

# MoF Monthly *Diary* August Edition

## Highlights of the National Budget Preparatory Process



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**Ministry of Finance:** Professional, Ethical, Efficient, Responsive –Transforming Ghana Beyond Aid



REPUBLIC OF GHANA

**MINISTRY  
OF  
FINANCE**

# THE BUDGET PREPARATION PROCESS

## NATIONAL BUDGET CYCLE

Ghana's National Budget Preparation is underpinned by Article 179 (1) of the 1992 Constitution and Section 21 of the PFM Act, 2016 (Act 921). It has designated very important responsibilities to the Minister Responsible for Finance on behalf of H. E. The President to prepare the proposed annual budget for the ensuing financial year and submit to Parliament for consideration.

Article 179 (1) of the Constitution states:

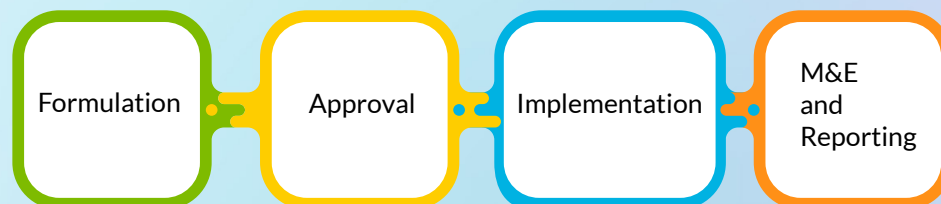
*“The President shall cause to be prepared and laid before Parliament at least one month before the end of the financial year, estimates of the revenues and expenditure of the Government of Ghana for the following financial year.”*

In fulfilment of this legal requirement, every financial year, the Ministry of Finance in consultation with its key stakeholders such as Cabinet, National Development Planning Commission, Bank of Ghana, MDAs/MMDAs, and Civil Society Organizations among others prepare the annual budget and thereafter submit to Parliament.

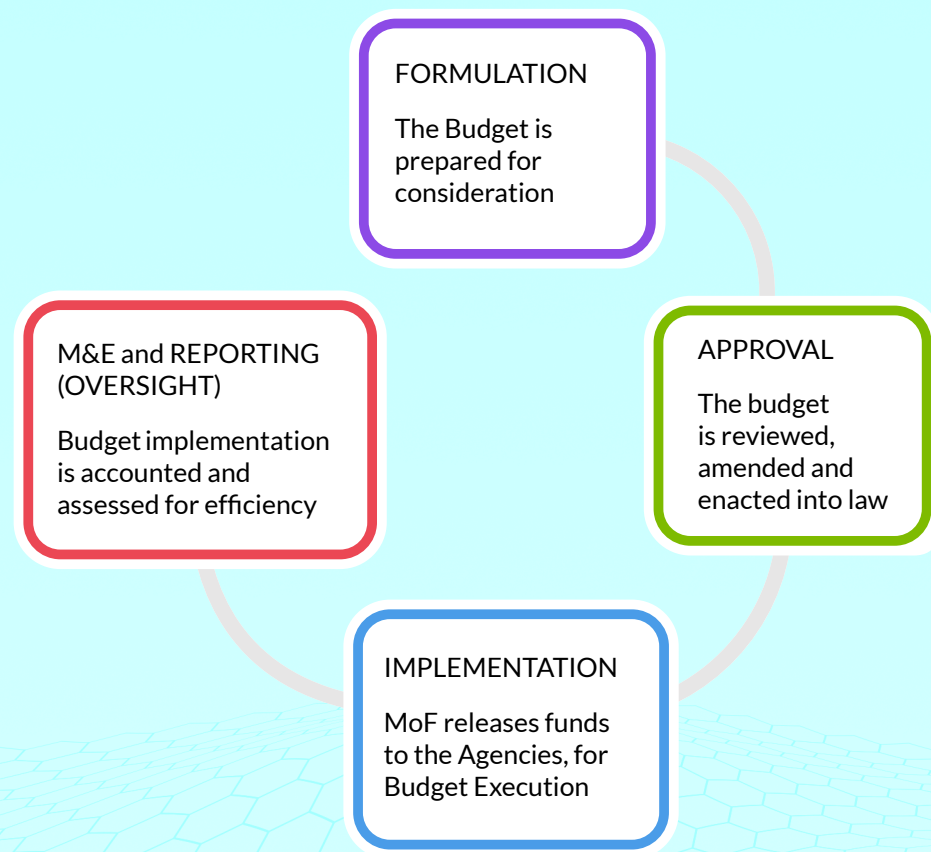
The estimates of the revenues and expenditure (Budget) for each financial year is developed based on Ghana's Annual Budget Cycle. Ghana's Budget Cycle covers

Some steps (such as budget formulation) in the cycle might take longer to prepare and implement, whilst other steps (M&E and Reporting) are regularly performed throughout the budget cycle, and the remaining steps (Approval and Implementation) are usually determined by regulations that dictate when they commence and end

The Budget Process of Government hinges on four main stages, namely Budget Formulation, Budget Approval, Budget Implementation and Budget M & E and Reporting (Oversight) with each connected to the preceding stage. The process spans a full year and each year, activities for each stage is carried out to conclude a Budget process cycle. Immediately a cycle is completed for a particular financial year on December 31st, a new one starts on January 1st. However, the processes are intertwined such that we do not wait for one activity to be completed fully before starting the next activity. For each activity, there is a particular timeline for its delivery in a particular chronology in the Annual Budget Calendar which is published by the Ministry of Finance each financial year.



# THE BUDGET CYCLE



## Budget Formulation:

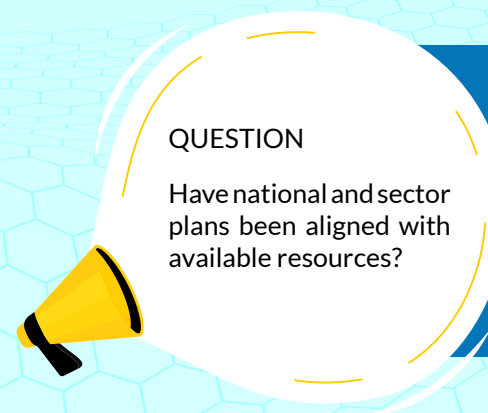
This involves the executive formulating a draft Budget that meets the strategic agenda of Government. With the help of the National Development Planning Commission, the National Medium Term Development Policy Framework (NMTDPF) is prepared and approved by the executive. It employs the use of long and short term Government policies that has considerable stakeholder consultation. The consultation process engages the different Ministries, Department and Agencies (MDAs) among others to develop policies that meet government agenda and addresses pertinent challenges in the Economy. The Budget Formulation stage of the Budget Preparation process also includes the issuance of Budget Guidelines that contain expenditure limits to all costing entities as required by the Public Financial Management Act, 2016 (Act 921). In the Budget Formulation, there are also the broad estimation of Government Revenue and Government Expenditure for the Medium Term which also forms part of the content of the Fiscal Strategy Document. MDAs on their part also allocate cost to the different programmes and projects as well as by respective economic classification i.e., Compensation of Employees, Goods and Services and Capital Expenditure. Budget officials use the Ghana Integrated Financial Management Information System (GIFMIS) Budget Module to cost their programmes and projects using elements in the uniform Chart of Accounts which is the basis of the national budget module, Hyperion.

The important thing to keep in mind is this:

### THE BUDGET CYCLE DOESN'T END

Whilst a current Budget is being implemented, it is monitored and evaluated and at the same time, Government begins formulating the next budget.

Lessons learnt in previous budgets come to play in the next cycle.



### FORMULATION

The Budget is prepared for consideration (Macro Frameworks, Revenue projections, Stakeholder Engagements (Guidelines and Hearings etc.)

# THE BUDGET CYCLE

## Budget Approval

The Parliament of Ghana which also stands as the people's representative holds the exclusive right to approve the National Budget for each financial year. The Public Financial Management Act, 2016 (Act 921) requires of the Minister for Finance to prepare and submit the Budget to Parliament not later than the 15th November of each year. The Minister presents the Budget speech to Parliament with other financial documents, including, the Medium-Term Debt Strategy, Energy Sector Levies and Accounts, the Annual Report on Petroleum Funds, and so on. Draft budgets of each MDA is submitted to the table office within a stipulated time for consideration by the select Committees of Parliament. Parliament on its part will within the individual Select Committee examine each MDA's proposed Budget before it is taken to the Parliamentary Chamber for debate. The conclusion of the debate will cause the proposed budget to be approved and legislated into an Appropriation Act. The approved budget is also gazetted.

### QUESTION

Are allocations within the fiscal space?  
Are allocations adequate to meet MDA and MMDA programme objectives?

### APPROVAL

The budget goes through approval processes (including, Cabinet and Parliament). It is reviewed, amended, and finally enacted into Law

## Budget Implementation

The coming into force of an Appropriation Act means MDAs are free to spend. Ministries, Departments and Agencies before spending the budget prepare action plans (work plans) based on timelines of their requirement. Resources are allocated to spending centers whose programmes and projects were costed during the budget preparation and through approved business processes, and also based on resource availability. An allotment system is used to control expenditure. Each MDA's business processes employ procurement, audit as well as accounting and reporting. It is during the Budget Implementation stage of the Budget Process that programmes are undertaken and projects are delivered. Here again, Central Government releases resources to Metropolitan, Municipal and District Assemblies (MMDA) for service delivery at the local government level. Resource management is done according to the approved ceilings for each MDA and follow the approval hierarchy of the MDA. MDAs use a financial integrated software called the Ghana Integrated Management Information System (GIFMIS) for the implementation of the Budget.

### QUESTION:

Are funds released to MDAs in a predictable manner?

### IMPLEMENTATION

Revenues mobilised, Releases made, MDA run programmes / sub-programmes, internal controls, resources managed for efficient delivery of goods and services etc.

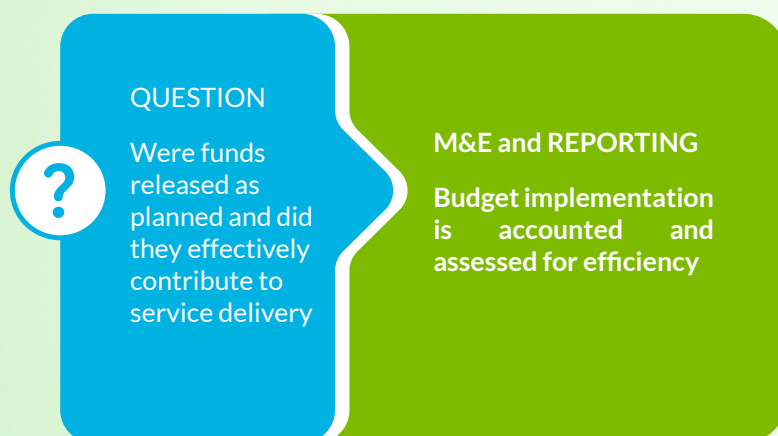
# STAKEHOLDER ENGAGEMENT WITH SEND GHANA (CSO) IN SEPTEMBER AT OSU EBENEZER CHURCH HALL



# THE BUDGET CYCLE

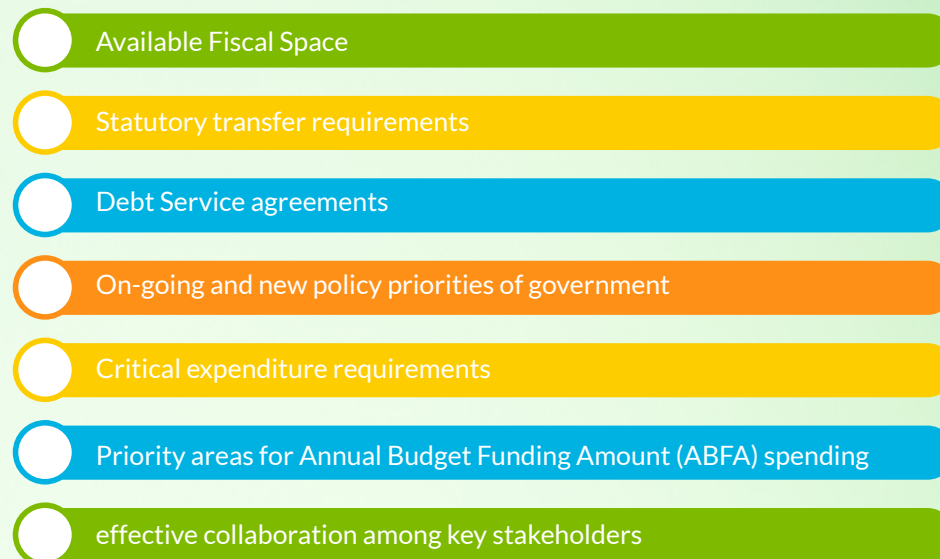
## Budget M&E and Reporting (Oversight)

The final state of the Budget process is the Budget oversight where the process employs audit and accountability on the resource management. The process through the internal audit function questions if due process has been followed and all documentations are prepared and resources accounted for as required. External Auditors also through a process of detail etching, identify errors in the use of public resources. External audit pry to investigate any misappropriation or mismanagement that might have occurred during the implementation process. A report on the audit is sent to Public Accounts committee to probe further and take action where necessary.

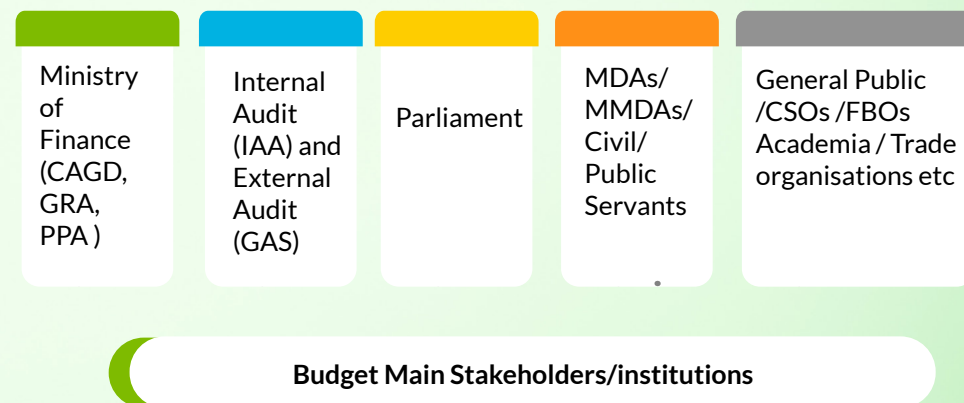


## BUDGET INSTITUTIONS

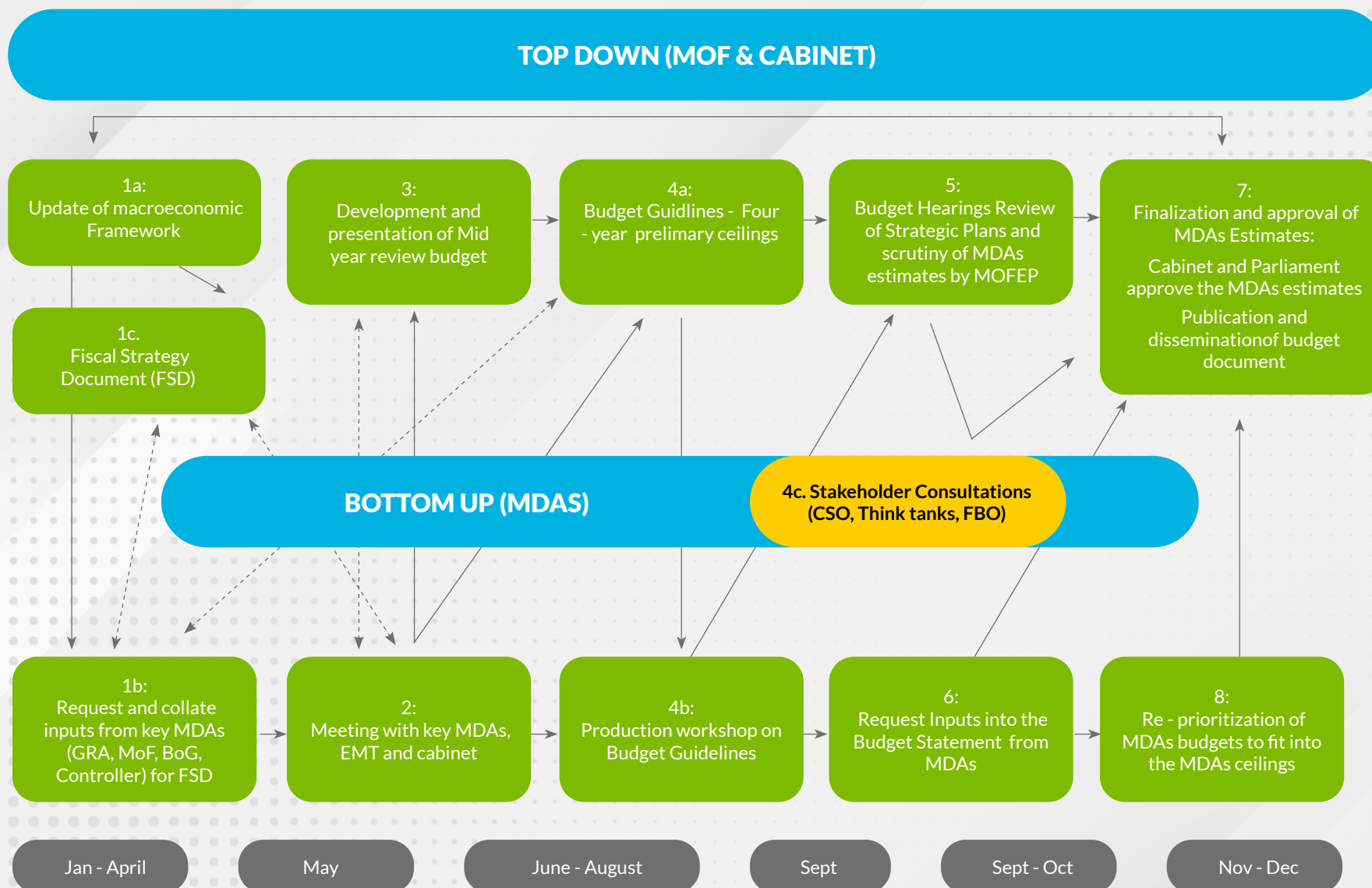
The Ministry of Finance (MoF) takes the lead in preparing the National Budget, but does not dominate the process. It is a collaborative endeavour among other key stakeholders identified. The estimates that go with the budget (Medium Term Expenditure Framework – MTEF) are highly dependent on:



A pictorial depiction of some of the key stakeholders (Budget Institutions) is shown in the diagramme below. A similar representation on the detailed processes of the budget development is also shown.



# DIAGRAMMATIC REPRESENTATION OF THE BUDGET PREPARATION PROCESS





**Hon. Ken Ofori-Atta**  
Minister for Finance



**Hon. Charles Adu Boahen**  
Minister of State, Finance



**Hon. Abena Osei Asare**  
Deputy Minister for Finance (MP)



**Hon. Dr. John  
Ampontuah Kumah**  
Deputy Minister for Finance (MP)



**Patrick Nomo**  
Chief Director, Finance



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