

IEA POLICY RECOMMENDATION FOR THE ESTABLISHMENT OF A FISCAL COUNCIL ADOPTED BY GOVERNMENT

As part of its efforts to promote sound public financial management in Ghana, The Institute of Economic Affairs (IEA) in 2014 undertook research on the theme:

"Improving Fiscal Management In Ghana: The Role Of Fiscal Policy Rules"

The paper proposed among other policy recommendations the establishment of an **Independent Fiscal Policy Council** to promote fiscal discipline, enhance the quality of budget discussions and foster greater transparency in Ghana.

In the view of the IEA, such a council would play the following roles:

- Assess the reliability of the macroeconomic and revenue assumptions underpinning the budget and estimate the fiscal impact of proposed measures
- Decide on deficits and the evolution of public debt
- Enhance the quality of budget discussions and foster greater transparency
- Improve monitoring and compliance with fiscal rules
- Offer technical inputs in the preparation of the budget such as macroeconomic and budgetary forecasts

To be effective, the Fiscal Policy Council needs to be given a clear mandate, debt sustainability, so that they are freed from the time inconsistency problem that leads to deficit bias.

It is gratifying to note that Mr. Ken Ofori-Atta, the Finance Minister, in his budget statement read on, Thursday, 2nd March, 2017, noted his government's intention to adopt the IEA's policy recommendation of establishing a Fiscal Council.

The Institute is of the firm belief that should such a council be established, equipped and allowed to operate independently, it would lead to the promotion of sound public financial management in Ghana.

Kindly find attached the full publication.

Signed

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