



## Ghana: Public Financial Management Reform Project (P151447)

AFRICA | Ghana | Governance Global Practice |  
IBRD/IDA | Investment Project Financing | FY 2015 | Seq No: 2 | ARCHIVED on 11-Mar-2016 | ISR22093 |

Implementing Agencies: Ministry of Finance

## Key Dates

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Bank Approval Date:15-May-2015

Effectiveness Date:18-Aug-2015

Planned Mid Term Review Date:30-Jun-2017

Actual Mid-Term Review Date:--

Original Closing Date:30-Jun-2019

Revised Closing Date:30-Jun-2019

## Project Development Objectives

Project Development Objective (from Project Appraisal Document)

The project development objective (PDO) is to improve the budget management, financial control and reporting of the Government of Ghana.

Has the Project Development Objective been changed since Board Approval of the Project Objective?

No

## Components

Name

Enhancing Budget Credibility:(Cost \$2.70 M)

Public Financial Management Systems and Control:(Cost \$32.70 M)

Reinforcing Financial Oversight and Accountability:(Cost \$2.00 M)

PFM Reform Coordination and Change Management:(Cost \$7.60 M)

## Overall Ratings

Name	Previous Rating	Current Rating
Progress towards achievement of PDO	● Satisfactory	● Satisfactory
Overall Implementation Progress (IP)	● Satisfactory	● Satisfactory
Overall Risk Rating	● Substantial	● Substantial



## Implementation Status and Key Decisions

The Ghana PFMR project was approved on May 15, 2015 and became effective on August 18, 2015 and implementation has now started following the successful completion of the preceding GIFMIS project. It will continue to extend the functionality established under GIFMIS to all levels of Government and put the principles of sound fiscal management and financial control and accountability firmly in place.

Project implementation has, since effectiveness, progressed **Satisfactorily**. Some of Ghana's budgets did not cover fully all known obligations and, as a consequence, spending has been controlled by cash rationing rather than proper cash management during the budget implementation process. While the Mission was informed that significant improvements are now in place, the PFMRP will continue to place a high priority on the achievement of reforms supported across all components, including component 1 objectives.

### Component 1: Enhancing Budget Credibility.

Terms of reference have been drafted for consultancies to guide strengthening of the budget process and a draft Financial Management Bill has been prepared and ready for submission to Cabinet. Wage negotiations are now completed prior to the budget, and this will be mandatory under the new Law. The draft Bill aims to establish clear legal requirements for the presentation of fiscal strategy and aims to ensure that Cabinet and all stakeholders with fiscal claims consider all claims in a timely way and in line with forecast resources and constraints.

TORs for training Public Investment Division (PID) and relevant Ministries, Departments and Agencies (MDA) staff in project appraisal have been prepared. TORs have also been prepared regarding a consultancy on coordination of Public Investment Management (PIM) with the budget process. However, in light of the minimal quantum of funds allocated to this sub-component, and the fact that another Bank-financed operation (Ghana Economic Management Strengthening – GMES) is under preparation and which will have a stronger focus on complementary support to PIM, funds under this project will be used to functionalize the PIM module of Hyperion.

### Component 2: Public Financial Management Systems and Control.

The project team has completed the preparatory activities for the initial rollout of GIFMIS to the IGFs, SF, DFPs, and MMDAs. The technical issues hampering automatic electronic bank reconciliation have been largely resolved. The process of implementing core interfaces with TRIPS, GCMS, e-Monitor, CS-DRMS and e-Procurement has started with a few still at the design stage. It should be noted that the implementation of e-procurement application is not within the scope of this project but with the Bank-financed e-Transform project. Implementation of preparatory activities for pilot go-live of HRMIS are also in progress.

The issue of network connectivity through the National Information Technology Agency (NITA) needs urgent attention at the highest levels. The Mission was informed that NITA has not received the requisite budgetary funds to support its operations, which could potentially jeopardize the existing operations and further rollout. It would be necessary for the Controller and Accountant General's Department (CAGD) and NITA to conclude a service level agreement as early as possible to reduce potential down time in systems available for GoG PFM operations.

Achieving comprehensive cash management may be beyond the financing envelope of this project. Therefore, while the project will help strengthen the TSA implementation, as approved by the Cabinet, and initiate the drive for improved cash forecasting, the proposed GEMS project will heighten the reforms necessary in this area to institutionalize and mainstream a strengthened methodical process of cash forecasting and management in order to fully support the achievement of key objectives. The Mission was encouraged to note that the TSA Strategy has been finalized and approved by Cabinet.

While a number of activities (with TORs prepared and shared with the Mission) have been planned to strengthen the current internal audit function, it has been noted that the wholesale adoption of a risk-based approach in most MDAs and MMDAs has yet to take place. Adoption of Risk Based Internal Audit (RBIA) in government will reinforce outcomes in accountability through a methodical process of strengthening systemic controls and focus on risks. The lack of availability of a suitable training center, equipped for training in CAATS and some key activities was reported as constraining factor for the capacity building efforts planned by the IAA. The Mission, however, suggested that the IAA collaborates with the CAGD to share the existing CAGD facilities – a position that the CAG concurs.

The Public Procurement Authority (PPA) has drafted six TORs which are expected to be submitted for Bank review. As a matter of principle, the PPA and the E-Transform project management as well as the management of the PFMRP would need to coordinate closely to establish scenarios and options on the next steps towards integration of systems – e-procurement, Hyperion, GIFMIS.

The Government is determined to transition to IPSAS accrual basis of accounting and financial reporting. To that end, CIPFA (UK) has been selected to provide a strategic roadmap and plan to support the venture. Currently, a form of modified cash/accrual basis is being implemented. It would be important to exercise caution to avoid a situation where Ghana is neither on 'cash' nor on 'accrual' basis, as international standards do not recognize a middle ground – 'modified cash' or 'modified accrual'.

### Component 3: Reinforcing Financial Oversight and Accountability.



A number of consulting activities, including developing and training on ICT tools and partnerships with private audit firms, have taken off through development of the requisite terms of reference. The Mission was encouraged to learn that no backlogs of audits, foreseen at time of project design at MMDA levels, currently exist. Nevertheless, a strategic framework for partnering with the private sector would need to be developed, in house by the Ghana Audit Services (GAS), to institutionalize the arrangements for such partnerships, especially as it relates to audits of donor funded projects.

The Mission noted that a number of activities have been set in motion through the development of terms of reference in support of strengthening the Finance and the Public Accounts Committees (PAC). Plans are also at an advanced stage to equip the two committees with the requisite logistical tools and equipment to enhance their functionality.

#### **Component 4: PFM Reform Coordination and Change Management.**

The PMRCU has guided the establishment of an effective PFMRP monitoring and reporting system and, together with the MOF, is engaged in coordinating overall reforms of PFM. The PFMRP has since developed the work-plan for the first year of project implementation and supported this with a procurement plan. Work has started since the project became effective, although some key aspects of the project activities (HRMIS, DRC) remained ongoing since the closure of GIFMIS and funded under retroactive financing.

The M&E Unit of the PFMRCU has established reporting comprehensive frameworks to define baselines, set milestones, and track performance at activity level for all PFMRP activities. Progress has been made in defining milestones at activity and sub-component level, but monitoring has been limited to qualitative assessment.

**Financial Management.** This being the first full implementation support and review Mission and given the fact that there had not been any significant expenditures other than those claimed under the retroactive financing, the FM and Disbursement performance is rated **Satisfactory**.

**Procurement.** The Mission noted that the initial focus of project management has been on preparation of TORs. The Mission was informed that a total of US\$4.1 million has been committed to date, representing 14 percent of the overall projected commitments. The procurement performance is set at **Satisfactory**, and the overall procurement risk is rated **Substantial**.



## Risks

### Systematic Operations Risk-rating Tool

Risk Category	Rating at Approval	Previous Rating	Current Rating
Political and Governance	● Substantial	● Substantial	● Substantial
Macroeconomic	● High	● High	● High
Sector Strategies and Policies	● Substantial	● Substantial	● Substantial
Technical Design of Project or Program	● Moderate	● Moderate	● Moderate
Institutional Capacity for Implementation and Sustainability	● Moderate	● Moderate	● Moderate
Fiduciary	● Substantial	● Substantial	● Substantial
Environment and Social	● Low	● Low	● Low
Stakeholders	● Low	● Low	● Low
Other	--	--	--
Overall	● Substantial	● Substantial	● Substantial

## Results

### Project Development Objective Indicators

- ▶ Proportion of budgetary expenditures reported in Annual Financial Statements of CAGD (including Consolidated Funds, Statutory Funds, IGFs and Donor Funds) (Percentage, Custom)

	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	66.00	--	66.00	90.00
Date	21-May-2015	--	20-Nov-2015	30-Jun-2019

- ▶ Comprehensive coverage of Government cash balances in TSA (Text, Custom)

	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	Balances held in BoG HQ	--	Balances held in BoG	At least 90% of



	and 5 BoG Branches		HQ and 5 BoG Branches	GoG cash balances in TSA
Date	21-May-2015	--	20-Nov-2015	30-Jun-2019

## Comments

1. TSA implementation strategy/ framework has been developed and submitted to cabinet for approval
2. The implementation will broaden the TSA coverage to include all government bank accounts at BoG and commercial banks
3. The framework also intends to implement a 2-tier TSA, one for Central Government at BoG and the other for Sub-National Government (MMDAs) at a commercial bank with broader geographical coverage.

► Enhanced budget credibility through limitation in supplementary appropriations (Percentage, Custom)

	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	6.20	6.20	6.20	5.00
Date	21-May-2015	08-Sep-2015	20-Nov-2015	30-Jun-2019

► Enhanced credibility of the payroll through percentage of payroll subjected to annual payroll verification audits (Percentage, Custom)

	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	0.00	0.00	0.00	90.00
Date	21-May-2015	08-Sep-2015	20-Nov-2015	30-Jun-2019

## Comments

A draft Terms of Reference has been prepared to engage a Consultant to Develop and design questionnaire for M&E of ESPV and expected to be completed by end-December 2015.

► Expenditure arrears (as percentage of Central Government budgetary expenditures) reduced through improved monitoring and control (Percentage, Custom)

	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	19.70	19.70	19.70	10.00
Date	21-May-2015	08-Sep-2015	20-Nov-2015	30-Jun-2019

## Comments



The Budget Development Unit has been identified and given the mandate to develop a comprehensive system for monitoring expenditure arrears and other risks arising from the CF, SOEs, and other sources.

## Overall Comments

### Intermediate Results Indicators

#### ▶ Number of MDAs reporting ex-post on program performance (Number, Custom)

	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	0.00	--	0.00	20.00
Date	21-May-2015	--	20-Nov-2015	30-Jun-2019

#### ▶ Strengthened Public Investment Management (PIM) through selection, appraisal and prioritization of new projects entering the budget (Percentage, Custom)

	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	0.00	0.00	0.00	60.00
Date	21-May-2015	08-Sep-2015	20-Nov-2015	30-Jun-2019

#### ▶ Percentage of budgetary spending units submitting cash forecasting plans (Percentage, Custom)

	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	40.00	40.00	40.00	80.00
Date	21-May-2015	08-Sep-2015	20-Nov-2015	30-Jun-2019



► MDAs integrating procurement planning as part of the budget preparation process (Number, Custom)

	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	7.00	7.00	7.00	25.00
Date	21-May-2015	08-Sep-2015	20-Nov-2015	30-Jun-2019

► GIFMIS expenditure management functionality established in MMDAs (for CF, Statutory Funds, and IGFs) (Number, Custom)

	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	5.00	5.00	5.00	150.00
Date	21-May-2015	08-Sep-2015	20-Nov-2015	30-Jun-2019

► Strengthening the Internal audit institution and capacity through establishment of internal audit teams in MDAs focusing on risk-based and systemic issues (number of MDAs) (Number, Custom)

	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	0.00	--	0.00	20.00
Date	21-May-2015	--	20-Nov-2015	30-Jun-2019

► Average time taken to complete external audit of MMDAs using modern audit techniques (Months, Custom)

	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	12.00	12.00	12.00	6.00
Date	21-May-2015	08-Sep-2015	20-Nov-2015	30-Jun-2019

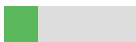


## ▶ Strengthened Parliamentary Oversight Capacity (Text, Custom)

	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	Lack of analytical capacity to review budgets ex ante, and audit reports implementation	--	Lack of analytical capacity to review budgets ex ante, and audit reports implementation	Published PAC reviewed audit reports within 15 months of end of year of audit
Date	21-May-2015	--	20-Nov-2015	30-Jun-2019

## Overall Comments

**Data on Financial Performance****Disbursements (by loan)**

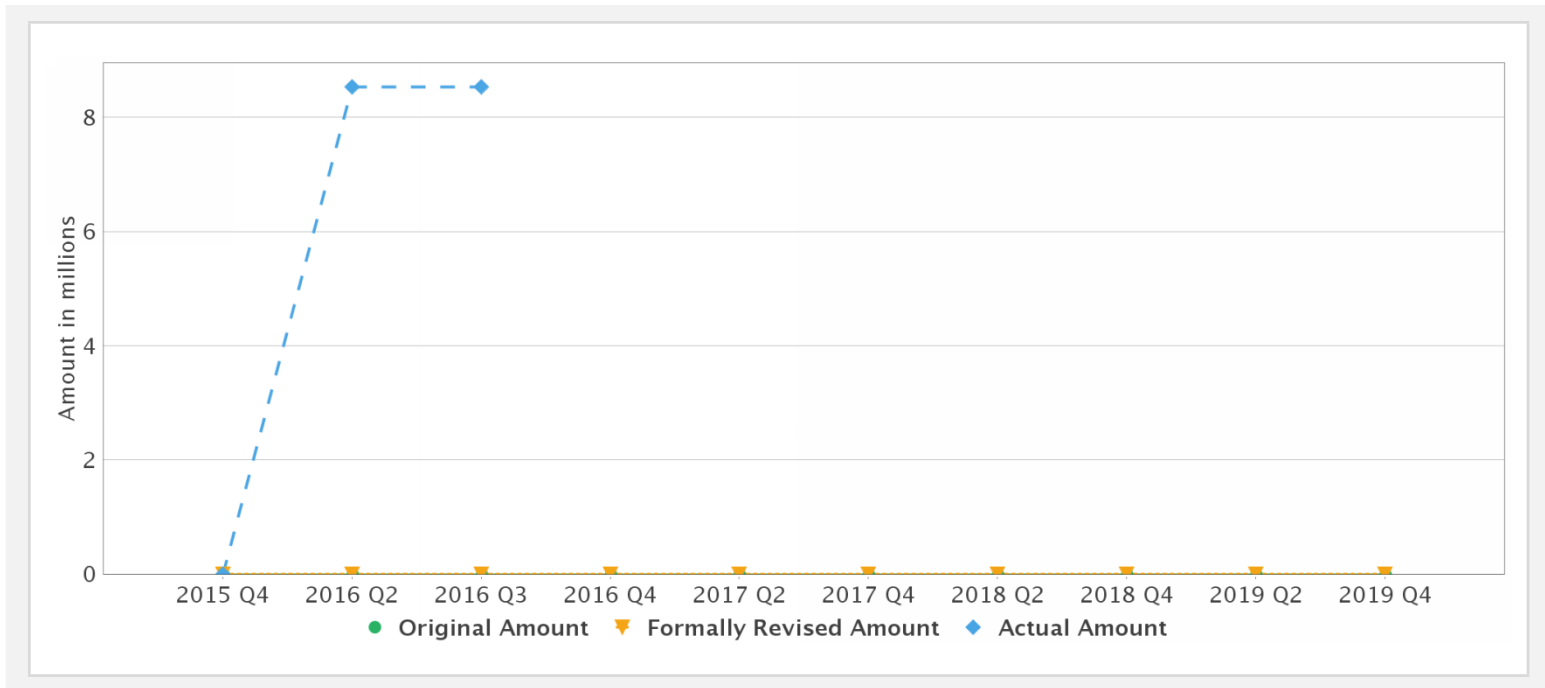
Project	Loan/Credit/TF	Status	Currency	Original	Revised	Cancelled	Disbursed	Undisbursed	Disbursed
P151447	IDA-56400	Effective	XDR	32.70	32.70	0.00	8.54	24.16	 26%

**Key Dates (by loan)**

Project	Loan/Credit/TF	Status	Approval Date	Signing Date	Effectiveness Date	Orig. Closing Date	Rev. Closing Date
P151447	IDA-56400	Effective	15-May-2015	05-Aug-2015	18-Aug-2015	30-Jun-2019	30-Jun-2019

**Cumulative Disbursements**





## Restructuring History

There has been no restructuring to date.

## Related Project(s)

There are no related projects.