December 2015. In order to eliminate the risk of payroll fraud, in 2016, only salary arrears in respect of periods after 1st January 2015 will be entertained. Heads of MDAs are entreated to operationalize this decision to improve the management of their Compensation of Employee budget.

However, for 2015 salary arrears in excess of three months, and its related allowances, MDAs are required to seek approval from the Ministry of Finance. MDAs should therefore attach relevant documents to their applications. For instance, new entrants

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must have attached copies of financial clearance, appointment letters, acceptance letters and 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. This directive must be strictly adhered to in order to facilitate early processing of requests. In addition to the above, all requests for arrears in respect of salaries, promotions, reinstatement of staff from MDAs must include:

- Computations of the quantum of arrears; and
- An indication that, the MDA has a positive budget balance to accommodate the arrears being requested 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 will be 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 January 2016 as well as an assessed favourable end-of-year balance on their Compensation of Employees Budget.

3.1.6 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. It is proposed that 50% of any verified savings on sector wage budget for 2016 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.

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3.2 GOODS AND SERVICES

The Ministry of Finance will issue Goods and Services Warrants to MDAs 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 respective MDAs. 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 reminded that Foreign Travel expenses are to be met from MDA's 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 reminded that requests for medical treatment (local and foreign treatment) will be charged to their 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. It is imperative to comply with this requirement to enable expeditious processing of release of funds for medical treatment.

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 their Goods and Services vote. They are therefore expected to prioritize and meet this important expenditure item from their Goods and Services Vote. All MDAs/MMDAs are also urged to comply with the directives of installing pre-paid meters on their premises.

3.2.4 Property Rate and Ground Rent Payment

All MDAs are to meet all expenditure arising from Property Rate and Ground Rent payment from their approved 2016 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 for payment 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 the 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.

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All MDAs should note that every request would have to be charged to their 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 and attached to a request letter to the 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 can be taken on such a request.

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.

All contract awards must be preceded by a GIFMIS generated Purchase Order (PO).

3.3.2 Award of New Contracts

All MDAs are reminded that the moratorium on the commencement of new projects is still in force. In the event that it becomes extremely necessary to start new projects, MDAs are enjoined to obtain Commencement Certificates from the Ministry of Finance (as required by section 17(1) of the Financial Administration Act, 2003) after authorisation by their respective sector Ministers before new contracts are awarded. MDAs are to note this and comply accordingly to eliminate budgetary overruns and its attendant arrears which undermine budget execution.

All MDAs are to ensure that all requests for commencement warrant/release of funds are within the approved budget. Besides, they are required to indicate detailed analysis of the budget estimates to confirm that the requests could be accommodated in the approved budget. All MDAs are to note for strict compliance.

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MDAs awarding new contracts must ensure that there are:

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

Contractors or service providers are advised to undertake due diligence on the availability of funds for projects before accepting to execute them.

3.3.3 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 the Ministry of Finance before authorising continuation of existing projects.

3.3.4 Contract Extensions and Variations

Heads of MDAs are required to apply for and obtain financial clearance from the Ministry of Finance before granting extensions to contracts or varying same. The Ministry of Finance will not honour any claims for payment in respect of contract extensions or variations not supported by MOF's clearance. All are to note this for strict compliance. MDAs are reminded to comply with the provisions of the Public Procurement Act on contract variations.

3.4 UNDISCHARGED COMMITMENTS AT THE END OF 2015

The 2015 financial year has ended and the year is officially closed to all transactions. All undischarged Goods and Services commitments at the end of 2015 are to be the first charges on MDAs 2016 Budget. MDAs that have undischarged commitments from 2015 must initiate a charge against their 2016 Budget and process specific warrants for approval on the GIFMIS platform to enable the outstanding claims to be paid against the 2016 budget.

3.5 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, prior approval must be obtained from Cabinet before claims are submitted to the Ministry of Finance for payment. The request to Cabinet must indicate the past and present ownership, the purpose of the acquisition of the land or property as well as a history of related payments and other relevant documents.

3.6 SIGNATORIES TO APPLICATIONS FOR WARRANTS AND APPROVALS

All written applications for warrants and approvals to the 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.

3.7 FORMAL REQUESTS FOR PAYMENT OF 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 effect from this year, 2016, all requests for payment from MDAs must be accompanied by a formal request for payment by the contractor or service provider on the company's letter head and duly signed by the designated director or personnel. MDAs are requested to take note for strict compliance.

3.8 JUDGMENT DEBTS

Judgment Debt payments pose a significant risk to effective budget implementation. As part of measures to implement the new guidelines issued by government to ensure sanity in the payment of judgment debts and settled claims, all judgment debts claims exceeding **GHC10,000,000.00** (Ten 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 **GHC10,000,000.00**.

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MDAs which incur Judgment debts by their action or inaction will bear the full cost of servicing these debts from their approved budget.

3.9 LETTERS OF CREDIT

All MDAs/MMDAs that have established letters of credit and are due for maturity in 2016 are required to meet the claims from their 2016 approved estimates as there is no central vote to cover the claims.

3.10 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 2016 Goods and Services approved budget.

3.11 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.

3.12 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.

4.0 COMPREHENSIVE RESOURCE ENVELOPE OF MDAs

The approved 2016 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 2016 budget cannot be serviced in the 2016 financial year (either by way of drawdown disbursement, down payment or principal or interest payment). MDAs must note that any loan or debt agreement which was not in

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the 2016 budget cannot be serviced in the 2016 financial year. From 2016, the Ministry of Finance will 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. This is as per the 2016 Appropriation Act and MDAs Retention of Funds Act, 2007 (Act 735).

4.2 Processing of IGF Transactions

Effective 2016 all IGF generating institutions are required to process their retained IGF portions on the GIFMIS platform. All MDAs are requested to collaborate with the IFIMIS Secretariat to ensure the system is fully installed or configured at the offices to facilitate processing of transactions. Any MDA that has reasons not to process their portion through the platform must seek authorization from the Controller and Accountant General.

4.3 Gross Lodgement of All Revenue Collected

In line with the Public Financial Management Reforms aimed at improving the management, accounting and reporting of public funds, all MDAs that collect all forms of revenue are required to lodge all into the Consolidated Fund without any deductions whatsoever. Consequently, all standing orders requiring Bank of Ghana to effect deductions and transfer same from the revenue collected is discontinued forth with. Upon verification and validation, the Ministry of Finance will issue warrants and releases to transfer the relevant amount to the respective statutory funds.

4.4 Rationalization of Retained NTR/IGF Collections

As part of the rationalization of retained NTR/IGF collections, MDAs that collect and retain more than 60 percent IGF are to cede a minimum of 15% to their Sector

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Ministries and/or their Umbrella Organisations to fund programmed expenditures for the year.

4.5 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 funds source.

5.0 EXPENDITURE FROM STATUTORY FUNDS

As part of measures to reduce rigidities in the budget, statutory funds expenditures were realigned to national policies and priorities. Consequently, for expenditures that were identified in the 2016 budget to be funded from statutory funds, deductions will be made from the quarterly/monthly release to the statutory funds.

Releases will be made to the respective MDAs for the expenditures identified.

6.0 VALUE BOOKS

MDAs that have approval to retain part or all their Internally Generated Funds are reminded that in line with the 2016 Budget Guidelines, they are required to pay for the value books collected from the Controller and Accountant-General's Department from the 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 are to be awarded in the local currency, the Cedi. In exceptional circumstances where contracts need to be awarded in foreign currency, prior approval must be obtained from the Ministry of Finance. However, the responsibility for any foreign exchange losses arising thereof will be borne solely by the MDA from its approved Goods and Service/Capex budget. Contractors/Service providers who wish that payment be made to an off-shore foreign account will have to bear the bank transfer and telex cost.

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8.0 TAX EXEMPTIONS

It has been observed that some MDAs grant tax exemptions in contracts for which they have no authority. 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 without the involvement of the Ministry of Finance.

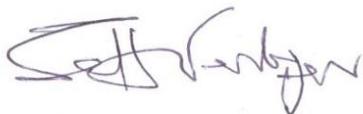
9.0 MONITORING AND REPORTING

All MDAs will be required to provide quarterly reports on expenditures made, progress on programmes and sub-programmes implementations, and targets. (The templates for monitoring will be communicated soon). Scheduled monitoring visits will also be undertaken to inspect project sites where necessary for validation.

Please note subsequent quarter's releases will be based on receipt of previous quarter reports.

10.0 CONCLUSION

It is the expectation of the Ministry of Finance that, these instructions would be strictly adhered to for smooth implementation of the national budget.



**HON. SETH E. TERKPER
MINISTER OF FINANCE**