Public Financial Management in Ghana: A Move Beyond Reforms to Consolidation and Sustainability

By

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1. Introduction to the Presentation
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The Purpose of the Presentation

Is to chart Ghana’s journey in its two decades of PFM reforms & bringing to the fore the lessons learnt and how those lessons could:

(a) Aid other developing countries in their PFM reforms efforts, and

(b) Be used in assisting Ghana in moving away from reforms of its PFM systems’ to consolidation and sustainability.
2. Ghana’s PFM Reforms Journey: Two Decades On
Ghana’s PFM Reforms: Two Decades On [1998-2018]

1997-98 TO 2002-03
- PUFMARP was Ghana’s first attempt at a more integrated budget and public expenditure management system (BPEMS).
- BPEMS was to integrate Ghana’s budget preparation with financial accounting, reporting, and cash management.
- The key modules were to enhance revenue management, aid and debt management, auditing, procurement, fiscal decentralization, legal and regulatory framework, and development of integrated personnel and payroll database.
- PUFMARP suffered from major delays and setbacks resulting from lack of a coherent strategy and ownership among key stakeholders (Demer, Watkins & Dorosinsky, 2011, p. 52).

ST/MTAP
- Short term medium term PFM action plan
- Corresponded with the 2006 PEFA Assessments of the Ghana’s PFM systems
- The short term aspect was to correct the BPEMS’ implementation
- The medium term aspect was to align the seven thematic areas of ST/MTAP to key indicators of PEFA.

2006 TO 2009
- GIMFIS
  - Improving the efficiency and transparency of Ghana’s PFM using ICT based tools (World Bank’s PPAR, 2016).
  - Successful in operationalizing Ghana’s IFMIS in 33 MDAs and 250 spending units (SUs) and 10 Regional Treasuries (RTs).
  - MDAs, SUs and RTs capable of processing their Consolidated Fund transactions, representing 66% of total public expenditure, through the GIFMIS.
  - GIFMIS was, however, unable to cover all public funds such as internal generated funds (IGFs), statutory funds (SFs), extra-budgetary funds (EBFs), and donor funds (DFs).
  - GIFMIS implementation was not underpinned by a comprehensive PFM Reforms Strategy (World Bank’s PPAR, 2016).

2010 TO 2014
- PFMARP
  - Developed based on PFM Reforms Strategy.
  - Achieving budget credibility.
  - Enhancing comprehensiveness and transparency in PFM.
  - Improving MDAs and sectoral mgt., by developing a PBB system.
  - Improving control, predictability, accounting and reporting of budget execution.
  - Consolidating treasury and cash mgt. through TSA.
  - Enhancing auditing and risk mgt. by strengthening internal & external audit and parliamentary scrutiny.
  - The PDO of PFMARP is that of improving budget mgt., financial control and report.
  - Aims at building on the PFM systems and tools accomplished in the GIFMIS project (PAD, 2015, p. 7).

2015 TO 2020
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PUFMARP

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Assessing the Performance of Ghana’s PFM Reforms: The Role of PEFA
Aligning Ghana’s ST/MTAP with PEFA Performance Indicators

ST/MTAP 2006 - 2009

FISCAL POLICY MANAGEMENT
MACRO ECONOMIC STABILITY

STRENGTHENING BUDGET FORMULATION /PREPARATION

STRENGTHENING BUDGET IMPLEMENTATION

FISCAL POLICY MANAGEMENT
MACRO ECONOMIC STABILITY

STRENGTHENING BUDGET FORMULATION /PREPARATION

STRENGTHENING BUDGET IMPLEMENTATION

EXTERNAL RESOURCE MOBILISATION, AID & DEBT MGT.

INTEGRATED PAYROLL & PERSONNEL SYSTEM

FINANCIAL REGULARITY & MGT. ENVIRONMENT

REVENUE MANAGEMENT

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REVENUE MANAGEMENT
## Macro-Fiscal Forecasting

<table>
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<th>Performance Indicator</th>
<th>2006</th>
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<th>2018</th>
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<td>N/A</td>
<td>N/A</td>
<td>C</td>
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<tr>
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<td>N/A</td>
<td>D+</td>
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## Medium-Term Perspective

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<td>C+</td>
<td>C+</td>
<td>B</td>
</tr>
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</table>
**MACRO-FISCAL FORECASTING**

**PI-14. Macroeconomic and fiscal forecasting**
This PI is crucial to developing a sustainable fiscal strategy and ensuring predictability of budget allocation (2016 PEFA Framework, p.44)

*Strength*

*Weakness*
The forecasts do not come with:
(1) a detailed linkages between the four macroeconomic sectors
(2) explicit and readily discernable underlying assumptions.

**PI-15: Fiscal Strategy**
A fiscal strategy “enables government to clearly articulate... its fiscal policy objectives, including quantitative and qualitative fiscal targets and constraints” (2016 PEFA Framework, p.47)

*Strength*
Ghana’s first Fiscal Strategy Document (i.e., the 2017 FSD) was described as “very comprehensive and analytical” (2018 PEFA report p. 93)

*Weakness*
The only shortcoming is that the FSD is confidential only to the executives, thereby defeating the very essence of the FSD serving as a means of articulating governments fiscal policy objectives “to central government units, the legislature and the public.” (2016 PEFA Framework, p.47)

**PI-16 Medium-Term Perspective in Expenditure Budgeting**
Expenditure policy decisions “have multi-year implications and should be aligned with the availability of resources in the medium-term perspective” (2016 PEFA Framework, p.49)

*Strength*
Ghana’s expenditure budgeting was highly rated with a B score (i.e., sound performance above C the basic level) largely because the countries program-based budgeting (PBB) takes place within a MTEF. (2018 PEFA report p. 96)

*Weakness*
(1) The medium-term expenditure ceilings though approved by Cabinet, the budget guidelines through which this ceilings are circulated to the respective MDAs are not approved by Cabinet prior to their circulation.
(2) The Budget guidelines supposed to be issued by July each year, are in practice not issued until August (2018 PEFA report p. 96)
**PI-4. Budget Classification**
A robust classification system allows transactions to be tracked through the budget formulation, execution and reporting cycle according to administrative unit, economic category, function/sub-function or program. (2016 PEFA Framework, p.20)

**Strength**
Budget formulation, execution and reporting are based on a Chart of Accounts (CoA) that accords with GFS standards and is structured into segments that include administrative, economic, functional and program/sub-program classifications. (2018 PEFA Report p. 40)

**Weakness**
Not all MDAs are fully reporting on their budget execution on program/sub-program basis from the GIFMIS. (2018 PEFA Report p. 40)

**PI-5. Budget Documentation**
Annual Budget Documentation refers to the executive budget proposals for the next fiscal year with supporting documents, as submitted to the legislature for scrutiny and approval (2016 PEFA Framework, p.22)

**Strength**
Ghana met 6 out of the 12 required budget documentation elements (2018 PEFA Report p. 43)

**Weakness**
Ghana could not meet 6 out of the 12 required budget documentation elements (2018 PEFA Report p. 43)

**PI-17. Budget Preparation Process**
While the MOF is usually responsible for the annual budget preparation process, effective participation by other MDAs and Cabinet in the budget preparation process (2016 PEFA Framework, p.52). This PI is measured on the dimensions of budget calendar, budget guidelines and submission to legislature

**Strength**
The budget guidelines are detailed, comprehensive and clear enough in aiding the MDAs in the preparation of their budget (2018 PEFA Report p. 99)

**Weakness**
MDAs are allowed only 2 weeks to prepare their budget submissions instead of 6 weeks required for good practice (2018 PEFA Report p. 98) in addition, the submission of the budget to legislature is done at least one month before the start of the fiscal year but good practice requires this be done 2 months before the start.

**PI-18. Legislative Scrutiny of Budgets**
This PI assess the extent to which the legislature scrutinizes, debates and approves the annual budget, including the extent to which the legislature’s procedures for scrutiny are well established and adhered to (2016 PEFA Framework, p.53)

**Strength**
Ghana has been adjudged as having a sound performance in its legislative scrutiny of central governments budget estimates. (2018 PEFA Report p. 101)

**Weakness**
The core weakness however is that such legislative budget scrutiny does not cover medium-term estimates (2018 PEFA Report p. 101)
PI-22. Expenditure Arrears
This PI measures the extent to which there is a stock of arrears, and the extent to which a systemic problem in this regard is been addressed and brought under control. The PI is measured on two dimensional scores of (1) Stock of expenditure arrears and (2) Expenditure arrears monitoring (2016 PEFA Framework, p.62).

Strength
Ghana’s performance in relation to expenditure arrears monitoring was adjudged as being of sound performance (“B”) because the Public Expenditure Monitoring Unit (PEMU) of MoF together with CAGD generate quarterly statements of outstanding payables through the GIFMIS (2018 PEFA Report p. 113)

Weakness
Ghana could not meet the basic requirement for a stock of expenditure arrears being no more than 10% of total expenditures in at least 2 of the last 3 fiscal completed years.
Ghana’s stock of expenditure arrears were 2.4% in FY2015 and 18.7% in FY2016 resulting in an average of 10.55%. (2018 PEFA Report p. 113)

PI-25. Internal Controls on non-salary expenditures
This PI measures the effectiveness of general internal controls for non-salary expenditures. This PI is measured on a 3 dimensional scores of (1) Segregation of duties (2) Effectiveness of expenditure commitments controls. (3) Compliance with payment rules and procedures. (2016 PEFA Framework, p.69)

Strength
Ghana’s performance in relation to segregation of duty is of a high level performance (“A”) because the GIFMIS system effectively provides for separation of roles in the payment process

Weakness
The only weakness on this PI has to do with violations of expenditure commitment controls by MDAs which mainly related to commitments made by these MDAs outside the GIFMIS. In spite of these, the effectiveness of Ghana’s commitment controls meets the basic standard of performance (“C”) required of any govt. (2018 PEFA Report p. 125)
PI-6. Central Gov’t Operations Outside of Financial Reports
This PI measures the extent to which revenues and expenditures are reported outside central gov’t financial reports (2016 PEFA Framework, p.24)

**Strength**
The only observed strength is that the public accounts covers all the Consolidated Fund’s (CF) which represent at least 80% of gov’t operations (2018 PEFA Report p. 44-54)

**Weakness**
The key weakness of this PI is that Ghana’s public accounts only covers the consolidated fund expenditures leaving out expenditures from such sources as Statutory Funds IGF’s and Donor Funds. In relation to revenues it was observed that at least 27% of revenues generated by central gov’t institutions are not accounted for in the public accounts (2018 PEFA Report p. 44-54)

PI-27. Financial Data Integrity
This PI assess the extent to which treasury bank accounts, suspense accounts and advance accounts are regularly reconciled and how the processes in place support the integrity of financial data (2016 PEFA Framework, p.73).

This PI is measured on 4 dimensional scores of (1) Bank account reconciliation, (2) Suspense account (3) Advance accounts and (4) Financial data integrity process

**Strength**
On this four dimensional scores Ghana met a high standard requirement (“A”) on suspense account in that the CAGD as a matter of policy does not maintain suspense account and on the financial data integrity process in that access to the GIFMIS financials is highly regulated with passwords granted only by the CAGD. On the other 2 dimensions (i.e., Bank account reconciliation and advance account) Ghana met the basic level of performance (“C”) (2018 PEFA Report p. 133-136)

**Weakness**
Ghana's bank reconciliation will tremendously improve when the GIFMIS automatic bank reconciliation (ABR) is fully functional (2018 PEFA Report p. 133-136)

PI-29. Annual Financial Reports
This PI assess the extent to which annual financial statements are complete timely and consistent with Generally Accepted Accounting Principles and standards (GAAP) (2016 PEFA Framework, p.77)

**Strength**
Ghana, through the CAGD has managed to attain a high standard of performance (“A”) in relation to the timeliness in the submission of its financial reports to the Ghana Audit Service (GAS) (2018 PEFA Report p. 138-143) In relation to accounting standards Ghana met the basic standard of performance (“C”)

**Weakness**
Ghana’s public account do not meet the completeness requirement in that it only captures in detail consolidated fund operations (2018 PEFA Report p. 138-143)
EXTERNAL AUDIT

<table>
<thead>
<tr>
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<th>2006</th>
<th>2009</th>
<th>2012</th>
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EXTERNAL SCRUTINY OF AUDIT REPORTS

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**PI-30. External Audit**

This PI examines the characteristics of External Audit. (2016 PEFA Framework, p.79)

Strength

Ghana's performance was above what is required for sound performance ("B+"). This is as a result of its achieving the highest level of performance ("A") in relation to the independence of the Ghana Audit Service. On the three other dimensions: (1) audit coverage and Standards (2) submission of audit reports to the legislature and (3) external audit followup: The performance were of sound standard ("B") (2018 PEFA Report p. 143-148)

Weakness

The financial independence of GAS, the assessors noted, was undermined by the fact that the AG had to apply for funds and its proposal had to scrutinized by the MoF (2018 PEFA Report p. 143-148)

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**PI-31. Legislative Scrutiny of Audit Reports**

This PI focuses on the legislative scrutiny of audited financial reports (2016 PEFA Framework, p.82)

Strength

The strength lies in the ongoing reforms. One of which was noted to be the support PAC is receiving from public financial management reform project funded by the World Bank (2018 PEFA Report p. 146-152)

Weakness

Ghana's performance in relation to this PI is below the minimum required ("D") and this is so with respect to all the four dimensions on which this PI is measured. That is (1) Timing of audit report scrutiny in that none of the audit report considered during the PEFA Assessment (i.e., FYs2014 -2016) had been reviewed by the PAC (2018 PEFA Report p. 148-152)
Ghana’s PFM: A Move beyond Reforms to Consolidation and Sustainability [2020-2024]
What Next after PEFA and PFM Systems Health Check?
<table>
<thead>
<tr>
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<th>Stage 4:</th>
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<tbody>
<tr>
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<td>DETERMINE UNDERLYING CAUSES OF STRENGTHS AND WEAKNESSES</td>
<td>AGREE ON DESIRED PFM REFORM/CONSOLIDATION/SUSTAINABILITY OUTCOMES</td>
<td>DEVELOP AND PRIORITIZE PFM REFORM/CONSOLIDATION/SUSTAINABILITY OPTIONS</td>
<td>IDENTIFY POTENTIAL CONSTRAINTS TO REFORM/CONSOLIDATION/SUSTAINABILITY</td>
<td>IMPLEMENT REFORMS/CONSOLIDATION/SUSTAINABILITY &amp; REFORM/CONSOLIDATION/SUSTAINABILITY ACTION PLANS</td>
<td>MONITORING, EVALUATION AND ADJUSTMENT</td>
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Embracing Digitalization in Ghana’s PFM Consolidation Dialogue

Front-end Layer – Portal, Fiscal Dashboards, Mobile, Self-Service

- Customer Data Center Environment
  - Budget Execution
    - Treasury/Cash
    - Payroll
    - Procurement
  - Financials/Accounting
- Analytics and Reporting
- SOA interoperability layer – Integration and Platform management tools
- Private Cloud Infrastructure enabling multitenancy
  - Storage and DR
  - DWH

Advanced Customer Services
- Customer Success Managers
- Capacity Building and Skills development
- Automated and assisted migration best practice methodologies

Public Cloud Environment
- Planning and Budgeting
- Sourcing
- Human Capital Management
- Asset Management/IoT
- Project Management
- Help Desk

Cloud Management, Security, ID Man, Access Management