

Implementing Ghana's Fiscal Council: Design Choices

Leveraging the Legal Framework to Strengthen Fiscal Institutions

IMANI Center for Policy & Education

IISD International Institute for Sustainable Development

Improving fiscal frameworks

Context

- Approval of the Public Financial Management (Amendment) Act, introducing fiscal rules and establishing an independent Fiscal Council.

Objective

- Developed policy recommendations for the **implementation of a fiscal council** tailored to Ghana's political and economic realities, aimed at enhancing fiscal credibility and supporting debt sustainability.

Our Approach

- Draw on international experience to inform local adaptation.
- Reflect Ghana's macro-fiscal challenges in the design.
- Gather input from stakeholders through interviews and applied political economy analysis.

Ensure recommendations are realistic, grounded, and actionable.

Beyond Rules: Strengthening Fiscal Institutions

- Smart rule design is not enough – lasting credibility depends on good decision making.
  - A narrow watchdog mandate limits effectiveness and risks implementation failure.
  - Shift focus from rules alone to the broader fiscal governance ecosystem.
- The legal framework already allows the fiscal council to advise and communicate – but effectiveness depends on implementation.
- **Operational decisions must reinforce these roles by building technical capacity and securing political space to act.**

Possible functions of the fiscal council

Function / audience		Role
Oversight		Monitors fiscal rule compliance and government targets
Advisory	Executive	Provides advice, information, and policy options
	Parliament	Supports legislative analysis and enhances budget accuracy
Communication	Citizens	Informs the public, enhances transparency
	Investors	Anchors expectations for macroeconomic stability through independent assessments

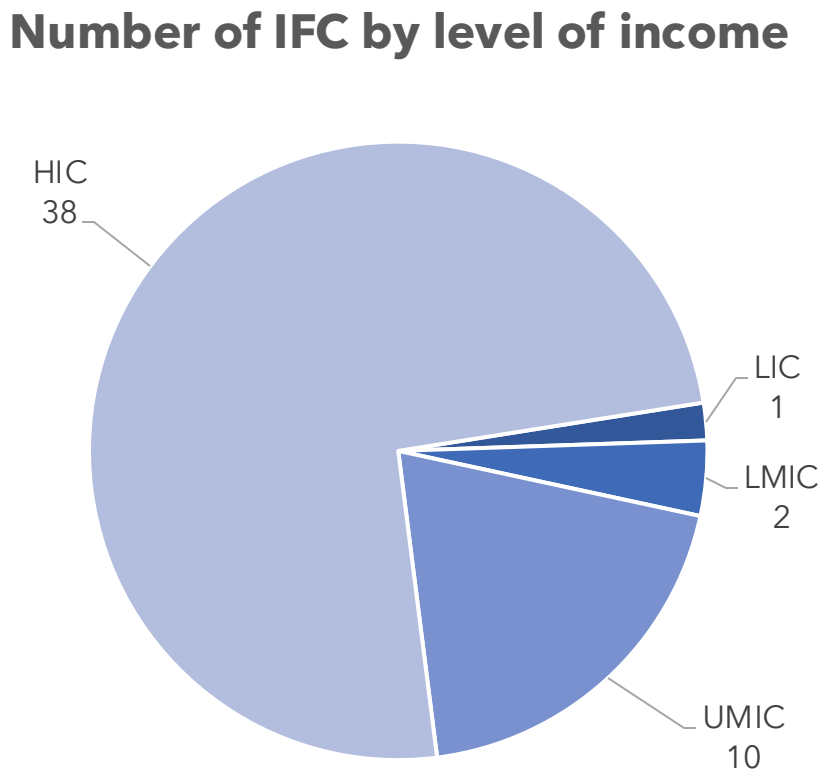
Source: Own authors elaboration

Regional and international experience

Lessons from the adoption of fiscal councils and fiscal rules around the world

Independent Fiscal Councils (IFC)

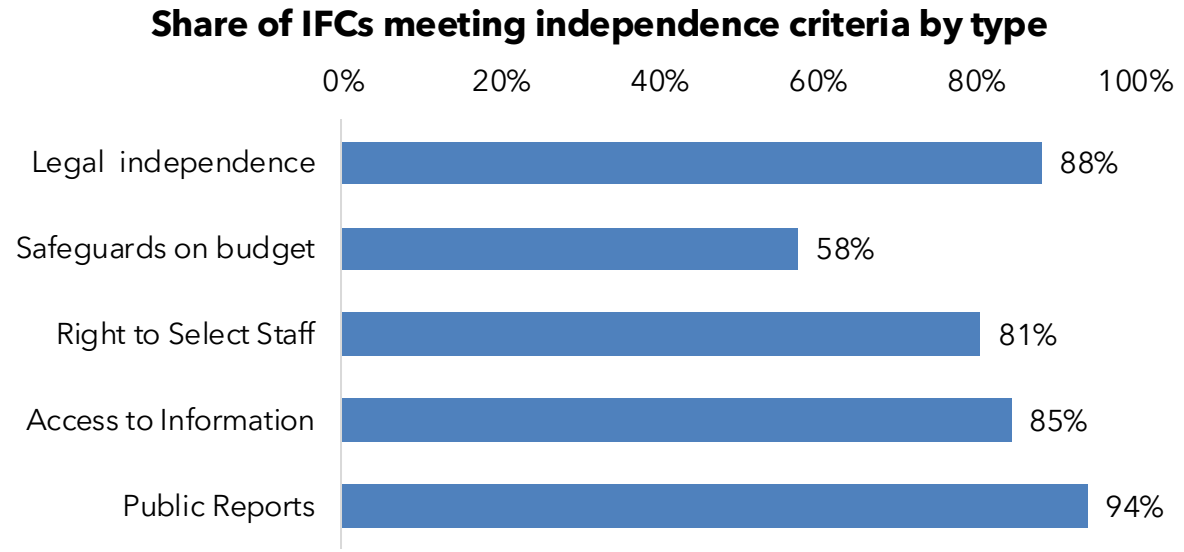
- Most international best practices on IFCs are drawn from higher income countries, which limits their direct applicability to lower-income contexts.
- In Sub-Saharan Africa (SSA), only three IFCs are listed in the IMF database: Uganda, Kenya, and South Africa.
- All three operate as Parliamentary Budget Offices (PBOs) embedded within the legislature.
- Additional PBO-type institutions also exist in the region – notably Zambia, Malawi, and Nigeria – not formally classified as IFCs in global datasets.



Source: IMF Fiscal Council dataset

Independence

- **While legal and operational independence differ, both are actively pursued.**
- **Key aspects of operational independence include:**
  - Budgetary safeguard (less frequently guaranteed)
  - The ability to recruit and manage secretarial staff, access to information and the capacity to publish regular reports.
- **While the experience in SSA is more mixed, all IFCs at least publish regular reports.**

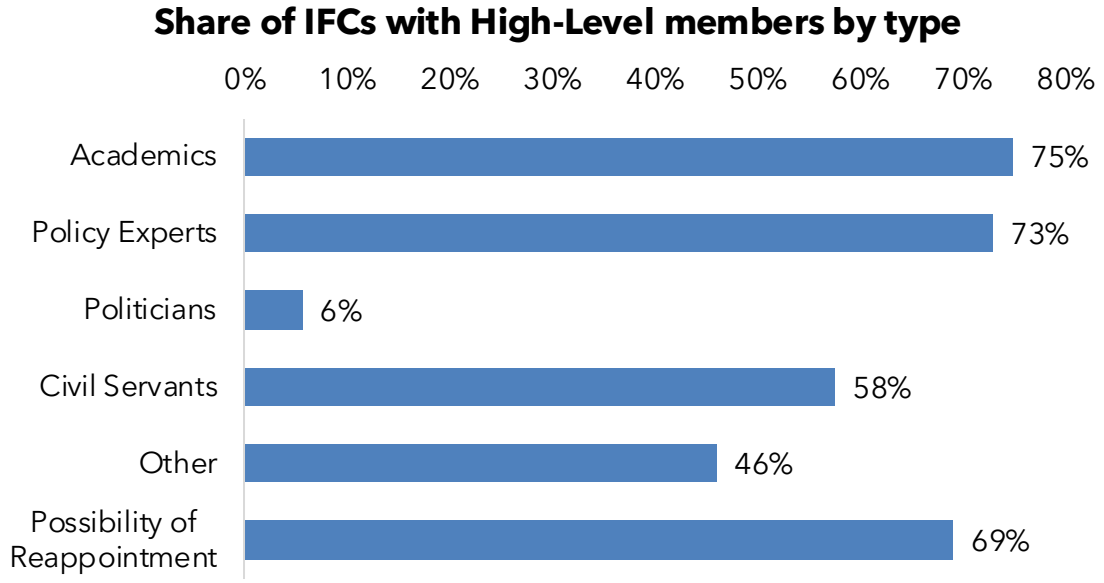


	Kenya	South Africa	Uganda
Legal independence		☑	
Safeguards on budget		☑	☑
Right to Select Staff		☑	☑
Access to Information	☑	☑	
Public Reports	☑	☑	☑

Source: IMF Fiscal Council dataset

Governance & staffing

- **Composition of IFC leadership is key to fulfilling their communication role.**
  - Members are usually academics or policy experts; civil society representation is less common.
  - Reappointments are generally allowed.
- **Effective reporting depends on dedicated technical staff, not just board members.**
  - Staff size varies, with higher-income countries having larger teams.



SSA- Non-Governing Staff of the IFC (in Full Time Equivalent persons)

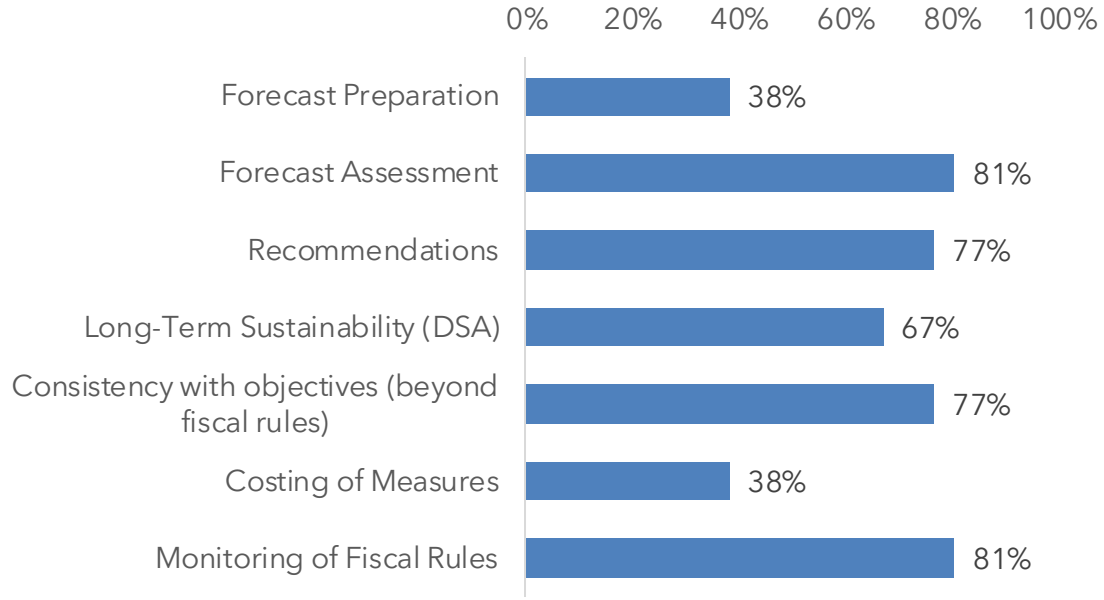
	Kenya	South Africa	Uganda
Members Council	3	12	1
Other Human Resources	n.a.	6	20

Source: IMF Fiscal Council dataset

Core functions

- **Ex-Ante analysis is the most important role:**
  - Forecasting, recommendations, DSAs.
  - Fiscal rule monitoring is common globally but **absent in SSA**.
  - Policy costing is less frequent globally **yet done by all IFCs in SSA**.
- **IFCs have a limited role in budget design and no power to halt the process.**

Share of IFCs conducting Ex-Ante analysis by type



SSA - IFCs conducting Ex-Ante analysis by type

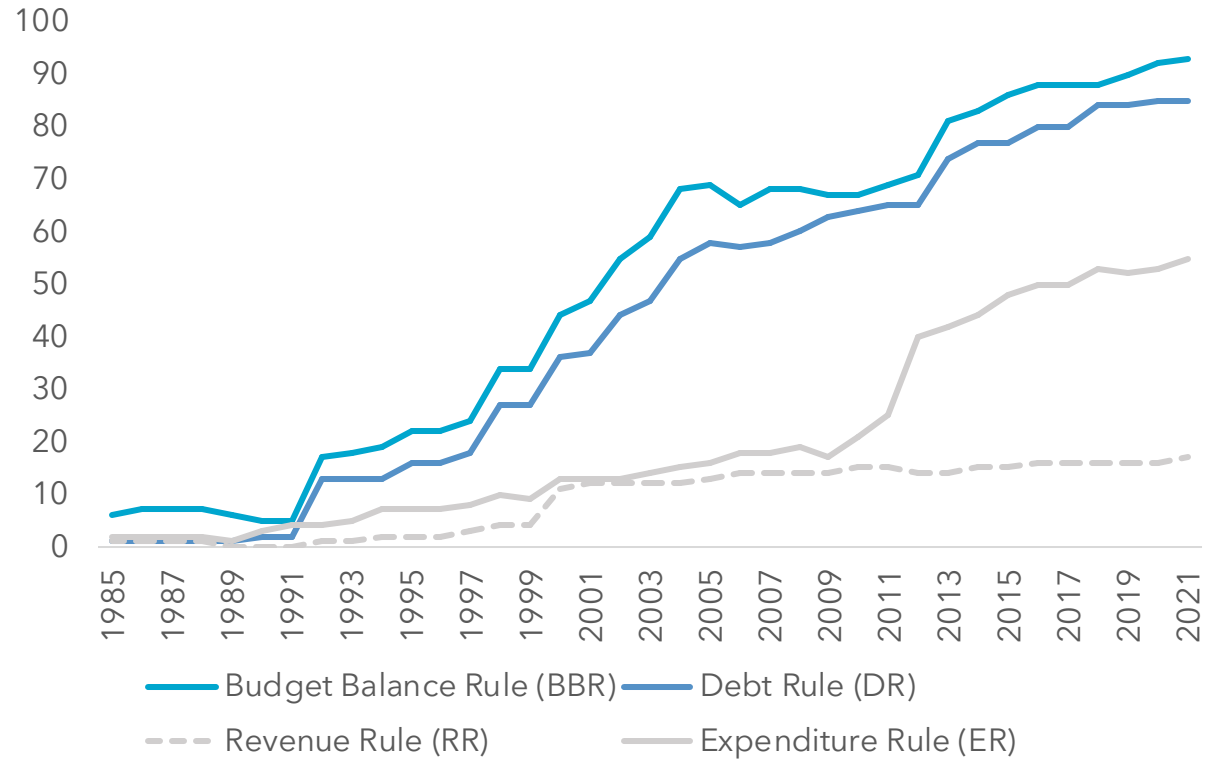
	Kenya	South Africa	Uganda
Forecast Preparation	☑		
Forecast Assessment	☑	☑	☑
Recommendations	☑	☑	☑
Long-Term Sustainability			
Consistency with objectives (beyond fiscal rules)	☑	☑	
Costing of Measures	☑	☑	
Monitoring of Fiscal Rules			

Source: IMF Fiscal Council dataset

The experience of fiscal rules

- Designed to limit deficit bias and excessive borrowing.
- Widespread adoption – particularly of debt and budget balance rules.
- But adoption does not equal success:
  - Fiscal rules often rest on weak economic foundations, leading to design flaws.
  - The rules-based approach inherently faces a trilemma between flexibility, credibility, and enforceability.
- Rules do not guarantee credibility – and in some cases, they even exacerbated instability.

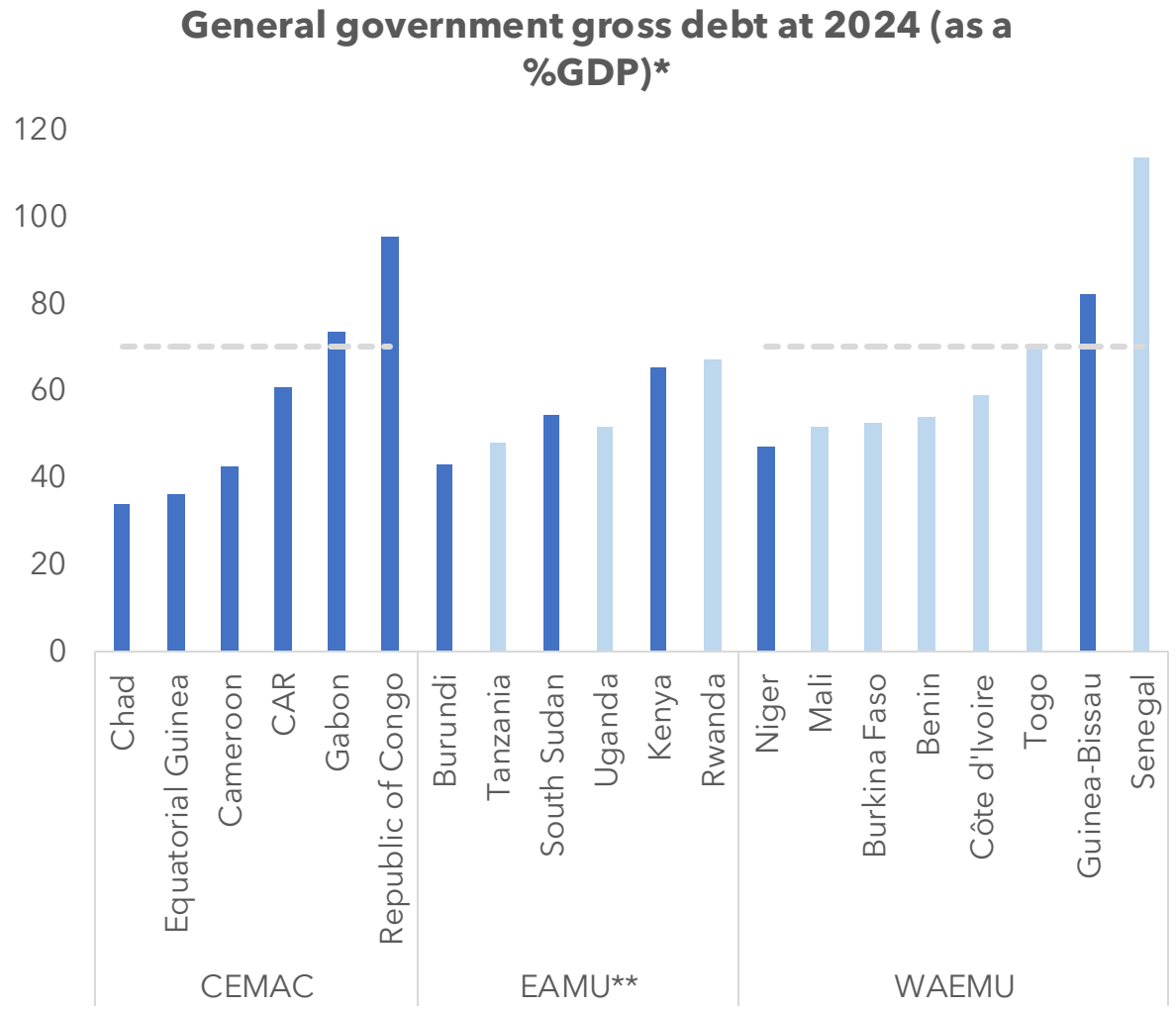
Number of countries with fiscal rules by type of rule.



Source: authors based on Davoodi et. al. (2022)

Fiscal Rules in SSA

- **No SSA country has a formal national fiscal rule – only 20 countries follow supranational rules through regional unions.**
  - Budget balance (1,5-3% GDP) and debt (50–70% of GDP) ceilings.
  - Monitoring by trade or monetary authorities.
  - Difficult enforcement mechanisms.
- **Rules are not a silver bullet:**
  - 4 countries currently exceed debt ceilings.
  - 11 out of 20 are at high risk of debt distress or already in distress. **No country is classified as low risk.**



* Dark blue bars indicate countries at high risk of debt distress or already in distress.
** Debt limit excluded, as the threshold is defined in terms of NPV.
Source: WEO database and WB LIC-DSF assessment

Ghana's Fiscal Framework

An Analysis of its Fiscal Council and Fiscal Rules

Fiscal Frameworks

- **Previous fiscal rules and council efforts (2018–2020) were suspended.**
- **The new law is more stringent and specific: tighter rules, stronger enforcement, and the creation of a Fiscal Council.**
- **Legal review assessed key dimensions of the IFC: independence, governance, staffing, and core functions.**
- **Assessment: the law has a sound design but leaves significant room for implementation decisions.**

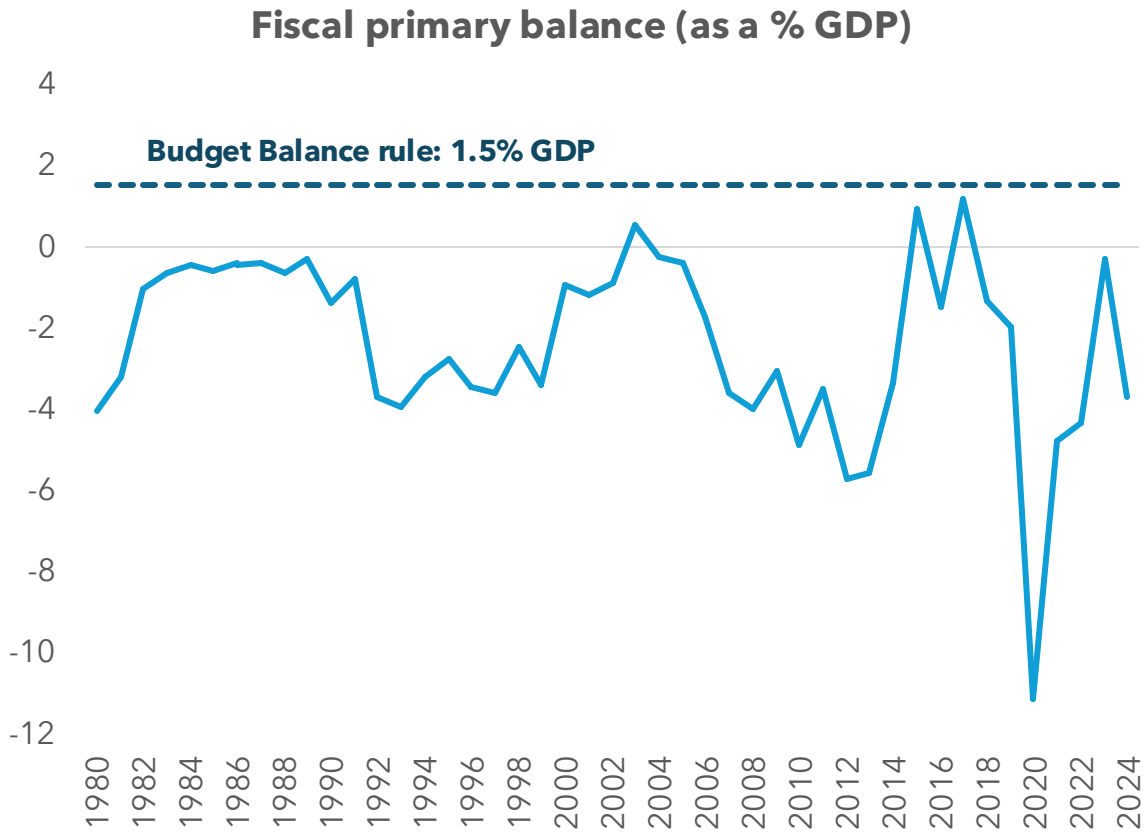
Evolution of Ghana's Recent Fiscal Framework

Category	Fiscal Responsibility Act (2018)	Public Financial Management (Amendment) Act (2025)
Budget Balance Rule	Total deficit ≤ 5% of GDP (cash basis) Positive primary balance	Primary balance ≥ 1.5% of GDP (commitment basis)
Debt Rule		Public debt-to-GDP ratio ≤ 45% by 2034
Suspension Criteria	Force majeure events, unforeseen economic circumstances	Same criteria but better defined
Suspension Procedure	Parliamentary approval within 30 days	Minister submits memorandum within one month; extension required if suspension exceeds a year
Conditionalities on Breaching		Borrowing limits imposed if debt threshold exceeded
		No new discretionary projects if primary balance breached
Penalties	Vote of censure if breach >1%	Vote of censure if breach >1% in two consecutive years
Review	Minister submits review every five years	Same, with independent advisory input
Reporting & Compliance	Quarterly report to Cabinet. Fiscal Responsibility Advisory Council established by the President	Fiscal Council

Source: Authors' compilation based on Ghana's Fiscal Responsibility Act (2018) and Public Financial Management (Amendment) Act (2025)

Design and challenges of budget balance rule

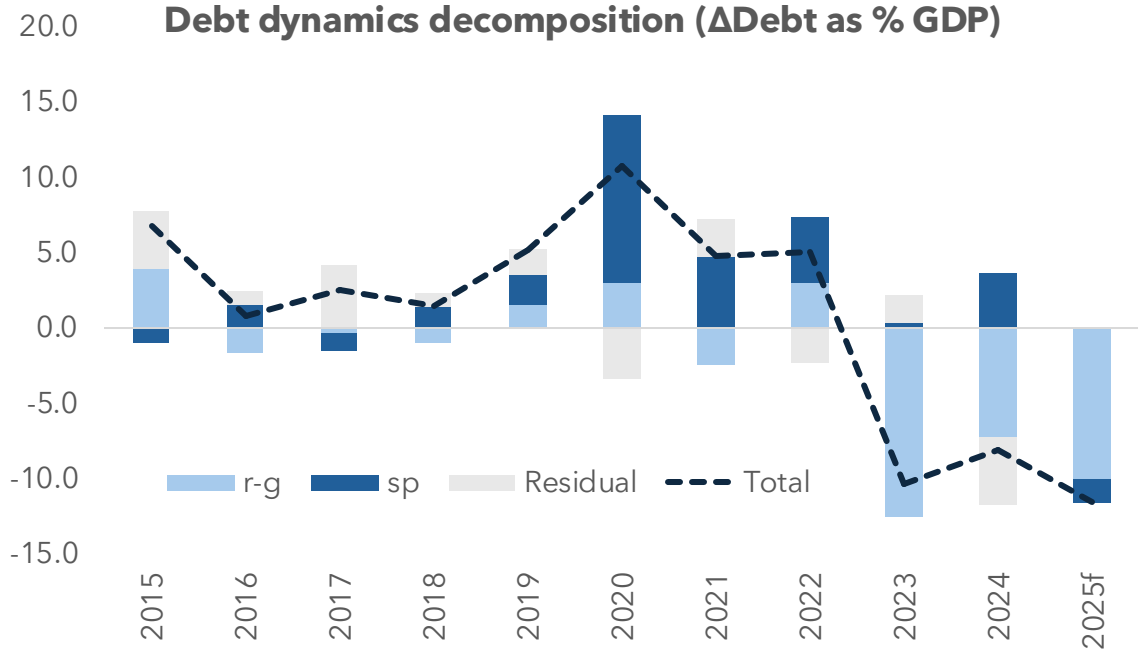
- The fiscal rule is ambitious
  - Historical trends: a primary balance of 1.5% of GDP is challenging.
  - 3.25% deficit in 2024 (vs. a 0.5% surplus target).
- Oversight is complex
  - ~4% of GDP in off-budget commitments according to the IMF.
  - 175 public entities, SOEs and JVCs, complicating accountability.

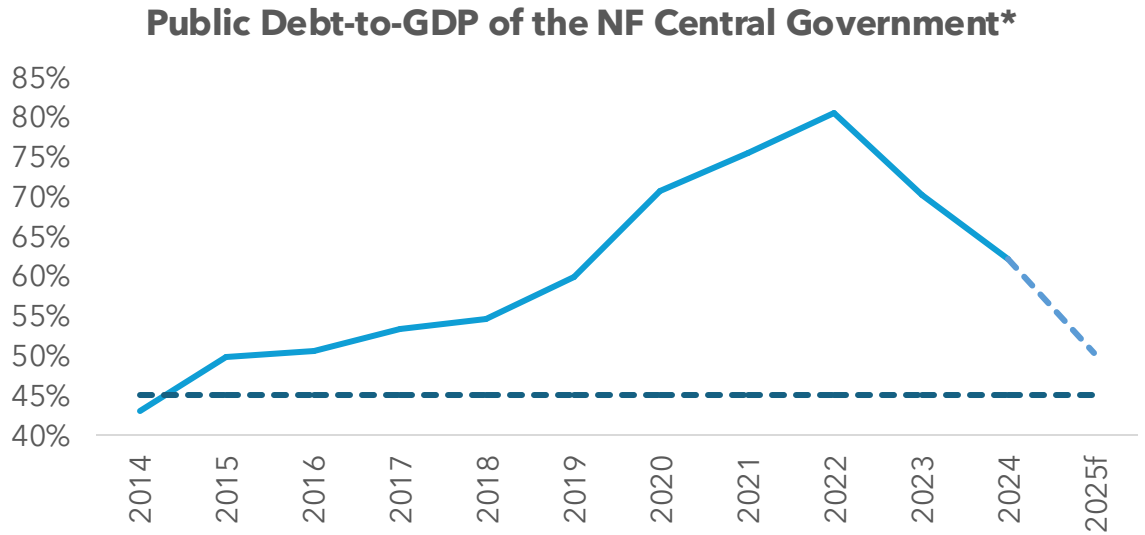


Source: own authors based on WDI and MoF

The sovereign debt dynamics

- **The debt rule requires more than just balancing the budget.**
  - Ghana's debt-to-GDP fell mainly due to non-fiscal factors: lower interest, exchange rate, and growth.
  - The debt anchor seems achievable, but not solely reliant on fiscal policy.
- **Debt sustainability evaluation must consider all factors, not just fiscal balance targets.**





* Yearly average. Excluding arrears

Source: own authors based on GSS Statsbank and MoF

Designing Ghana's Fiscal Council

Key policy recommendations

Implementation recommendations

Evidence shows the early years are key to building credibility and effectiveness.

Foundational Decisions

Expand the Fiscal Council's role to include support to Parliament and public communication and strengthen board selection to ensure technical profiles aligned with this mandate.

Operational requirements

To ensure effective initial operations, the Fiscal Council must build internal technical capacity, improve access to timely and reliable fiscal data, and clearly define its role and timing within the budget process.

Institutional consolidation

Structure and formalise the Council's analytical outputs and engagement processes to enhance its credibility, transparency, and policy relevance



Implementation recommendations

Foundational Decisions (now)

- Clarify the Council's full role – not only oversight.
- Ensure Board selection emphasizes technical profiles and independence.
- Commit to building a technical secretariat – the Council cannot work without staff.

Operational requirements for early functioning (short to medium term)

- Hire core staff, in a phased way.
- Ensure access to relevant data.
- Clarify how and when the Council interacts with the budget process.

Institutional consolidation (medium term)

- Build routines of publication and technical reporting.
- Structure regular public engagement and investor communication.

Implementation recommendations

Foundational Decisions

- Make use of the broad definitions in the current framework to institutionalize the Council's advisory role to Parliament and its responsibility to inform the public, including investors.

Reference	Mandate / Function	Comments / Issues Identified	Recommendations	Strategic choices
11C (b)	Assess macroeconomic forecasts used for budgetary projections to promote budget credibility and reliability.	It is unclear for whom this assessment and evaluation is conducted (Parliament, public, executive?).	Expand this function to explicitly include assessments of fiscal policies for both Parliament and the general public, including investors. All related reports should be made publicly available to enhance transparency.	Leverage the absence of a Parliamentary Budget Office as an opportunity to expand the council's responsibilities, including fiscal costing and assessments.
11C (f)	Evaluate the outcomes and effectiveness of fiscal policies and budgetary operations.			
11C (g)	Hold media engagements at least twice a year to update the public on the Council's findings and recommendations.	Unclear which findings are communicated—are they limited to fiscal rules compliance or broader fiscal policy assessments?	Define the scope of public communication to include all relevant findings and recommendations, beyond just fiscal rule compliance, to improve public understanding and trust.	

Implementation recommendations

Foundational Decisions

- Strengthen the appointment process by introducing a technical vetting mechanism, potentially involving the Parliamentary Budget Committee.

Reference	Mandate / Function	Comments / Issues Identified	Recommendations
11D (2)	The President shall appoint the chairperson and other members of the Council with the approval of Parliament.	While parliamentary approval adds democratic legitimacy, it does not provide technical rigor. As a consequence, the best technical candidates may not be appointed. This can dilute the technical rigor expected in the appointment process.	Incorporate a technical vetting stage—led by a specialized body such as the Parliamentary Budget Committee—to preserve the Council's technocratic character and reinforce its credibility.

- Secure, as possible, stable funding to protect the council's operational independence.

Reference	Mandate / Function	Comments / Issues Identified	Recommendations	Strategic choices
11L	The funds of the Council include (a) moneys approved by Parliament; and (b) donations, gifts and grants.	Dependence on annual parliamentary appropriations creates potential vulnerability to political interference. External funding (donations, grants) may raise questions about impartiality if not transparently managed.	Ensure the Council's operational independence by securing, where possible, multi-year budget allocations approved through a transparent process. Establish clear rules for the acceptance and disclosure of external funding to preserve credibility and avoid conflicts of interest.	Explore charging the council's funding to the appropriations budget, as permitted under Article 178 of the Constitution. Consider seeking initial funding through grants from international institutions interested in backing the council's establishment.

Implementation recommendations

Operational requirements for early functioning

To ensure effective initial operations, the Fiscal Council must build internal technical capacity, improve access to timely and reliable fiscal data, and clearly define its role and timing within the budget process.

Recommendations

- Establish protocols to secure timely access to relevant fiscal data from the executive, fostering collaboration with ministries and statistical agencies.
- Clarify the council's timing and role within the fiscal cycle by publishing an annual calendar of outputs and advisory reports.
- Adopt a phased approach to staffing and skills development, investing in human resources.

Strategic choices

- Consider seeking initial funding through grants or technical support from international institutions interested in backing the council's establishment.

Implementation recommendations

Operational requirements

- Secure timely and systematic access to relevant fiscal and financial data by strengthening cooperation frameworks with oversight institutions and formalizing protocols for data requests, including escalation paths and—where feasible—direct access to systems.

Reference	Mandate / Function	Comments / Issues Identified	Recommendations	Strategic choices
95B.(1)	The Council may, in writing, request a public entity to provide the Council with relevant information to enable the Council to perform its functions under this Act.	The definition of "public entity" is broad, but it's unclear whether it covers SOEs or institutions outside the Ministry of Finance's direct control. There is ambiguity around the Council's ability to monitor issues such as arrears or off-budget commitments.	Assess the feasibility of extending surveillance to institutions linked to, but outside, the MoF's core systems. Define a closer working relationship and clear mandates with the General Audit Office.	Sign cooperation agreements, particularly with the General Audit Office and SIGA, to ensure timely and comprehensive access to relevant data.
95B.(2)	A public entity shall, within fifteen days after the date of receipt of the request, provide the Council with the information requested.	The law does not specify what happens in cases of non-compliance, delays, or refusal to provide information.	Clarify procedures for addressing delays or denials of information requests. Establish internal protocols for escalation.	Where feasible, allow direct access to relevant data systems to reduce reliance on manual responses and improve timeliness.

Implementation recommendations

Institutional consolidation

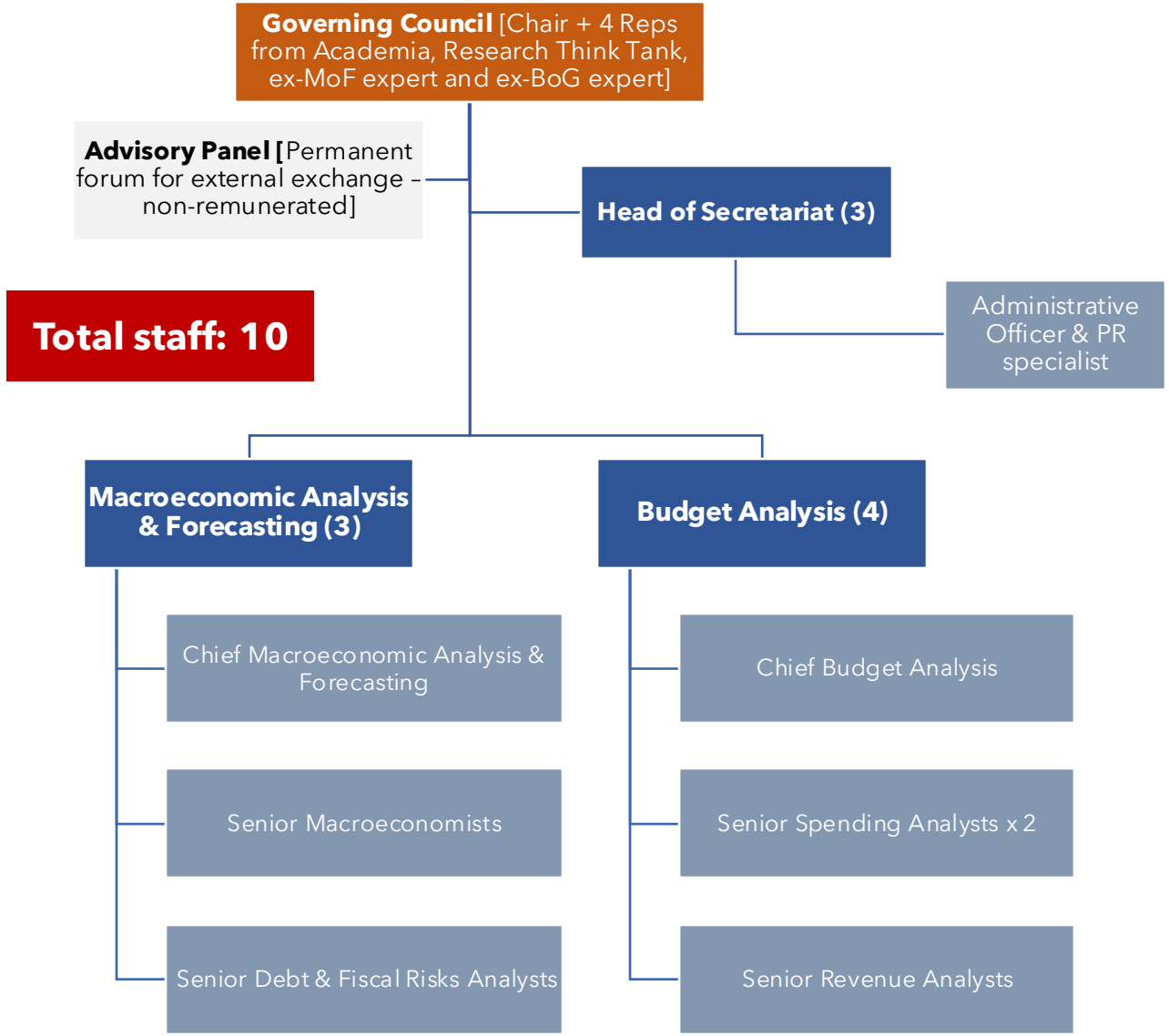
- Structure and formalize the Council's analytical outputs and engagement processes to enhance its credibility, transparency, and policy relevance (timing and scope of assessments, clarifying reporting expectations, and improving communication practices).

Reference	Mandate / Function	Comments / Issues Identified	Recommendations	Strategic choices
11F. (1)	The Council shall meet at least four times in a year for the conduct of business at a time and place determined by the chairperson.	The way the outcomes of these meetings are communicated will be important for the Council's transparency and should be clearly formalized through established protocols.	Issuing a public statement or summary of key points reviewed by participants.	Publish meeting minutes – particularly for sessions involving the review of fiscal rules– to enhance transparency.
11C (b)	Assess macroeconomic forecasts used for budgetary projections to promote budget credibility and reliability.	If the Council's role is expanded and reports are made public, it's important to clarify the types of outputs and their timing.	Identify the appropriate timing for this assessment (e.g., before budget submission). Clarify information requirements.	Add a comply or explain if sensitive differs from FC assesment and executive
11C (f)	Evaluate the outcomes and effectiveness of fiscal policies and budgetary operations.		Consider issuing periodic evaluations, including policy costing, ex post assessments, and thematic research.	Ensure the council has the capacity to analyze debt dynamics and sustainability by conducting its own debt sustainability analyses and fiscal risk assessments.

Implementation recommendations

Operational requirements

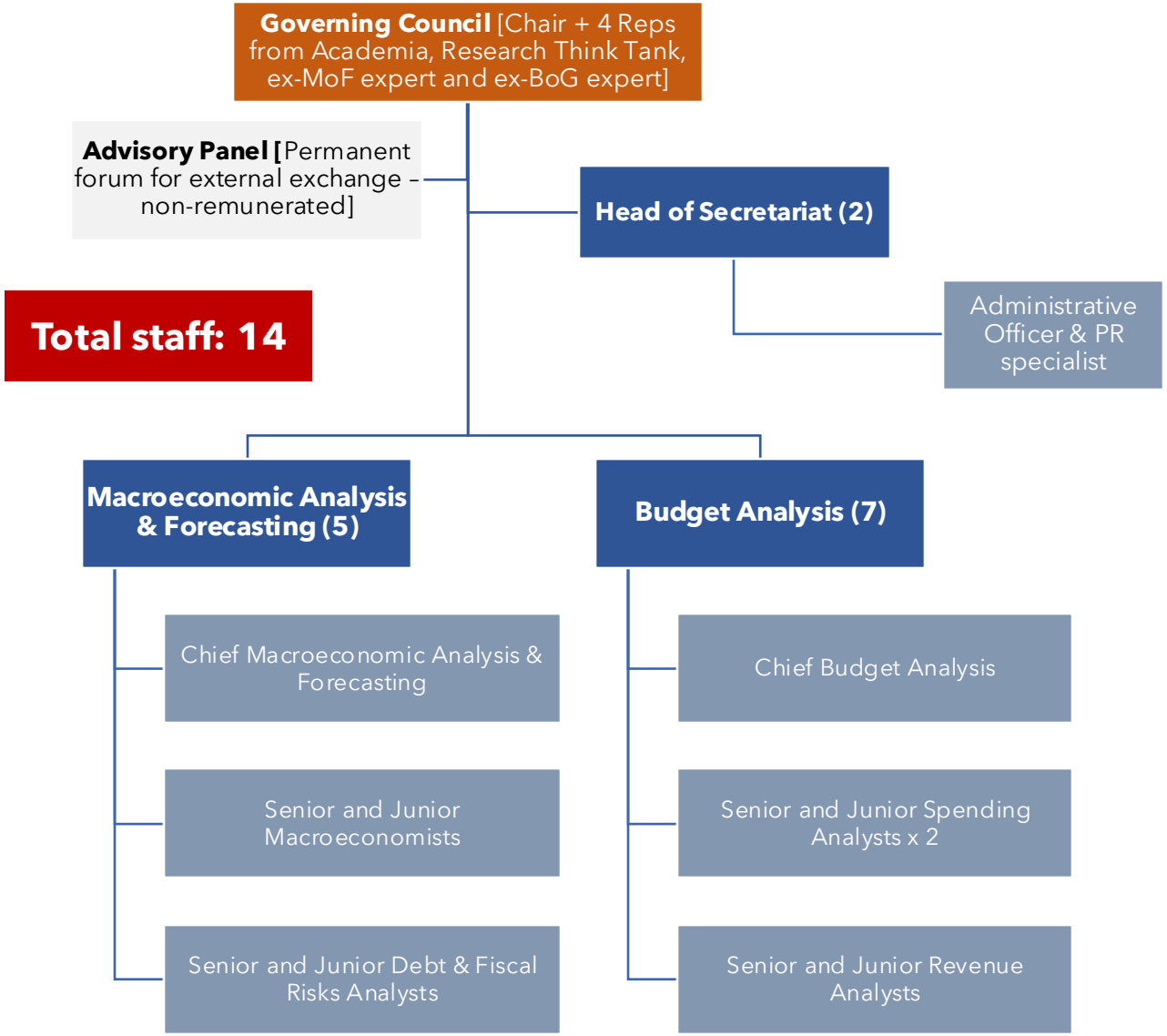
- Phase staffing, starting with three core areas.
- Head of Secretariat (HS) to lead admin and communications.
- Two technical departments report to the Council: macro forecast (incl. debt sust. & fiscal risks) and budget analysis.
- **Minimum staffing for first 12 months, focused on building technical capacity.**



Implementation recommendations

Operational requirements

- Team consolidation between late Year 1 and mid-Year 2 by adding junior analysts to technical areas.
- **Main pressures during this phase will fall on HS, as technical reports and Council interventions increase.**



Implementation recommendations

Operational requirements

- In the Council's mature phase, communication should become specialized; these tasks will be transitioned from the HS.
- Additional specialized staff will be added for IT maintenance and human resources in the HS.

