REPUBLIC OF GHANA

MINISTRY OF FINANCE

STRATEGY TO STREAMLINE EARMARKED FUNDS

Prepared by

MINISTRY OF FINANCE

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1.0 BACKGROUND AND JUSTIFICATION FOR EARMARKED FUNDS REVIEW

1. Earmarked Funds (EFs) have been a feature of the Budget framework of Ghana for a very long time. They find their legitimacy in their Enabling Acts and the 1992 Constitution. There are at least sixteen (16) Earmarked Funds captured in the Budget as well as in the amended schedule of Act 947. These Earmarked Funds have grown in both size and shares over time and encumber significant fiscal space, leaving little room for policy maneuverability.

2. As part of measures to free up public resources, Government in 2017 presented the Earmarked Funds Capping and Realignment Bill to Parliament which was eventually passed into law (Act 947) and assented to by H.E. the President in 2017. The law capped transfers to earmarked funds to 25 percent of Tax Revenue. This cap has, however, been reduced further to 17.5 percent as of 2023 through an amendment of Act 947. The sixteen (16) Earmarked Funds are:

    i. National Health Insurance Fund;
    ii. Ghana Education Trust Fund (GETF);
    iii. Road Fund;
    iv. Energy Fund;
    v. Internally Generated Funds (IGF) Retention;
    vi. Transfers to Ghana National Petroleum Corporation (GNPC) from petroleum revenue;
    vii. Transfers to Youth Employment Agency (YEA) from the Communications Service Tax;
    viii. Students Loan Trust (SLT);
    ix. Export Development Levy;
    x. Airport Passenger Service Charges (Ghana Airport Company Limited);
    xi. Minerals Development Fund (MDF);
    xii. Ghana Revenue Authority (GRA) Retention;
    xiii. Minerals Income Investment Fund;
    xiv. Plastic Waste Recycling Fund;
    xv. Ghana Infrastructure Investment Fund (GIIF); and
    xvi. The District Assemblies Common Fund (DACF).

3. It should be noted that the DACF is no longer under the Earmarked Funds Capping and Realignment Act, 2017 (Act 947) since the Supreme court ruling on the subject in 2019. It is included here only for reasons of monitoring and assessing operational efficiency.

4. The Review of the Earmarked Funds is in line with Section 6(1)(A) and (B) of the Earmarked Funds Capping and Realignment Act, 2017 (Act, 947) which requires, "the Minister responsible for Finance, in consultation with the relevant sector Ministers, to (i) conduct a review of each enactment that establishes an Earmarked Fund to determine whether or not the Earmarked Fund has outlived its usefulness; and (ii) conduct a review every two (2) years after the said review. This review is the first to be done since the passage of Act 947 in 2017.

5. Additionally, the review of the Earmarked Funds is a Structural Reform Benchmark under the IMF-supported Post COVID-19 Programme for Economic Growth (PC-PEG) which requires that the Ministry of Finance publishes a strategy, after cabinet approval, to streamline statutory funds by end-September 2023.

6. Following a competitive tendering process, PricewaterhouseCoopers (PwC) was contracted on 14th June 2023, to undertake a review of the Earmarked Funds in line with Section 6(1)(A) and (B) of the Earmarked Funds Capping and Realignment Act, 2017 (Act, 947).

2.0 OBJECTIVES AND SCOPE OF WORK

7. The main objective of the assignment was for PwC to undertake an independent review of Earmarked Funds in accordance with (ACT 947) and propose specific implementable recommendations for the consideration of Cabinet. To ensure that this objective was achieved on time, the assignment covered the following thematic areas:

    i. determine whether the objectives for which the Earmarked Fund was established have been met;

    ii. ascertain whether the Earmarked Fund has outlived its usefulness (i.e. whether the Earmarked Fund is still relevant under the current situation);

    iii. determine whether the Earmarked Fund has been efficient in resource utilisation (Spending by the Earmarked Fund in line with approved expenditure areas or formula);

    iv. ascertain whether there are duplication of functions or effort by other existing government institutions and the possibility of merging the functions of the Earmarked Fund with existing public sector institutions;

    v. the financing mechanism of the Earmarked Fund and any possible scope for improvement;

    vi. the other sources of revenue for the earmarked fund;

    vii. the possible debt/arrears the Earmarked Fund is holding and arrangements to clear the debt/arrears;

    viii. the formula for allocation of the funds to the Earmarked Funds;

    ix. any possible fiscal risks the earmarked poses to central government and how those risks could be mitigated; and

    x. specific and implementable recommendations on streamlining the Earmarked Fund for relevance, efficiency, and value for money including on the proposed governance structure, the formula for allocation resources to the earmarked funds, reducing budget rigidities in relation to earmarked funds, reducing fiscal risks on central government, and merger of some of the earmarked funds.

3.0 METHODOLGY

8. The methodology was based on the Terms of Reference provided by the Ministry of Finance as outlined Section 2.0 of this paper as well as on discussions with Ministry of Finance and key stakeholders and the experience of the consultant on similar engagements. Questionnaires were developed and used in the stakeholder engagement process to gain insights and information on the objectives, key tenets, and factors that led to the establishment of the Funds from all relevant stakeholders of each of the earmarked Funds.

9. The Consultants first provided an inception report which presented a preliminary review of applicable Acts, and other legal and regulatory documents that set up the Earmarked Funds.

10. The consultants also had entrance meetings with relevant key stakeholders at various levels with the Ministry of Finance and all Earmarked Funds Entities followed by specific meetings at the Earmarked Funds entities offices where the scope and expectations were clarified.

11. The consultants then reviewed relevant documents and undertook comprehensive analysis to arrive at key observations and preliminary findings which were then validated in an exit meeting with the earmarked funds entities.

12. Finally, the consultants discussed their draft review report and its key findings and recommendations with the management of Ministry of Finance to inform the final copy of the report.

4.0 KEY OBSERVATIONS AND FINDINGS

13. Following the review of all 16 Earmarked Funds, the following key ***observations*** were made:

    i. The Earmarked Funds Capping and Realignment Act, 2017 (Act 947) makes provision for the Review of Earmarked Funds in 2017 and subsequent reviews after every two years (Section 6 of Act 947);

    ii. Even though the 16 EFs drew their sources of revenue from tax revenue and non-tax revenue, the basis of allocation to the earmarked funds is solely on tax revenues. Currently 17.5% of tax revenues are transferred to EFs every year;

    iii. The DACF was later excluded from Identified Earmarked Funds under the Schedule of Act 947 following the ruling of the Supreme Court in the case of Kpodo/Quashigah Vrs the Attorney-General in 2019;

    iv. Even though Act 947 makes provision for the Minister responsible for Finance to make additional budgetary allocation to a particular earmarked fund if it is deemed a priority in line with the Budget Statement for a particular year, there are no guidelines that guides the Minister in the quantum of additional budgetary allocation to be provided; and

    v. Some of the EFs had backlog of audits in spite of the provision in the PFM Act (Section 84) that all Government Entities (including Earmarked Funds) be audited by the Auditor General six months after the end of each financial year. For example, the Road Fund and National Health Insurance Authority have audit backlogs from 2017 and 2020 respectively. Furthermore, the Auditor General's reports on the audit of the management and utilisation of funds received from DACF by MMDAs for 2017 to 2021 indicated repeated irregularities on the use of the funds by MMDAs.

Irregularities identified include non-compliance with existing financial management framework and other regulatory instruments, managerial lapses in cash, procurement, contract management and taxation.

14. The key ***findings*** of the review are summarised below:

i. **Use of GIFMIS:** Of the 16 Earmarked Funds, only 8 of them are on the Ghana Integrated Financial Management Information System (GIFMIS), which is the statutory platform required to be used for managing commitment made against appropriations, processing payment claims, recording revenue and expenditure transactions, and producing periodic financial reports of covered entities. Of the 8 Earmarked Funds on GIFMIS, four are fully active and 1 is partially active with the rest inactive. In addition, 105 MDA's under the Retention of Internally Generated Funds (IGFs) had not migrated to GIFMIS as at the time of review (August 2023).

ii. **Transfers to the Earmarked Funds:** Since 2017 up to 2022, GH¢81.6 billion has been transferred to the Earmarked Funds constituting about 28% of tax revenues over the period;

iii. **Debt:** The total borrowings of the earmarked funds at the end of 2022 stood at GH¢25.3 billion. In addition, earmarked funds had other liabilities totalling about GH¢8.3bn over the period of which NHIS and Road Fund are 1.96 billion and 4.84 billion respectively;

iv. **Securitisation:** Some EF's securitised portions of their future funds or other assets to secure debt financing. The GETFund, GACL and EXIM, had securitised portions of future funding allocations to secure debt financing (bonds and loans) as capital injection to improve operations. With regards to GETFund, the securitization enabled accelerated buildup of infrastructure to accommodate the increase in senior school population (over 400,000) due the Free SHS Policy. Notable drawbacks associated with the securitisation exercises included budgetary rigidities due to financial constraints associated with commitments to fulfil contractual arrangements on the repayment of principal and interest. As a result, portions of receipts in certain years were used by the EF entities to satisfy repayment commitments.

v. Commercial **Bank Balances:** At the end of 2022, the commercial bank balances of the Earmarked Funds stood at GH¢3.6bn comprising both demand and fixed term deposits. The lowest cash balance was GH¢5.3 million held by Student Loan Trust Fund whilst the highest cash balance was GH¢1.9 billion held by the Minerals Income Investment Fund (MIIF). This partly shows non-compliance with Treasury Single Account transition given that Section 46 of the Public Financial Management Act, 2016 and Section 134 of the PFM Regulations established the Treasury Single Account into which all government cash including amounts of money received by covered entities, including Earmarked Funds, shall be deposited and from which all expenditure shall be made to ensure optimum utilisation of government cash resources.

vi. **High incidence of non-core expenditure.** The enabling acts that set up 5 Earmarked Funds (i.e., Energy Fund, GETFund, NHIA, Export Development Levy, and SLTF) include a clause allowing "other" expenditure to be incurred once requisite approvals are obtained. Whereas approvals were obtained for these "other" expenditures, the consequences of these activities restrained the EFs from fulfilling their primary objectives.

vii. **Transfer dependencies between Earmarked Funds.** Three Earmarked Funds are reliant on other Statutory funds for fund allocation and transfers. These structural dependencies create administrative bureaucracies which result in ineffective planning and heightened budget execution risks due to delays in the transfer of funds. In the absence of any synergies the interdependencies increase transaction costs. EF's are allocated portions of mobilised revenue, primarily, from the MOF, other Statutory Funds, and sources of Internally Generated Funds (IGF). These create difficulties in identifying discrepancies for timely resolution.

viii. A synopsis of findings from the review has been provided in Appendix Table 1 of this report.

5.0 RECOMMENDATIONS

15. Based on the observations and key findings, the following recommendations are proposed to streamline the operations of the Earmarked Funds:

i. Earmarked Funds are categorised into three main groups: (i) Maintain (ii) Merge and (iii) Maintain or Merge and described as follows:

a) **Maintain:** The Earmarked Fund is meeting its objectives and is relevant in the current circumstance. However, there are significant inefficiencies that are needed to streamline the governance, operations, internal control, revenue mobilisation or other relevant aspects of the Fund's business.

b) **Merge:** The Earmarked Fund should be merged with existing Government entity or be subsumed by its line Ministry.

c) **Maintain or Merge:** The EF is being contemplated either to be maintained with operational/governance challenges addressed with urgency or merged with an existing institution.

Table 1: Categorisation of Earmarked Funds

Categorisation	Number of Earmarked Funds	Earmarked Fund
Maintain	10	Ghana Education Trust Fund (GETF)
		National Health Insurance Fund (NHIF)
		Energy Fund
		Ghana Airport Company Limited (GACL)
		Ghana Infrastructure Investment Fund (GIIF)
		Minerals Income Investment Fund (MIIF)
		Retention of Internally Generated Funds (IGF)
		Ghana National Petroleum Corporation (GNPC)
		Ghana Revenue Authority (GRA)
		District Assemblies Common Fund (DACF) –DACF is outside the jurisdiction of Act 947 but only here for purposes of operational efficiency
Merge	4	Mineral Development Fund (MDF)
		Student Loan Trust (SLT)
		Plastic Waste Recycling Fund
		Youth Employment Agency (YEA)
Maintain or Merge	2	Ghana Exim Bank
		Ghana Road Fund

ii. Maintain the following Earmarked Funds as outlined in Table 2.

Table 2: Earmarked Funds to be Maintained

Earmarked Fund	Justification
Ghana Education Trust Fund	GETFund was established to among others provide financial support to the agencies and institutions under the Ministry of Education for the development and maintenance of essential academic facilities and infrastructure in public educational institutions, particularly, in tertiary institutions. This financial support within the educational sector is essential in safeguarding the interest of the poor and vulnerable in Society in line with the requirements of the PC-PEG. Infrastructure development within the educational sector is vital and one of the enablers to improving learning outcomes.

Earmarked Fund	Justification
	Recommendation 1. the GETFund's self-run scholarship administration should be ceded to the SLTF/Scholarship Secretariat for better management and synergy as well as to prevent duplication. 2. Enforce the use of Treasury Single account as per section 46 of the PFM Act 2016 and 134 of the PFM Regulation, 2019.
National Health Insurance Fund	NHIA is a relevant agency of the MoH responsible for enhancing access to healthcare. It is a lifeline and ticket for the poor and vulnerable to access health care. There is no comparable scheme that provides this protection for the poor and vulnerable. **Recommendations:** 3. Enforce compliance with spending on non-core expenditure within the 10% maximum threshold specified in the NHIA Act. 4. CAGD to work with NHIA to ensure complete rollout of GIFMIS for all district offices. 5. Integrate claims payment with GIFMIS to allow for timely information on claims payable at any point in time to implement prudent funding measures to mitigate financial sustainability risk of service providers. 6. Annual funding to NHIA should be dependent on compliance with section 40 (2 to 4) of the NHIA Act, which highlights how funds should be used by the Board to meet the objects of the Fund (including the split between core and non-core activities). This should be monitored via periodic quarterly management accounts which should be submitted by NHIA to MoF for review before disbursements are made. 7. Ensure that NHIA submits audited financial statements on time in accordance with the PFM Act. Absence of timely audited financial reports as part of PFM accountability measures could heighten fiscal risks since information on claims and other liabilities may not be available on a timely basis for timely implementation of fiscal risk measures at central government level. 8. Enforce the use of Treasury Single account as per section 46 of the PFM Act 2016 and 134 of the PFM Regulation, 2019.

Earmarked Fund	Justification
Energy Fund (Petroleum Related Funds)	The Energy Commission Act,1997 (Act 541) mandates the Commission to regulate, manage and coordinate the efficient development and utilisation of energy resources in Ghana. As a regulator, the Energy Commission requires independence to be able to execute its mandate. Independence may not be achieved should they operate under the Ministry. **Recommendations** 1. Improve collection efforts to increase actual cash inflows from fees charged. 2. Review salaries of the Energy commission to reduce inefficiencies in expenditure management. 3. Place a maximum spending limit of 2% on other relevant expenditure lines to prevent inefficient use of resources and enhance achievement of core objectives.
Ghana Airport Company Limited	The Ghana Airport Company Limited (GACL), an implementing agency of the Ministry of Transport, was incorporated in January 2006 under the Ghana Companies' Act 1963, after the decoupling of the existing Ghana Civil Aviation Authority, in line with modern trends in the aviation industry. It commenced business in January 2007, with the Government of Ghana as its sole shareholder. GACL is an SOE and has the potential to increase GoG's non-tax revenue capacity through dividend payments by improving revenue mobilisation, expenditure management and the capital structure. **Recommendation** i. Explore the use of a strategic investor to inject needed resources to pay off loan and augment its working capital in exchange for equity shares. ii. Review and revise the domestic APSC to increase revenue mobilisation as it has not been reviewed for more than 10 years. iii. Enforce the use of Treasury Single account as per section 46 of the PFM Act 2016 and 134 of the PFM Regulation, 2019.
Ghana Infrastructure Investment Fund (GIIF)	GIIF serves as a state-owned investment vehicle designed to attract, manage, and channel funds into critical infrastructure projects across various sectors, driving sustainable economic growth and

Earmarked Fund	Justification
	enhancing the quality of life for Ghanaians. GIIF has been on a consistent growth trajectory with increased in ROE increasing from a low of 11% in 2017 to a high of 77% in 2022. GIIF is currently undertaking the Agenda 111 projects and the Accra-Tema Motorway Project (ATMP)
Minerals Income Investment Fund (MIIF)	The MIIF is a public fund ("The Fund") established by Act 978 of Parliament in December 2018 (and became operational in 2020) to manage the equity interests of the Republic in mining companies, to receive mineral royalties and other related income due the Republic from mining operations, to provide for the management and investment of the assets of the Fund and for related matters. There is potential for GoG to maximise its returns in equity interest and other investment vehicles through MIIF. **Recommendation** 1. Consider investing in other assets classes to reduce risk associated with ineffective portfolio diversification. 2. Invest idle funds in other viable equity interests to generate income. 3. Maintain a comprehensive database of government mineral equity to improve transparency associated with reported dividend payments. 4. Develop dividend pay-out policy to provide clarity on pay-outs due GoG. 5. AC should enforce the implementation of audit recommendations to strengthen internal controls and governance of the entity. 6. Enforce the use of Treasury Single account as per section 46 of the PFM Act 2016 and 134 of the PFM Regulation, 2019.
Ghana Exim Bank (Export Development Levy) - GEXIM	Ghana Export-Import Bank was established in 2016 through the Ghana Export-Import Bank Act, 2016, (Act 911) to support and develop directly or indirectly trade between Ghana and other countries and build Ghana's capacity and competitiveness in the international marketplace. The Bank retains 90 percent of the monthly levies received from the levy of 0.75% of CIF value of the import collected by GRA with GRA remitting the rest

Earmarked Fund	Justification
	of the 10% to the Ghana Export Promotion Authority (GEPA). The Bank in fulfilling its mandate provides loans and advances to companies within the Agro-Processing, Pharmaceuticals and other aligned entities. Within the period 2017 – 2022, a total of GH¢1.31 billion has been disbursed as loans and advances. 22% of these loans are non-performing loans There is potential to reduce the inefficiencies in expenditure as well as a further reduction in NPL rates would create fiscal space for GoG **Recommendation** 1. A restructuring assessment to be done with a view to making GEXIM a self-sustaining entity 2. Ensure that all commercial facilities secured from international sources should be approved by Parliament. 3. Urgently strengthen governance of GEXIM and potentially restructure the institution to operate more efficiently and effectively. 4. Review Act 911 to strengthen regulatory supervision of the GEXIM 5. Maximise revenue generation opportunities by renting out vacant office space and ensure that all rent arrangements are guided by contracts to mitigate legal risks.
The Ghana Road Fund	Ghana Road Fund was established by Road Fund Act, 1997 (Act 536) as amended by the Road Fund (Amendment) Act, 2016 (Act 909). The objective of the fund is to finance routine, periodic maintenance, and rehabilitation of public roads in the country. The fund is also to be used to assist the Metropolitan, Municipal and District Assemblies in the exercise of their functions to relevant public roads under any enactment. The Road Fund in its current form acts as a finance house responsible for making payments to contractors. Where they even perform monitoring visits and identify irregularities, they have been unable to adjust the final payments made to contractors. The Road Fund Board has not been able to effectively provide governance oversight on consistent over budgeting on the part of the road agencies (Ghana Highway Authority, Department of Feeder Roads and Department of Urban Roads)

Earmarked Fund	Justification
	Recommendation 1. Strengthen the governance arrangements of the Road Fund especially the role of the Board to enable the Fund to exercise its mandate more efficiently and effectively 2. Comprehensively audit the current debt position (accounts payable) to establish the accuracy, existence, and validity of the debts 3. The Ministry of Roads to implement stricter controls on budgetary allocations to ensure that only budgeted works are undertaken, and all claims validated (including physical verifications) prior to payment. Where physical verifications identify exceptions, those exceptions should be adjusted from payments due. 4. To curtail further collateralised borrowing by Road Fund, the Ministry of Roads to ensure there is no further borrowings or loan facility to be secured against future receivables. 5. Road and bridge tolls should be digitalized to enhance supervision, control, monitoring and reporting of revenue collected. 6. Finalise all outstanding audits of the Fund for the period 2017 to date and prepare a comprehensive action plan to follow up on the audit recommendations. 7. The Ministry of Roads to enforce commitment control through the use of GIFMIS for all transactions processed and apply the needed sanctions as required by the PFM Act and Regulations. 8. Enforce the use of Treasury Single account as per section 46 of the PFM Act 2016 and 134 of the PFM Regulation, 2019. 9. Consider subsuming the Road Fund under the Ministry of Roads if reforms do not yield results in the medium-term.
Retention of Internally Generated Funds (IGF)	IGFs represent the internally generated funds of MDAs which supplement direct funding from the GoG. There is a potential, however, to create fiscal space by reducing the retention level of some covered entities, weaning off 100% subvented entities and implementing regular Assurance Services to improve compliance with revenue collection, lodgements and reporting.

<table>
<tr><th>Earmarked Fund</th><th>Justification</th></tr>
<tr><td></td><td>Recommendation

1. Amend the Retention Act to encompass all MDAs to widen the coverage.
2. Perform comprehensive assessment of all MDAs to assess self-reliance in order to wean-off all self-reliant MDAs from direct government support.
3. Roll out all IGF-reliant MDAs on GIFMIS to improve oversight of GoG over financial transactions of MDAs.
4. Set up an assurance task force unit within the Non-Tax Revenue (NTR) Unit for effective monitoring of MDAs and performing comprehensive compliance audits, at least every two years.
5. Implement the recommendations from various compliance audits and monitoring performed by the task force unit.</td></tr>
<tr><td>Transfers to Ghana National Petroleum Corporation (GNPC)</td><td>The GNPC acts as the representative of the Government on crude oil exploration, development, production and disposal and refining. GNPC plays a significant role in the petroleum value chain; from licensing and extraction to decommissioning

It is involved in every Petroleum Agreement, holding interest on behalf of the State. The revenue source of GNPC is from non-tax sources.

GNPC is the only organisation mandated to take petroleum transactions on behalf of the Government.

Recommendation

i. Perform ESG reporting to shed light on the corporation's ESG impact to improve investor confidence and attract funding from international organisations.
ii. Enforce commitment control for all statutory Funds through the use of GIFMIS for all transactions processed and apply the needed sanctions as required by the PFM Act and Regulations.
iii. Reduce spending on non-core activities such as Maritime Boundary special project and scholarships and instead work with the designated Government entities charged with performing these functions.</td></tr>
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Earmarked Fund	Justification
Ghana Revenue Authority (GRA) Retention	GRA is the only GoG machinery responsible for assessing, collecting, and accounting for all tax revenue. There is potential to reduce the inefficiencies in expenditure management to create fiscal space for GoG. **Recommendation** 1. Develop and implement a short-term cost optimisation strategy to free fiscal space as increased tax revenue is projected and collected. Aside streamlining personnel costs which currently account for about 70% of total expenditure 2. To achieve the medium-term tax revenue target of 20% of GDP by 2027, the following options should be explored: a) Efficient Tax audits through several strategies including: i. Data Analytics: Using data analytics to identify patterns of potential tax evasion and fraud can lead to more efficient and targeted enforcement efforts, thereby reducing the resources needed for broader enforcement actions; ii. Risk-Based Auditing: Focus audits on high-risk taxpayers or areas where non-compliance is more likely, rather than conducting random or broad audits; iii. Remote Audits: Use technology to conduct remote or virtual audits when appropriate, reducing travel and associated costs; iv. Electronic Records: Encourage taxpayers to maintain electronic records, making it easier to access and analyse financial information during audits; v. Streamlined Processes: Implement more efficient audit processes, reducing the time and resources required for each audit; vi. Improved Communication: Enhance communication with taxpayers to ensure they understand their obligations and can rectify issues before they escalate to audits; vii. Education and Compliance Programs: Invest in taxpayer education programs to promote voluntary compliance, which can reduce the need for audits in the first place; viii. Legal Changes: Advocate for legislative changes that simplify the tax code and reduce opportunities for tax evasion, making audits less

Earmarked Fund	Justification
	necessary; and ix. Collaborate with Tax Professionals: Work closely with tax professionals and use their expertise to streamline audits and resolve issues more efficiently. x. Collaborate with MMDAs to optimise the collection of property rates. b) Others include: i. Digital Transformation: GRA should implement an automated self-service tax registration process to significantly reduce processing time, and manual labour costs. In this regard, GRA should expedite the operationalisation of the ITAS, E-VAT system and other electronic systems; ii. Paperless Initiatives: Encouraging electronic document submission and reducing reliance on paper can lead to cost savings in printing, storage, and mailing; iii. Use Electronic Communication for notifications, updates, and reminders. e.g. SMS/text messages, WhatsApp; and iv. Streamlining Processes: Identifying and eliminating redundant or unnecessary steps in tax processing and administration can lead to time and cost savings.
District Assemblies Common Fund (DACF)	DACF was set up by the 1992 Constitution of Ghana (Article 252(2)) and Section 126 (1) of the Local Governance Act, 2016 (Act 936) with provision for the allocation of not less than 5% of the total revenue of the country to the District Assemblies Common Fund (DACF) annually for the implementation of development programmes in the Metropolitan, Municipal and District Assemblies (MMDAs). The current contribution of 5% to the DACF is the minimum prescribed by the Constitution. DACF is, however, no longer under the Earmarked Funds Capping and Realignment Act, 2017 (Act 947) since the Supreme court ruling on the subject in 2019 It is included here only for reasons of monitoring operational efficiency. **Recommendations** i. Despite the Constitutional mandate and requirement of the Local Government Act, we recommend that the role of the Administrator

Earmarked Fund	Justification
	should be reviewed in the light of current corporate governance practices to include the role of the Ministry of Local Government and Rural Development, Board, and Advisory oversight. ii. Audit Committees should enforce the implementation of audit recommendations to prevent irregularities in the use of funds by MMDA's. Measures such as the deduction of assessed irregularities from subsequent allocations to MMDAs should be enforced. iii. MMDAs should explore innovative ways of revenue mobilisation to improve their IGFs. MMDAs should enforce the collection of the IGFs to improve their revenue. MLGDRD, in collaboration with the DACF should support MMDAs to maximise IGFs by reviewing, streamlining, and strengthening their revenue generation capacity, reforming business processes and procedures and strengthening management controls. An Internally generated revenue indicator could be developed to ensure an efficient and transparent assessment of the performance of the MMDAs in revenue generation. iv. MoF should ensure timely and full disbursement of funds to the DACF for subsequent disbursement to the MMDAs. MoF should adhere to the quarterly disbursement schedule of the DACF in accordance with Article 252 sub-section 2 of the 1992 Constitution. v. The functions and responsibilities of MLGDRD and the DACF should be streamlined. Duplication of functions, especially in relation to approval and oversight of projects at the level of MMDAs should be resolved. This will prevent duplication of efforts, achieve efficiency, and ensure that there is increased collaboration between the two institutions. vi. Enforce commitment control using GIFMIS. According to available data from the GIFMIS Secretariat, although GIFMIS has been deployed, it is yet to be actively used by MMDA's.

iii. Merge the following Earmarked Funds as outlined in Table 3.

Table 3: Earmarked Funds to be Merged

Earmarked Fund	Recommended Action	Justification
Mineral Development Fund (MDF)	Subsume under Ministry of Lands and Natural Resources (MLNR)	The MDF is a public fund ("The Fund") established by Act 912 of Parliament in March 2016 to provide a more reliable and predictable source of funding for development initiatives in mining communities. The Fund's operations fall under the Ministry of Lands and Natural Resources. MDF is a pass-through entity per the Act setting it up. A significant portion of the MDF's mandate is to transfer funds to specific beneficiaries Agencies. i. 75% of all funds received are disbursed to other entities including Administrator of Stool Lands (50%), MLNR (4%), Minerals Commission (13%) and GGSA (8%) ii. There is no direct reporting relationship between the recipient entities and MDF on the use of funds iii. Direct disbursement of the 75% can be done efficiently from a central location without recourse to MDF. **Recommendations** 1. Repeal the MDF Act and subsume it under MLNR as a project office focusing on mining community engagements for development initiatives in mining communities. Additionally, the project office will work collaboratively with MLNR finance office to ensure all projects initiated are properly financed from the 20% allotted for MCDS activities. 2. Take stock of all existing projects (including 'legacy' projects) to ascertain the remaining cost to complete before handing them over to MLNR. 3. Prioritise completion of the 'legacy' and on-ongoing projects based on the 20%

Earmarked Fund	Recommended Action	Justification
		available for MCDS activities. To achieve this, there must be a cooling off period where no new projects are initiated until existing ones are completed. 4. A detailed assessment to be performed to ascertain the continued relevance of these entities (Administrator of Stool Lands -50%, MLNR -4%, Minerals Commission -13% and GGSA -8%) as beneficiaries.
Student Loan Trust Fund (STLF)	Merge with the Scholarship Secretariat under the Ministry of Education	The SLTF was established in Dec 2005 as a Trust Deed and later replaced with the Student Loan Trust Fund Act, 2011 (Act 820). The SLTF is an agency of the Ministry of Education responsible for, primarily, providing financial support, in the form of loans, to eligible Ghanaian tertiary students in accredited tertiary institutions pursuing accredited tertiary programmes. The fund has been involved in the disbursement of loans to eligible tertiary students since its inception as well as payment of teacher trainee allowance for the college of education from 2018 to date. The SLTF is the only agency responsible for administering student loans. There are, however, opportunities to benefit from synergies through a merger with the Scholarship Secretariat as well as other scholarship awarding institutions (e.g. GETFund) to enhance efficient resource utilization. Additionally, resources used by the GETFund in administering the GETFund scholarships should be channeled through the merged entity to avoid duplication. **Recommendations** 1. Detailed assessment of the SLTF, Scholarship Secretariat, and other scholarship awarding entities to be conducted to streamline their operations for the merger. The analysis should

Earmarked Fund	Recommended Action	Justification
		determine the overall funding requirements that will make the fund self-sustaining to free fiscal space for GoG. 2. Migrate SLTF to GIFMIS to improve oversight of GoG over financial transactions. 3. Enforce the use of Treasury Single account as per section 46 of the PFM Act 2016 and 134 of the PFM Regulation, 2019.
Plastic Waste Recycling Fund (PWRF)	Subsume activities of PWRF under MESTI	The Customs and Excise (Duties and Other Taxes) (Amendment) Act, 2013 (Act 863) created the Plastic Waste Recycling Fund (PWRF). A minimum of 50% of proceeds from the tax was to be paid into the PWRF. Act 863 was later repealed by the Excise Duty Act, 2014 (Act 878). The PWRF is to support the promotion of Recycling Initiatives, developing and improving infrastructure for plastic waste collection, and research & development, among others. The Fund has operated within MESTI since it was activated in 2021. There is no specific Secretariat set for the Fund. The PWRF under MESTI can function as a policy implementation desk/ unit acting as a liaison between Private sector and Government and advise on strategic interventions in the National Plastics Management Policy (NPMP) to ensure proper and sustainable management of plastics across the life cycle. **Recommendation** 1. Subsume PWRF operations under MESTI 2. MESTI to ensure all its operations (revenues and expenses) are captured unto GIFMIS to enhance oversight of financial transactions. 3. MoF and MESTI should perform regular reconciliation of funds transferred to PWRF to identify and resolve any discrepancies timely.

Earmarked Fund	Recommended Action	Justification
Youth Employment Agency	Integrate YEA and with other similar youth organisations	The YEA was established under the Youth Employment Act 2015 (Act 887), to oversee the development, coordination, supervision and facilitation of employment for the youth and related matters in Ghana. YEA Regulation 2016 requires the YEA to develop and implement programme and employment modules in collaboration with relevant private and state institutions. There are several Youth employment interventions currently in place such as ICCES, OIC, YIP and NEIP. There is a need for proper integration of all these projects. A thorough stock take needs to be done to ensure synergies of these interventions, funding sources and modus operandi are harmonised for better and consistent results **Recommendation** 1. Comprehensive assessment of all National Youth Employment interventions to be done to ensure consistency and harmonisation. The assessment should consider: i. funding sources ii. specific modules to run iii. capacity to develop bankable proposals to the private sector for funding of identified youth employment interventions iv. procedures to monitor beneficiaries to provide the needed post-project training and other needed support. 2. Consider bringing all the youth programmes under the supervision of one Ministry 3. Perform reconciliation to ensure amounts disbursed by the DACF, GETFund and CST (MoF) are consistent with actual allocations. 4. Enforce the use of GIFMIS to enhance oversight of financial transactions of the YEA.

iv. Merge the following Earmarked Funds as outlined in Table 4.

Table 4: Earmarked Funds to be Maintained or Merged

Earmarked Fund	Justification
Ghana Exim Bank (Export Development Levy) - GEXIM	Ghana Export-Import Bank was established in 2016 through the Ghana Export-Import Bank Act, 2016, (Act 911) to support and develop directly or indirectly trade between Ghana and other countries and build Ghana's capacity and competitiveness in the international marketplace. The Bank retains 90 percent of the monthly levies received from the levy of 0.75% of CIF value of the import collected by GRA with GRA remitting the rest of the 10% to the Ghana Export Promotion Authority (GEPA). The Bank in fulfilling its mandate provides loans and advances to companies within the Agro-Processing, Pharmaceuticals and other aligned entities. Within the period 2017 – 2022, a total of GH¢1.31 billion has been disbursed as loans and advances. 22% of these loans are non-performing loans There is potential to reduce the inefficiencies in expenditure as well as a further reduction in NPL rates would create fiscal space for GoG **Recommendation** 1. A restructuring assessment to be done with a view to making GEXIM a self-sustaining entity 2. Ensure that all commercial facilities secured from international sources should be approved by Parliament. 3. Urgently strengthen governance of GEXIM and potentially restructure the institution to operate more efficiently and effectively. 4. Review Act 911 to strengthen regulatory supervision of the GEXIM 5. Maximise revenue generation opportunities by renting out vacant office space and ensure that all rent arrangements are guided by contracts to mitigate legal risks.

Earmarked Fund	Justification
The Ghana Road Fund	Ghana Road Fund was established by Road Fund Act, 1997 (Act 536) as amended by the Road Fund (Amendment) Act, 2016 (Act 909). The objective of the fund is to finance routine, periodic maintenance, and rehabilitation of public roads in the country. The fund is also to be used to assist the Metropolitan, Municipal and District Assemblies in the exercise of their functions to relevant public roads under any enactment. The Road Fund in its current form acts as a finance house responsible for making payments to contractors. Where they even perform monitoring visits and identify irregularities, they have been unable to adjust the final payments made to contractors. The Road Fund Board has not been able to effectively provide governance oversight on consistent over budgeting on the part of the road agencies (Ghana Highway Authority, Department of Feeder Roads and Department of Urban Roads) **Recommendation** 1. Strengthen the governance arrangements of the Road Fund especially the role of the Board to enable the Fund to exercise its mandate more efficiently and effectively 2. Comprehensively audit the current debt position (accounts payable) to establish the accuracy, existence, and validity of the debts 3. The Ministry of Roads to implement stricter controls on budgetary allocations to ensure that only budgeted works are undertaken, and all claims validated (including physical verifications) prior to payment. Where physical verifications identify exceptions, those exceptions should be adjusted from payments due. 4. To curtail further collateralised borrowing by Road Fund, the Ministry of Roads to ensure there is no further borrowings or loan facility to be secured against future receivables. 5. Road and bridge tolls should be digitalized to enhance supervision, control, monitoring and reporting of revenue collected. 6. Finalise all outstanding audits of the Fund for the period 2017 to date and prepare a comprehensive action plan to follow up on the audit recommendations. 7. The Ministry of Roads to enforce commitment

Earmarked Fund	Justification
	control through the use of GIFMIS for all transactions processed and apply the needed sanctions as required by the PFM Act and Regulations. 8. Enforce the use of Treasury Single account as per section 46 of the PFM Act 2016 and 134 of the PFM Regulation, 2019. 9. Consider subsuming the Road Fund under the Ministry of Roads if reforms do not yield results in the medium-term.

v. Improve operational efficiency of each Earmarked Fund through measures such as those proposed in Tables 2, 3 & 4.

vi. Review the formula for allocation of funds to maintained Earmarked Funds to reflect the source from which the Earmarked Fund is originally funded;

vii. Provide specific guidelines on how priorities are factored in provision of the additional budgetary allocation to eligible Earmarked Funds after capping; and

viii. Institute a mechanism to ensure that Earmarked Funds do not engage in collateralization of their receivables.

6.0 IMPLEMENTATION STRATEGY

16. Executive level and political commitment will be required to drive the various changes required to implement the plans that can be executed across the Earmarked Funds entities and all interested parties. Change Management activities will be connected across the institutions and collaborative - working in partnership with the MoF will be required. Change management activities will be aligned to the MoF programme to ensure consistency in messaging and activities.

17. The approach will be inclusive and align with the agenda of government to drive transformation through the activities of the earmarked funds. The implementation would be in two main phases:

    i. Phase 1 – Identification and Evaluation of Stakeholders

    ii. Phase 2 – Plan & Benefits communication and socialisation of roadmap

7.0 LEGISLATION/REGULATORY CHANGES

18. The execution of the strategy would require the amendment of existing legislations including the enabling acts of the EFs and the Earmarked Funds Capping and Realignment Act, 2017 (Act 947) as amended by Act 1008.

19. In addition, the Public Financial Management Act, 2016 (ACT 921) and PFM Regulations (LI2378) could be amended to include provisions that restricts EFs in collateralizing their receivables as well as ensuring regular audits and follow-up actions on audit findings.

20. The Ministry of Finance ought to strengthen its scrutiny role

21. The amendments are expected to take place after the stakeholder engagements are completed.

8.0 FISCAL IMPACT

22. The potential fiscal impact is an estimated savings to the Government of about GH¢7 billion to be realized only after the full implementation of the strategy. This is very preliminary and needs further assessment to validate.

9.0 COMMUNICATIONS

23. There will be a well-crafted Communication Plan for the strategy, that will ensure that, all important information is communicated to all relevant stakeholders, throughout the period of the implementation of the strategy. The key objective of the communication plan is to announce changes to the Fund to all stakeholders, build momentum and secure key stakeholder buy-in, and disseminate to all required stakeholders.

24. The key audience of the Communication Plan will include the Media, Current Earmarked Funds managers, Member of Parliament, District Assemblies, Civil Society, and the General Public with message to stakeholders communicated through meetings, briefing sessions, and forums.

25. The channels and frequency of communication will be through presentations and documents with justification and benefits, forums to discuss justification and benefits, and media campaigns to get buy-in focused on the justification and benefits.

26. In terms of timing, communication should begin as soon as Cabinet approval for this strategy is granted. Communication materials should be deployed before the new strategy is effected.

10.0 CONCLUSION

27. It is anticipated that the recommendations proposed in this strategy (Section 5.0) when effectively implemented will significantly improve the operational efficiency of the Earmarked Funds and lead to substantial fiscal savings.

APPENDIX

A - Table 1: Synopsis of Findings Across 16 Earmarked Funds

No.	Earmarked Funds	Failure to meet key objectives	Irregularities in the use of	Over-reliance on Earmarked Funds	Duplication of functions	Failure in the management and monitoring of funds	Delays and partial disbursement of funds and operations	Inadequate visibility in the use of the MPs allocations from	Increasing	Increase in expenses not within key	Inefficiency in managing level of	Increased level of domestic debts and associated expenditure rigidities in resettlement	Rental of office space not governed by contracts	Poor loan management practices	Poor records keeping in relation to other generated income	Financial reporting issues	Failure to implement audit recommendations or other recommendations from monitoring activities	Dividend pay-out policy not developed and non-disclosure of	Non-diversification of investments	GIFMIS system not used	Inadequate revenue mobilisation	Outdated Act regulating the activities of the fund	Opportunities to assess and wean off sub vented agencies retaining 100% of IGF	Discrepancies in disbursement
1	DACF		X	X	X		X	X									X							
2	Education Trust Fund				X			X		X	X	X												
3	Export Development Levy	X	X		X	X				X			X	X	X	X								
4	GACL					X						X								x				
5	GIIF					X														x				
6	GRA Retention								X															
7	MDF				X		X		X											x				
8	MIIF	X	X														X	X	X					
9	NHF		X							X										X				
10	Petroleum Related Funds (Energy Fund)								X												X			
11	PWRF																			X	X			
12	*IGF*					X									X					X		X	X	
13	Road Fund								X			X					X				X			
14	SLTF					X			X					X										
15	Transfers (GNPC) from petroleum revenue									X														
16	YEA					X														X	X			