



Combined Project Information Documents / Integrated Safeguards Datasheet (PID/ISDS)

Appraisal Stage | Date Prepared/Updated: 30-Apr-2018 | Report No: PCBASIC0103344



BASIC INFORMATION

A. Basic Project Data

Country Ghana	Project ID P162886	Project Name AF - Ghana: Public Financial Management Reform Project - Additional Financing	Parent Project ID (if any) P151447
Parent Project Name Ghana: Public Financial Management Reform Project	Region AFRICA	Estimated Appraisal Date	Estimated Board Date 29-Jun-2018
Practice Area (Lead) Governance	Financing Instrument Investment Project Financing	Borrower(s) Government of Ghana	Implementing Agency Ministry of Finance

Proposed Development Objective(s) Parent

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

Components

- Enhancing Budget Credibility
- Public Financial Management Systems and Control
- Reinforcing Financial Oversight and Accountability
- PFM Reform Coordination and Change Management

PROJECT FINANCING DATA (US\$, Millions)

SUMMARY

Total Project Cost	3.00
Total Financing	3.00
of which IBRD/IDA	0.00
Financing Gap	0.00

DETAILS

Non-World Bank Group Financing

Trust Funds	3.00
-------------	------



Swiss State Secretariat for Economic Affairs

3.00

Environmental Assessment Category

Not Required (C)

Decision

The review did authorize the team to appraise and negotiate

B. Introduction and Context

1. **This Combined Project Information Documents / Integrated Safeguards Datasheet is for an Additional Financing (AF) of US\$3.0 million to the Republic of Ghana for the Public Financial Management Reform Project (PFMRP, P151447).** The proposed AF, sourced entirely from Switzerland’s State Secretariat for Economic Affairs (SECO), will finance complementary activities within Subcomponent 2.6 (Improving Financial Reporting and Asset Management) of the existing project, as outlined in the concept memo under ‘scope of activities’. A portion of AF resources will also be allocated to Component 3 (Reinforcing Financial Oversight and Accountability) for capacity building to ensure that the Ghana Audit Services (GAS) has adequate understanding of the International Public Sector Accounting Standards (IPSAS) and is able to audit them.

2. **The proposed AF will strengthen the overall development impact of the PFMRP, adjust the World Bank’s assistance to better reflect changing government priorities, and enhance the overall achievement of the Project Development Objective (PDO).** Also as part of the proposed AF, the overall project will be restructured to (a) reallocate amounts originally put into “Just In Time” and recast subcomponent budgets to accommodate funds from dropped activities due to the elimination of two subcomponents; (b) revise the Results Framework and Monitoring to reflect the AF and progress to date; and (c) extend the closing of the parent project (P151447) date by 18 months, from June 30, 2019 to December 31, 2020.

Country Context

3. **Ghana has gone through an economic boom and bust cycle over the last decade, mainly driven by nonrenewable resources (or the prospect of their exploitation).** It was then further heated by fiscal expansion during the 2012 elections, followed by an economic contraction as the economy was simultaneously hit by lower oil and gold prices, as well as the need for fiscal consolidation in the aftermath of the elections. In 2016, the situation stabilized due to higher notations on the mineral resource markets. However, the level of public debt remains high (73 percent of gross domestic product in 2015) and is expected to increase further. Inflation is still high, but slowly decreasing—the International Monetary Fund (IMF) stated that annual inflation was 15.4 percent—while economic growth is modest: Ghana grew at a rate of 3.9 percent in 2017 according to the IMF; the rate was 3.5 percent in 2016, 3.8 percent in 2015, and 4.0 percent in 2014.



Sectoral and Institutional Context

4. **Some of the causes for the noted hurdles in the country's economic performance pertain directly to the insufficiency of the public financial management (PFM) systems in place.** These include weak fiscal controls and accumulation of large volume of arrears, poor management of assets, and general lack of accountability. Ghana is a unitary state, which implies that PFM and related reforms are centrally decided, guided, and implemented. A 1990 PFM review and subsequent reviews through the 2012 Public Expenditure and Financial Accountability (PEFA) assessment revealed a number of key weaknesses. These include weak budget formulation, expenditure monitoring, and expenditure control; lack of robust accounting; inadequate flow of information between key players such as the Bank of Ghana (BoG), the Ministry of Finance (MoF), and the Controller and Accountant General's Department (CAGD); and lack of quality and timely data on Government resources and the existence of an outmoded regulatory framework. The regulatory aspects have been updated through the passage of the 2016 PFM Act.

5. **Ghanaian accounting and audit systems have been substantially innovative in the last decade, helping to effectively manage and improve the Government's budget.** Since 2012, the Government of Ghana (GoG) has implemented composite budgeting, within which all financial plans and programs of decentralized departments are now merged and composed into the budgets of Metropolitan, Municipal, and District Assemblies (MMDAs). Composite budgeting was a strategic decision by the Government to realize the enormous benefits to be derived from the transfer of financial resources to the MMDAs, having already transferred political, administrative, and decentralized planning as strategies enshrined in the law and public expenditures in general. This was also done to create a more favorable operational environment for public sector organizations. Through composite budgeting, the GoG introduced uniformity in planning, budgeting, financial reporting, and auditing of the Government. This process has guaranteed participatory governance at the MMDA level, as well as promoted ownership in the planning and budgeting systems of the MMDAs. The process has also facilitated prudent financial management (FM) in MMDAs, although capacity problems remain.

C. Proposed Development Objective(s)

Original PDO

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

Current PDO

No changes are being made to the PDO.

Key Results

D. Project Description



6. **The parent project has had some notable key achievements.** First and foremost is passage of the 2016 PFM Law by the Parliament. Also, 50 IGF institutions have been incorporated into the GIFMIS, including all four teaching hospitals, and Procure to Pay (P2P) was successfully rolled out to 61 of 150 MMDAs and almost all MDAs. An increasing amount of financial transactions are being processed through the GIFMIS, leading to improved efficiency and oversight in the allocation and use of Ghana's public resources. The adoption of a Human Resources Management Information System (HRMIS) has streamlined human resource business processes, allowing for new employees in live MDAs to be paid within one month of recruitment. Furthermore, enhancements to the integrity of payroll have led to the suspension¹ of 9,623 employees since July 2017 and has saved the GoG approximately GHS 14 million. The Treasury Single Account (TSA) strategy for better management of cash has been formulated and approved. Preliminary work in articulating an inventory of bank accounts and periodic monitoring of cash balances is proceeding very well. The GIFMIS has been interfaced with the Total Revenue Integrated Processing System and Ghana Customs Management System at the Ghana Revenue Authority. Cash forecasting models have been developed and are being deployed. Payroll cleaning up work has been completed significantly. Capacity of the GAS audit staff to use information and communication technology (ICT) tools in their work is being strengthened. Finally, the research unit of Parliament is already developing sector budget briefs of the previous year to inform Parliament's Finance Committee discussions and debates on upcoming budgets. This has strengthened Parliament's constitutional role in performing its oversight functions and reviewing the Government's budget estimates.

7. **The project's ability to meet its intended development objectives, as well as its implementation progress, are both rated Satisfactory.** It has achieved a 57 percent disbursement by the midterm review (MTR), against a projected accumulated rate of 64 percent, with four of five of the PDO level indicators and six of eight intermediate level indicators either met or exceeded their year-end targets. This notwithstanding, there is still a need to closely monitor how the Government proceeds to deal with National Information Technology Agency (NITA) connectivity issues for smooth GIFMIS and other PFM system implementation, an issue which the GoG and the World Bank are currently working on.

8. **Based on agreed activities with the GoG, this AF will finance an increased level of activities already defined under Subcomponent 2.6 - Improving Financial Reporting and Asset Management.** This will entail an update of the existing Procurement Plan and the overall project work plan, with increased quantum of activities and budget through the increased level of resources, following the IPSAS road map where the financing gap was determined. Critical will be the development of a national professional qualification curriculum at the ICAG for public sector accountants and auditors that includes a special diploma or certificate by the IPSAS-certified. Training of trainers will be undertaken at the central, MDA, and MMDA level to create a cohort of trainers. Upon certification, they will be deployed at regional offices of the CAGD to run the set trainings and ensure that more capacity is built in the preparation of financial statements at that level. AF-financed activities under subcomponents 2.6 and 3.1 include the following:

- project management aspects of IPSAS implementation;
- specific trainings, a certification program, training-of-trainers, and the establishment of a help desk providing ongoing support;
- IT-related activities, including a gap analysis;
- updating of accounting manuals in the CAGD and MMDAs; activities related to the stocktaking of assets and liabilities; and

¹ Due to suspension, the temporary inability to verify employees, or the fact of being 'ghost workers'.



- demand-side training of non-state actors.

9. **The AF will finance core technical assistance in the form of consultancy activities and capacity building around IPSAS implementation.** Consultancies will include development of templates throughout the Government that allow for development of a system that caters to the recording of 'in transit' receipts and expenses in the operating statement and recognizing the related stocks of unpaid invoices from suppliers as liabilities and unpaid bills issued to customers for services rendered as assets onto the Government balance sheet. The AF will also help institutionalize the IPSAS capacity building in Ghana's national universities and regional administration frameworks.

10. **Accrual-basis IPSAS will allow for the monitoring of accumulation of expenditure obligations, ensure they are liquidated on time (as stipulated in the PFM regulations), and help prevent expenditure arrears.** By doing so, it will provide all stakeholders with a more complete picture of the costs of the public services and the deficit/surplus in a fiscal year because such costs can be hidden by delaying cash payments and generating arrears. To sum up, this will allow for the production of GoG financial statements that include cash flow statements, a more developed balanced sheet, and an operating statement and accompanying notes.

11. **Additional resources in the area of capacity building will also be allocated to Component 3 - Reinforcing Financial Oversight and Accountability to ensure GAS has adequate understanding of IPSAS and is able to audit them.**

12. **As part of the restructuring, two subcomponents—1.2 - Strengthening Public Investment Management Capacity and 1.4 - Fiscal Risk Management and Reporting—will be dropped in their entirety (inclusive of all activities mentioned in the project appraisal document under these two subcomponents) and consolidated under the GEMS project.** Those funds originally designated for the two subcomponents (US\$289,000 and US\$180,000, respectively) will be reallocated to subcomponents 1.1 - Strengthening Budgetary Planning and Macro-Fiscal Management and 1.3 - Strengthening the Budget Operational Framework to address the financing gap in these two subcomponents.

13. **This redistribution, as well as the distribution of the just-in-time resources from subcomponent 4.4 - Just-in-time Interventions and Change Management (US\$4,200,000), will be distributed in the following way to the following subcomponents, based on existing financing gaps:**

- 1.1 - Strengthening Budgetary Planning and Macro-Fiscal Management: US\$300,000
- 1.3 - Strengthening the Budget Operational Framework: US\$180,000
- 2.1 - Strengthening Government Information Systems: US\$1,000,000
- 2.2 - Cash and Treasury Management: US\$689,000
- 2.5 - Strengthening Payroll and Pensions Management: US\$500,000
- 3.1 - External Audit Capacity Strengthening: US\$1,500,000
- 4.2 - Monitoring, Evaluation, and Communication: US\$500,000



14. **The US\$3.0M in AF will be distributed to the following subcomponents:**
- 2.6 - Improving Financial Reporting and Asset Management: US\$2,500,000
 - 3.1 – External Audit Capacity Strengthening: US\$500,000

E. Implementation

Institutional and Implementation Arrangements

15. **Project institutional and implementation arrangements.** Implementation arrangements for the ongoing PFMRP will be maintained under the proposed AF. The MoF, under the leadership of the minister, will be responsible for the overarching strategic coordination and oversight of the project. Under the minister will be a PFM Reform Steering Committee meant to provide strategic guidance and oversight to the reform implementation process. Because the Controller and Accountant General is already a core member of the PFM Reform Steering Committee and responsible for leading this reform effort, he/she will continue to do so under the arrangements established within the PFMRP.
16. **The PFM Reform Coordination Office under the leadership of the Chief Director of the MoF shall continue to be responsible for the overall coordination of the PFM reform programs of the GoG.** The Controller and Accountant General will be the reform manager for this AF.
17. **Given the fact that they are financing this AF, SECO will become part of the implementation support missions for all ensuing missions.** Before the missions, the partners will meet to work out key objectives of the mission and a clear division of responsibilities when engaging in dialogue with the Government.

F. Project location and Salient physical characteristics relevant to the safeguard analysis (if known)

N/A

G. Environmental and Social Safeguards Specialists on the Team

Anita Bimunka Takura Tingbani, Environmental Safeguards Specialist
Alidu Babatu Adam, Social Safeguards Specialist



SAFEGUARD POLICIES THAT MIGHT APPLY

Safeguard Policies	Triggered?	Explanation (Optional)
Environmental Assessment OP/BP 4.01	No	
Performance Standards for Private Sector Activities OP/BP 4.03	No	
Natural Habitats OP/BP 4.04	No	
Forests OP/BP 4.36	No	
Pest Management OP 4.09	No	
Physical Cultural Resources OP/BP 4.11	No	
Indigenous Peoples OP/BP 4.10	No	
Involuntary Resettlement OP/BP 4.12	No	
Safety of Dams OP/BP 4.37	No	
Projects on International Waterways OP/BP 7.50	No	
Projects in Disputed Areas OP/BP 7.60	No	

KEY SAFEGUARD POLICY ISSUES AND THEIR MANAGEMENT

A. Summary of Key Safeguard Issues

1. Describe any safeguard issues and impacts associated with the proposed project. Identify and describe any potential large scale, significant and/or irreversible impacts:

No safeguards issues have been identified for this project.

2. Describe any potential indirect and/or long term impacts due to anticipated future activities in the project area:

No safeguards related large scale, significant and/or irreversible impacts are anticipated.

3. Describe any project alternatives (if relevant) considered to help avoid or minimize adverse impacts.

N/A

4. Describe measures taken by the borrower to address safeguard policy issues. Provide an assessment of borrower capacity to plan and implement the measures described.

No safeguards issues have been identified and thus no such assessment of borrower capacity has been undertaken.

5. Identify the key stakeholders and describe the mechanisms for consultation and disclosure on safeguard policies, with an emphasis on potentially affected people.

There are no safeguards related consultations.



B. Disclosure Requirements (N.B. The sections below appear only if corresponding safeguard policy is triggered)

C. Compliance Monitoring Indicators at the Corporate Level (to be filled in when the ISDS is finalized by the project decision meeting) (N.B. The sections below appear only if corresponding safeguard policy is triggered)

CONTACT POINT

World Bank

Donald Herrings Mphande
Lead Financial Management Specialist

Borrower/Client/Recipient

Government of Ghana

Implementing Agencies

Ministry of Finance



FOR MORE INFORMATION CONTACT

The World Bank
1818 H Street, NW
Washington, D.C. 20433
Telephone: (202) 473-1000
Web: <http://www.worldbank.org/projects>

APPROVAL

Task Team Leader(s):	Donald Herrings Mphande
----------------------	-------------------------

Approved By

Safeguards Advisor:	Maman-Sani Issa	24-Apr-2018
Practice Manager/Manager:	Hisham Waly	25-Apr-2018
Country Director:	Henry G. Kerali	02-May-2018