



REPUBLIC OF GHANA

2018 BUDGET IMPLEMENTATION INSTRUCTIONS - CAPITAL EXPENDITURE

MINISTRY OF FINANCE

29TH JANUARY 2018

3.3 CAPITAL EXPENDITURE (CAPEX)

3.3.1 Format for Requests for Capital Expenditure

All requests for release of funds under Capital Expenditure should:

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

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

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

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

3.3.2 Submission of Request for Commencement Certificates/Letters

It was observed that some MDAs submitted requests for Commencement Certificates/Letters as late as November. Such requests when granted are likely to

create arrears as the MDA may not be able to complete the procurement process to enable work to be executed or goods supplied and payment made before end of the financial year. In the event that adequate provision is not made in the ensuing year's budget, it creates arrears and poses challenges to budget implementation. It is expected that all requests for Commencement Certificates/Letters should be submitted to MoF between **January** and **March** and processed for approval by **30th April** annually.

3.3.3 Commitment of Approved Budget

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

3.3.4 Award of New Contracts

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

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

MDAs awarding new contracts must ensure that there are:

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

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

3.3.5 Specific Warrants for Continuation of Existing Projects

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

3.3.6 Contract Extensions and Variations

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

3.3.7 Multi-Year Contracts

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