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Report No: PAD1373

INTERNATIONAL DEVELOPMENT ASSOCIATION

PROJECT APPRAISAL DOCUMENT

ON A PROPOSED CREDIT
IN THE AMOUNT OF SDR 32.7 MILLION
(US\$45.0 MILLION EQUIVALENT)

TO THE

REPUBLIC OF GHANA

FOR A

PUBLIC FINANCIAL MANAGEMENT REFORM PROJECT

April 23, 2015

Governance Global Practice
Africa Region

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CURRENCY EQUIVALENTS

(Exchange Rate Effective – March 31, 2015)

Currency Unit = US\$

US\$1 = SDR 1.37949

FISCAL YEAR

January 1 – December 31

ABBREVIATIONS AND ACRONYMS

AfDB	African Development Bank
AFROSAI	African Organization of Supreme Audit Institutions
AGD	Auditor General Department
AMIS	Audit Management Information Systems
ARICs	Audit Report Implementation Committees
AWPBs	Annual Work Plans and Budgets
BD	Budget Division
BoG	Bank of Ghana
BPEMS	Budget and Public Expenditure Management System
CAAT	Computer Assisted Auditing Techniques
CAGD	Controller and Accountant General Department
CF	Consolidated Fund
CISA	Certified Information Systems Auditor
CMC	Cash Management Committee
CMWG	Cash Management Working Group
Cola	Cost of Living Allowance
CPD	Continual Professional Development
CPS	Country Partnership Strategy
DANIDA	Danish International Development Agency
DAs	Designated Accounts
DFID	Department for International Development
DMD	Debt Management Division
DPs	Development Partners
EFT	Electronic Fund Transfer
EITI	Extractive Industries Transparency Initiative
ERFD	Economic Research and Forecasting Division
ERM	Enterprise Risk Management
ESPV	Electronic Salary Payment Voucher
EU	European Union
FAA	Financial Administration Act
FAR	Financial Administration Regulations
FC	Finance Committee
FM	Financial Management
GCMC	Ghana Customs Management System
GDP	Gross Domestic Product
GES	Ghana Education Service
CF	Consolidated Fund

GGODR	Governance Global Practice
GH¢	Ghana Cedi
GIFMIS	Ghana Integrated Financial Management Information System
GIZ	German Society for International Cooperation (<i>Gesellschaft für Internationale Zusammenarbeit</i>)
GoG	Government of Ghana
GRA	Ghana Revenue Authority
GRS	Grievance Redress Service
GSGDA	Ghana Shared Growth and Development Agenda
HIPC	Heavily Indebted Poor Countries
HR	Human Resources
HRMIS	Human Resources Management Information System
IAA	Internal Audit Agency
LAN	Local Area Network
LEG-VPU	Legal Vice-Presidency Unit
IAU	Internal Audit Units
IBRD	International Bank for Reconstruction and Development
ICAG	Institute of Chartered Accountants of Ghana
ICB	International Competitive Bidding
ICT	Information and Communications Technology
IDA	International Development Association
IFR	Interim Financial Report
IFMIS	Integrated Financial Management Information Systems
IGF	Internally Generated Fund
IMF	International Monetary Fund
IPF	Investment Project Financing
IPSAS	International Public Sector Accounting Standards
ISR	Implementation Review and Support
IT	Information Technology
IUFR	Monitoring and Evaluation
M&E	Interim Unaudited Financial Reports
MDAs	Ministries, Departments and Agencies
MDTF	Multi-Donor Trust Fund
MIC	Middle Income Country
MMDAs	Metropolitan, Municipals and District Assemblies
MoF	Ministry of Finance
MoLGRD	Ministry of Local Government and Rural Development
MTEF	Medium-Term Expenditures Framework
MTFF	Medium Term Fiscal Framework
NACAP	National Anti-Corruption Action Plan
NCB	National Competitive Bidding
NDPC	National Development Planning Commission
NITA	National Information Technology Agency
P2P	Procure to Pay
PAC	Public Accounts Committee
PAD	Project Appraisal Document
PAS	Procurement Assistant
PBB	Program Based Budgeting
PDO	Project Development Objective

PEFA	Public Expenditure and Financial Accountability
PEMFAR	Public Expenditure Management and Financial Accountability Review
PFM	Public Financial Management
PFMRCO	Public Financial Management Reform Coordination Office
PFMRP	Public Financial Management Reform Project
PFMRS	Public Financial Management Reform Strategy
PFMRSC	Public Financial Management Reform Steering Committee
PFMRTC	Public Financial Management Reform Technical Committee
PID	Public Investment Division
PIM	Public Investment Management
PIMS	Public Investment Management System
PMU	Project Management Unit
POC	Parliamentary Oversight Committees
PP	Procurement Plan
PPA	Public Procurement Authority
PPI	Producer Price Index
PS	Procurement Specialist
PSC	Public Services Commission
PUFMARP	Public Financial Management Reform Program
RAM	Regularity Audit Manual
RPM	Regional Procurement Manager
SBD	Standard Bidding Documents
SCFA	Sub Consolidated Fund Account
SEC	State Enterprise Commission
SFs	Statutory Funds
SMTDP	Sector Medium Term Development Plans
SOE	State Owned Enterprise
SORT	Systematic Operations Risk-Rating Tool
TA	Technical Assistance
TSA	Treasury Single Account
TTL	Task Team Leader
USAID	United States Agency for International Development
WAEMU	West African Economic and Monetary Union
WAN	Wide Area Network
WBG	World Bank Group

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PAD DATA SHEET*Republic of Ghana**Ghana: Public Financial Management Reform Project (P151447)***PROJECT APPRAISAL DOCUMENT***AFRICA**GGODR*

Report No.: PAD1373

Basic Information			
Project ID P151447	EA Category C - Not Required	Team Leader(s) Ismaila B. Ceesay	
Lending Instrument Investment Project Financing	Fragile and/or Capacity Constraints []		
	Financial Intermediaries []		
	Series of Projects []		
Project Implementation Start Date 15-May-2015	Project Implementation End Date 30-Jun-2019		
Expected Effectiveness Date 21-Jul-2015	Expected Closing Date 30-Jun-2019		
Joint IFC No			
Practice Manager/Manager Renaud Seligmann	Senior Global Practice Director Mario Marcel Cullell	Country Director Yusupha B. Crookes	Regional Vice President Makhtar Diop
Borrower: Government of Ghana			
Responsible Agency: Ministry of Finance			
Contact: Telephone No.: 233302665132	Major (Rtd) M. S. Tara	Title: Email: chiefdirector@mofep.gov.gh	Chief Director
Project Financing Data(in USD Million)			
[] Loan	[] IDA Grant	[] Guarantee	
[X] Credit	[] Grant	[] Other	
Total Project Cost:	45.00	Total Bank Financing:	45.00
Financing Gap:	0.00		
Financing Source		Amount	

BORROWER/RECIPIENT	0.00
International Development Association (IDA)	45.00
Total	45.00

Expected Disbursements (in USD Million)

Fiscal Year	2015	2016	2017	2018	2019					
Annual	0.00	13.89	14.90	10.10	6.11					
Cumulative	0.00	13.89	28.79	38.89	45.00					

Institutional Data

Practice Area (Lead)

Governance

Contributing Practice Areas

Cross Cutting Topics

- Climate Change
- Fragile, Conflict & Violence
- Gender
- Jobs
- Public Private Partnership

Sectors / Climate Change

Sector (Maximum 5 and total % must equal 100)

Major Sector	Sector	%	Adaptation Co-benefits %	Mitigation Co-benefits %
Public Administration, Law, and Justice	General public administration sector	100		
Total		100		

I certify that there is no Adaptation and Mitigation Climate Change Co-benefits information applicable to this project.

Themes

Theme (Maximum 5 and total % must equal 100)

Major theme	Theme	%
Public sector governance	Public expenditure, financial management and procurement	100
Total		100

Proposed Development Objective(s)

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

Components

Component Name	Cost (USD Millions)
Enhancing Budget Credibility	2.70
Public Financial Management Systems and Control	32.70
Reinforcing Financial Oversight and Accountability	2.00
PFM Reform Coordination and Change Management	7.60

Systematic Operations Risk- Rating Tool (SORT)

Risk Category	Rating
1. Political and Governance	Substantial
2. Macroeconomic	High
3. Sector Strategies and Policies	Substantial
4. Technical Design of Project or Program	Moderate
5. Institutional Capacity for Implementation and Sustainability	Moderate
6. Fiduciary	Substantial
7. Environment and Social	Low
8. Stakeholders	Low
9. Other	
OVERALL	Substantial

Compliance

Policy

Does the project depart from the CAS in content or in other significant respects?	Yes []	No [X]
Does the project require any waivers of Bank policies?	Yes []	No [X]
Have these been approved by Bank management?	Yes []	No []
Is approval for any policy waiver sought from the Board?	Yes []	No []
Does the project meet the Regional criteria for readiness for implementation?	Yes [X]	No []

Safeguard Policies Triggered by the Project	Yes	No
Environmental Assessment OP/BP 4.01		X
Natural Habitats OP/BP 4.04		X
Forests OP/BP 4.36		X
Pest Management OP 4.09		X

Physical Cultural Resources OP/BP 4.11			X
Indigenous Peoples OP/BP 4.10			X
Involuntary Resettlement OP/BP 4.12			X
Safety of Dams OP/BP 4.37			X
Projects on International Waterways OP/BP 7.50			X
Projects in Disputed Areas OP/BP 7.60			X
Legal Covenants			
Name	Recurrent	Due Date	Frequency
Description of Covenant			
Conditions			
Source Of Fund	Name	Type	
Description of Condition			
Team Composition			
Bank Staff			
Name	Role	Title	Unit
Ismaila B. Ceesay	Team Leader (ADM Responsible)	Lead Financial Management Specialist	GGODR
Charles John Aryee Ashong	Procurement Specialist	Procurement Specialist	GGODR
Robert Wallace DeGraft-Hanson	Financial Management Specialist	Sr Financial Management Specialist	GGODR
Aleksandar Kocovski	Operations Officer	ET Consultant	GGODR
Alexandra C. Bezeredi	Safeguards Advisor	Regional Environmental and Safeguards Advisor	OPSOR
Ali Hashim	Team Member	Consultant	GGODR
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Charlotte Hayfron	Team Member	Program Assistant	AFCW1
David A. Bontempo	Team Member	Operations Analyst	GPSOS
David Waigwa Wachira	Team Member	Young Professional	GGODR
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Ronnie W. Hammad	Team Member	Senior Operations Officer	GPSOS		
Smile Kwawukume	Team Member	Senior Public Sector Specialist	GGODR		
Stephen Leonard Gurr	Team Member	Consultant	GGODR		
William A. Allan	Team Member	Consultant	GGODR		
Extended Team					
Name	Title	Office Phone	Location		
Locations					
Country	First Administrative Division	Location	Planned	Actual	Comments
Ghana	Greater Accra	Greater Accra Region	X		Greater Accra area and other locations in Ghana.
Consultants (Will be disclosed in the Monthly Operational Summary)					
Consultants Required? Consulting services to be determined					

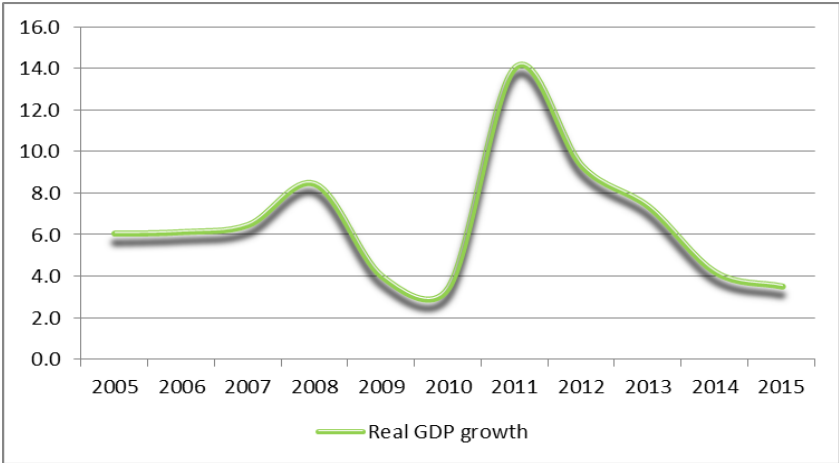
I. STRATEGIC CONTEXT

A. Country Context

1. **Ghana is located on the western coast of Sub-Saharan Africa with a population of 27 million in 2014 and a per capita Gross Domestic Product (GDP) of US\$1,427.** The country is a well-established democracy on the African Continent and is ranked 70th in the 2015 doing business report. Ghana commenced the production of oil in December 2010 which paved the way for a new era of fiscal expansion and growth from 2011 onwards. The planned fiscal expansion also brought challenges associated with its sustainability and the risks of re-igniting a boom and bust cycle. By 2014, Ghana’s overall macroeconomic conditions had deteriorated with large fiscal and balance of payments deficits, fueling Government debt and inflation, a sharp depreciation of its currency, and a weaker pace of economic growth.

2. **GDP growth significantly decelerated to 4.2 percent in 2014, while inflation accelerated to 17 percent, as a result of the energy rationing, currency depreciation, rising interest rates and policy uncertainty.** Ghana’s growth peaked at 14 percent in 2011 and declined gradually thereafter to 4.2 percent in 2014. The growth was bolstered by high gold and cocoa prices, robust political institutions, and the commencement of oil production. After the Heavily Indebted Poor Countries (HIPC) debt reduction completion point in 2004 and the Jubilee field oil discovery in 2007, capital flowed into the country to finance the oil and mining sectors. But a combination of external and domestic imbalances contributed to macroeconomic instability even though the country has positive growth prospects. Ghana’s potential growth rate per capita is between 5 and 6 percent per year. Real GDP growth is expected to oscillate around 4 percent of GDP in the near term, well below its potential level in the medium term.

Chart 1: GDP Growth 2005 - 2015



Source: World Bank

3. **Ghana has registered twin deficits (fiscal and balance of payments) in excess of 10 percent of GDP since 2012, as a result of both external and domestic shocks.** Within the external shocks, the most notable were the fall in gold prices and the cut-off of the gas supply from Nigeria that forced higher oil imports for the production of electricity. In 2012, when gold prices peaked at over US\$1,600 per ton, gold exports reached US\$5.5 billion, representing 42 percent of Ghana’s exports of goods. By 2014, gold prices had tumbled to an average of US\$1,275 per ton, and total exports shrunk to US\$4.4 billion. In addition to the gold shock,

Ghana was forced to import oil for electricity generation due to pipeline damage that cut-off Ghana from the gas supply from the West Africa Gas Pipeline, at the end of 2012. As a result of both shocks, the current account deficit reached 11.7 percent of GDP in 2012 and 2013, reducing modestly to 9.5 percent in 2014.

4. **As a consequence of the chronic fiscal gaps and the currency depreciation, public debt rose to 64 percent of GDP in 2014 and interest payments rose to 7 percent of GDP.** The financing requirements of the Government and the expectations of currency depreciation translated into higher interest rates, which reached 26 percent on 90-day T-bills. Interest payments rose from 3.2 percent of GDP in 2012 to 6.2 percent in 2014. The higher interest rates implied higher cost of capital to private firms, constituting an additional shock to the costs of production. Wages and interest payments exhaust Government revenue, leaving no space for other more potentially productive expenditure such as goods and services, maintenance, or capital spending. The depreciation of the Ghana Cedi (GH¢) had a negative impact on the fiscal accounts because of the rising oil import bill which was not fully transferred to consumers.

5. **In 2013, in an effort to stabilize the economy, the Government of Ghana (GoG) adopted a home grown multi-year fiscal stabilization plan aimed at reducing the deficit.** The plan, approved by Parliament in successive Budget Laws of 2012, 2013 and 2014 targeted end-year fiscal deficits (on a cash basis) of 6.9, 9.0 and 8.5 percent of GDP respectively. However, the end period actual fiscal deficits (on a cash basis) were 11.5, 10.0, and 9.4 percent of GDP respectively. Some of the fiscal bottlenecks that contributed to this discrepancy between the actual and planned deficits include the poor assessment of the costs of implementing the new single spine pay policy, the inability of Government to eliminate all ghost workers from the payroll, the addition of high priority capital projects to the public investment plan without corresponding removal of lower priority projects, the payment of accumulated arrears, and the increasing cost of debt.

6. **The fiscal deficit was partly contained due to the moderation in the nominal wage increase of public workers, though future wage bill growth is the main driver of fiscal risk.** The wage bill declined from 8.9 percent of GDP in 2012 to 8.2 percent in 2014 due to the moderate increase in nominal wages in 2013 and 2014. A center-piece of the process was the agreement reached between labor and GoG to accept a cost of living allowance (Cola) of 10 percent (effective May 2014) in lieu of a general salary increase. The Cola froze the cost of pension in 2014 for employees on Government payroll. Despite these factors, other inherent challenges affecting the wage bill include the inability of Government to implement the net freeze in employment and a moratorium on public sector wage increase proposed in the budget laws since 2012.

7. **In 2014, efforts were made by Government to clear accumulated arrears as part of the home grown policy framework.** The stock of arrears increased over the period 2009 to 2014 to GH¢ 6 billion (5.2 percent of GDP), compounded by the depreciation of the GH¢. However, in 2014, a total of about GH¢ 3.17 billion (2.8 percent of GDP) was paid as ‘arrears clearance’. Since the arrears are claims on future budgets, they disrupt financial programming aimed at achieving fiscal targets, and thereby cause policy uncertainty.

8. **The persistent high fiscal deficits and rapid depreciation of the local currency against the US\$ have contributed to the rapid rise in public debt which oscillates around 60 percent in 2014.** High fiscal deficits imply a stronger need to borrow to finance the gap.

Government financed the gap by issuing domestic securities to cover recurrent expenditure and by external non-concessional borrowing to cover capital expenditure. For instance, Ghana raised about US\$2 billion of non-concessional debt from the international Eurobond market in 2013 and 2014 despite the lowering of its long-term foreign and local currency Issuer Default Ratings from B+ with a stable outlook in September 2012 to 'B' with negative outlook by Fitch rating in March 2014.

9. **The expansionary fiscal policy financed partly by the central bank has also resulted in high inflation.** The Bank of Ghana (BoG) financed an average of 18 percent the Government's fiscal deficit between 2012 and 2014. End year inflation rose steadily from 8.8 percent in 2012 to 17.0 percent 2014, while non-food inflation increased by 12.3 percentage points to 23.9 percent in 2014. The producer price index (PPI) inflation oscillated around 17.1 percent throughout 2012 but rose to an average of 35.8 percent in 2014. Inflation has been associated with rising public sector wages, pass through effect of adjustments in the fuel and utility prices, and volatility in the domestic foreign exchange market which led to a sharp depreciation of the Cedi.

10. **The Ghana Integrated Financial Management Information System (GIFMIS) now provides a strong platform for Government to tackle head on the bottlenecks in the management of the wage bill and public expenditure.** In 2013, the Government started tackling the structural bottlenecks that affect wages and salaries, with a view to reducing the wage to tax ratio from 54 percent in 2012 to 35 percent by 2017. One of the wage reduction measures implemented included the upgrade of the payroll software to a higher version (Oracle 12). This enabled Government to begin unifying the payroll data across the public service and to re-align the payroll structure to the budget structure in order to facilitate its integration onto the Ghana Integrated Financial Management Information System (GIFMIS). Next, the Government introduced an Electronic Salary Payment Voucher System (ESPV) to facilitate the vetting of the payroll by the heads of Ministries, Departments, and Agencies. The system provides a control mechanism which helps better manage the challenge of ghost workers on Government payroll. Other reforms introduced include the implementation of the Procure to Pay (P2P) system across all Ministries Departments and Agencies (MDAs) for the use of resources from the Consolidated Fund (CF), provision of a unique biometric code to all staff on the payroll and electronic generation of pay slips with a feedback feature.

B. Sectoral and Institutional Context

11. **Weaknesses in Public Financial Management (PFM) have contributed to the current macro-fiscal crisis.** The emergence of structural budget deficits, weakening current account balances, a declining exchange rate and burgeoning debt are symptoms of underlying weaknesses in PFM systems. While some of these structural issues can be attributed to external factors (e.g. global economic shocks, commodity prices and gas supply shocks from Nigeria), persistent weaknesses in PFM performance over a long period have also contributed greatly to current economic problems. These issues are well understood and the recently concluded negotiations for the International Monetary Fund (IMF) program have also recognized them. These weaknesses emerged despite a long history of public sector financial management reform. Over the last two decades, some progress has been made with PFM reforms; however much remains to be done.

12. **The GoG implemented its first comprehensive Public Financial Management Reform Program (PUFMARP) during the period 1997-2003.** The programs involved the development of IFMIS through the Budget and Public Expenditure Management System (BPEMS) and related PFM reforms, including Medium Term Expenditure Framework (MTEF), external and internal audit. Planning Reforms were introduced during 2006-2009 with the introduction of integrated Short and Medium Term Action Plans (ST/MTAP), following the release of the Ghana Shared Growth and Development Agenda (GSGDA I). This form of Short and Medium Term Action Planning was rolled out across Government between 2010 and 2013. The GSGDA, while comprehensive, lacks a focus on prioritization and sequencing, and appears to be relatively unconstrained in its costing. This deficiency has flowed through to sector plans, which are required to be reflective of the GSGDA. However, due to structural problems with the Budget, resourcing through the annual budget was rarely consistent with the GSGDA. This created disconnect between planning and budgeting.

13. **The first decade of PFM reforms (1997-2009) produced very mixed results and did not help control the budget management challenges.** The scope of the PFM reform program was overly ambitious, encompassing changes to PFM practices across MDAs, beyond the CF, and mixing process overhauls with changes in IT systems. The reforms were guided mainly by projects in individual areas which resulted in lack of synergy in the overall PFM reforms. Fiscal transfers were neither transparent, nor predictable, and lacked a fully-fledged and credible PFM improvement program at the decentralized level. The reform encountered strong resistance to change, particularly from MDAs and Metropolitan, Municipals and District Assemblies (MMDAs). In the end, it did not meet its key objectives either of renovating core budgeting and accounting systems; or of changing budget commitment and execution behaviors in line ministries¹. However, the authorities and development partners were able to learn valuable lessons from this experience, which informed the approach taken in the subsequent phase of the reform.

14. **The implementation of the GIFMIS span over the period 2010 – December 2014.** It purposefully focused on the more modest objective of renovating core budgeting, accounting and financial reporting systems. It was successful in meeting this limited objective, but the challenges of changing behaviors in MDAs and MMDAs remains and is a core focus of the current project. **Through the GIFMIS project, the GoG has made significant strides in respect of financial accounting and reporting and has commenced the process of integrating and/or interfacing all significant PFM systems on the Government platform.** Also within the GIFMIS project, significant work has been undertaken to implement a system of Program Based Budgeting (PBB) in an attempt to simplify the budget process and re-establish a connection between policy priorities and the budget. PBB has been implemented in MDAs, with the first budget appropriated by programs in 2015 budget. The project has established the foundation for further development of a separate and comprehensive Human Resources Management Information System (HRMIS) to strengthen the recruitment process in the public service and enhance the credibility of data that are fed into the payroll.

¹ The Implementation Completion Report (ICR) for BPEMS concludes as follows: “The overall Project outcome is rated Marginally Unsatisfactory (U) because at the end of the Project, the major specific objectives/results targeted in the key public finance management subsystems had not been achieved. Indeed in spite of encouraging developments in a number of small components, the two most important components in terms of expected developmental impact and project resource allocation, are the ones that faced the greatest difficulties and for which expected deliverables were not effective yet at the time of the ICR mission” (pg. 7).

15. **Decentralization of resourcing and service delivery to district administrations is well advanced, but remains incomplete.** The GIFMIS project has supported this reform by rolling out accounting elements of the system to some MMDAs on a pilot basis. However, evidence indicates that the MMDAs are inadequately funded for effective service delivery. These results from: a) low levels of funding for MMDAs through the national budget; and b) low levels of Internally Generated Funds (IGF) generated. This is complicated by the fact that the Local Government Act specifies the organizational structure of each MMDA and the staffing of MMDAs is almost entirely financed through the national budget².

16. **Compliance with the enabling legal framework for PFM and updating the related laws and regulations are critical for achieving success in PFM reforms.** The existing key PFM related legislative framework consisting of the Financial Administration Act, 2003 (Act 654) and the Financial Administration Regulations, 2004 (LI 1802) were prepared at the time at which BPEMS was being undertaken and activity based budgeting was being implemented. They are standard instruments and cover most of the bases necessary for a strong PFM system, should they be adequately implemented. However, the introduction of PBB and on-going problems with weaknesses in budget formulation and execution processes will be assisted by a process to revise and update this framework. Critical areas for review include: introducing stronger rules for Government regarding fiscal responsibility, reinforcing processes that seek to impose discipline in PFM processes and strengthen the authority of the Minister of Finance for enforcing discipline, and specific provisions to enable program based budgeting and management. The IMF has scheduled Technical Assistance (TA) to assist the Government in this regard. The key issue however will not be so much the adoption of the new rules, but their consistent implementation, including in the face of political pressures towards spending above and beyond the country's means.

17. **The heavy emphasis on the upgrade of the IFMIS through the GIFMIS project was a necessary pre-requisite for improved PFM performance.** However, it could not produce the required improvements in and of itself. Processes, disciplined actions, compliance with the law and regulations, all remain factors that are holding PFM performance back and diminishing the effectiveness of new systems. For instance, commitment controls embedded in the IFMIS (P2P) can help prevent extra-budgetary expenditures and fiscal arrears, but there are limitations to what the system can currently do. First, so far the IFMIS only covers the CFs, which represents about 66 percent of overall Government spending. This means that automated commitment controls are not in effect for about a third of Government spending. Second, automated controls will only be fully effective in preventing the generation of extra-budgetary spending if behaviors change. The Ministry of Finance (MoF) needs to make a credible commitment to only honor invoices that are supported by budget commitments generated in the IFMIS, and to follow through on this commitment; vendors need to be convinced to refuse to provide works, goods, services unless they receive evidence of a commitment in the IFMIS. The key issue is to restore discipline in budget planning, execution and oversight across Government.

18. **Notwithstanding Government programs aimed at strengthening PFM in Ghana, significant institutional, policy, and systems and process weaknesses continue to manifest themselves, thus limiting the impact of reforms already implemented.** The issues have been identified through the articulation of lessons learned during GIFMIS implementation, the

² MMDAs that have large IGF revenue bases are able to supplement staff levels from their own sources.

directions embedded in the Government's medium term Public Financial Management Reform Strategy (PFMRS) (2015-2018), and through a project preparation workshop where the stakeholders outlined the key problems that have led the country into an unsustainable fiscal path, as well as their views on the root causes of these problems.

- **Credibility of the Budget:** Budget credibility is low, and adversely impacts service delivery efficiency in Government. This is an overarching problem with multiple causes, starting with optimistic revenue forecasts, excessive capital spending, poor commitment controls, weak establishment controls over payroll, fiscal indiscipline and weak oversight of compliance. MDAs consistently claim that: budget planning ceilings are up to 50 percent less than their own estimates of the resources required for delivering the required levels of service; budget allocations are often less than the budget planning ceilings; and cash releases during budget execution are often less than 50 percent of the budget allocation, particularly for goods and services and capital investments. Many of the causes of this are a result of institutional, behavioral and policy weaknesses. Until these weaknesses are addressed, efficient and effective Information Technology (IT) systems will not achieve their potential.
- **Fiscal and Process Indiscipline:** Indiscipline in the budget execution and monitoring processes has worked to undermine the intentions of successive budget reforms and has resulted in the low levels of budget credibility, which is evident from successive Public Expenditure and Financial Accountability (PEFA) reviews. Although, there are identifiable challenges with the budget formulation and planning, the biggest problems exist during the execution period. It is, perhaps, the largest contributor to low budget credibility and is embedded in the institutional arrangements of Government. This indiscipline has several manifestations, including: (i) weak coordination amongst stakeholders; (ii) unfordable public investment programs; (iii) cash and debt management weaknesses; and (iv) weak control over management of payroll.

19. **Added to the lack of credibility of the Government budget, the PFM Reform workshop highlighted four additional issues that require priority management to contribute to supporting the reversal of the current macro fiscal situation.** These issues relate to: (a) lack of effective financial reporting and oversight (which is related to the limited scope of the IFMIS and the lack of proper management of accounts receivables and payables); (b) poor asset management; (c) weak identification and management of fiscal risk, particularly in relation to State Owned Enterprises (SOEs); and (d) system connectivity (and user friendliness of installed PFM systems). The Public Financial Management Reform Project (PFMRP) design seeks to respond to these weaknesses. Implementation will also be closely coordinated with the measures adopted by the Government under the IMF program as well as the proposed budget support operation of the World Bank and other development partners.

C. Higher Level Objectives to Which the Project Contributes

20. **The rationale for the proposed PFM Reform Project is consistent with and aligned to the GSGDA II – 2014-2017, which seeks to promote, as one of its key pillars, transparent and accountable governance in Ghana.** To this end, the Agenda focuses on strategic interventions including, in the areas of: strengthening public sector management and oversight; establishment of reliable public service HRMIS; implementation of PFM reforms through implementation and enforcement of laws to enhance transparency and accountability.

21. **The World Bank’s Country Partnership Strategy (CPS) for Ghana (2013-2017) is also closely aligned to the Government’s Agenda and has, as its first pillar, the improvement of economic management through ‘improving budget institutions’ and ‘strengthening public financial management and governance’.** The CPS output under the pillar, aligned to the expected outcomes under the proposed project, focuses on pillar one outcome area – ‘strengthening public financial management and improve e-governance’, and will support GoG to reduce the risk of fiscal volatility and improve public expenditure and investment management, as well as strengthen the governance and performance of providers of key basic services.

22. **The proposed economic governance project is equally aligned to the foundational and cross-cutting pillar of the World Bank’s Strategy for Africa: ‘Governance and Public Sector’.** It will support the Government in responding to the current macro-fiscal crisis and building its capacity to avoid future crises by contributing to enhanced budget credibility, financial control and accountability, and oversight in public finance management.

II. PROJECT DEVELOPMENT OBJECTIVES

A. Proposed Project Development Objective

23. The project development objective (PDO) is **to improve the budget management, financial control and reporting of the Government of Ghana.** The project will contribute to enhancing fiscal discipline, strategic allocation of resources and service delivery efficiency, through strengthened systems and procedures and targeted capacity building.

24. **Building on the institutional and operational strengthening through the establishment of the technical foundation for more robust PFM systems and tools accomplished in the GIFMIS project, the project seeks to focus on the key priority areas identified by the Government in its PFMRS, and as articulated during the stakeholders’ workshop held in Accra at the commencement of the project preparation phase.** The project recognizes that achieving overall PFM improvements require a combination of the right policy changes, political commitment to reforms, and the design and implementation of the appropriate systems and tools to enable better outcomes from the new policy orientations of the Government. It is not intended for the project to lead from the policy angle but to complement it by focusing on critical and priority areas of the Government that together could facilitate the reversal of the existing trajectory of the fiscal imbalances impacting the Ghanaian economy.

B. Project Beneficiaries

25. **The key beneficiaries of the Project will include:** the Ministry of Finance (Controller and Accountant General Department (CAGD), Budget Division (BD), Public Services Commission (PSC), Economic Research and Forecasting Division (ERFD), Debt Management Division (DMD), and Public Investment Division (PID)); Internal Audit Agency (IAA) and Units in MDAs; Ghana Revenue Authority (GRA); Ghana Audit Services (GAS); Public Procurement Authority (PPA) and procuring officials in MDAs; MDAs and MMDAs. In addition, the Legislature will benefit from the project in strengthening their oversight responsibilities in the area of PFM.

III. PROJECT DESCRIPTION

A. Project Components

26. **The project seeks to improve the budget management, financial control and reporting of the Government of Ghana.** As such, it has four components and related sub-components, as elaborated below.

Component 1: Enhancing Budget Credibility (US\$2.7 million). The objective of this component is to improve budget management and strengthen credibility of the national budget.

Sub-component 1.1: Strengthening Budgetary Planning and Macro-Fiscal Management (US\$0.6 million). The objective of this sub-component is to establish and strengthen controls on all claims on fiscal resources.

27. The main activities financed will be: i) review and strengthening of Cabinet’s formal engagement in the budget process and designing a “budget charter” that will establish the principles, roles and obligations of key stakeholders in a sound budget process; ii) design a strengthened budget framework paper to be used as a vehicle for obtaining Cabinet approval to medium term forecasts of fiscal space; iii) build MDA capacity to develop costed sector strategies and Sector Medium Term Development Plans (SMTDP); iv) strengthen technical linkages and information sharing between fiscal forecasting and analysis and the budget formulation and execution processes; and specialist on-going training for forecasters in ERFD; v) provide technical training to ERFD forecasting staff; and vi) Strengthen capacity in the DMD.

Sub-component 1.2: Strengthening Public Investment Management Capacity (US\$0.3 million). The objective of this sub-component is to ensure that all investment projects for financing through the budget are selected, appraised and prioritized in relation to available fiscal space.

28. The main activities financed will be: i) improving capacity to ensure effective evaluation and ‘whole-of-Government’ prioritization of projects before they enter the budget process; ii) improving coordination of the Public Investment Management (PIM) with the budget process; and iii) reviewing the functionality of the Public Investment Management System (PIMS) to ensure that the system will adequately support the determined processes.

Sub-component 1.3: Strengthening the Budget Operational Framework (US\$1.6 million). The objective of this sub-component is to implement improved management practices to enhance the performance of public spending at MDA level, including the use of appropriate technological tools, while ensuring better predictability of resource flows for budget implementation.

29. The main activities financed will be: i) TA to advise the BD on the changes required to ensure the benefits of PBB are maximized; ii) TA to review MDA program structures, performance measures and targets, and narratives over the period of the project; and refresher training for MDAs implementing PBB; iii) on-going training for MDAs in PBB, and iv) facilitation of an intense engagement between MoF and MDAs with a view to identify service delivery problems in MDAs and to use PBB as a tool to address these progressively, and v) additional Hyperion licenses for provision of on-site access to all budget controllers in central MDAs (33), annual maintenance and support for the Hyperion software, implementation services for rolling-out Hyperion to the MDAs, and developing an interface between HRMIS and Hyperion, as well as training on Hyperion.

Sub-component 1.4: Fiscal Risk Management and Reporting (US\$0.2 million). The objective of this sub-component is to establish comprehensive systems for monitoring and review of all sources of risk to the planned budget out-turn to enable timely mitigation of these risks.

30. The main activities financed will be: i) development of a comprehensive system for monitoring expenditure arrears and other risks arising from the CF, SOEs, and other sources; ii) TA to review current risk analysis and reporting practices by existing entities and recommend an appropriate organization and mandate to take over the function of risk analysis and development of risk mitigation policy; iii) building capacity and establish the authority for the entity to carry out its functions effectively; and iv) development a *fiscal risk statement* as a regular part of the budget presentation.

Component 2: Public Financial Management Systems and Control (US\$32.7 million). The objective of this component is to support the design, development, implementation and coverage of the Government's PFM systems and control.

Sub-component 2.1: Strengthening Government Information Systems (US\$28.0 million). The objective of this sub-component is to complete the work started in the previous project on the design, development, implementation and coverage of the GIFMIS (IFMIS, HRMIS, Payroll and systems interfaces) to enable them to function as tools for improved fiscal management and budgetary control, cash and debt management, timely and accurate reporting for better economic management and effective service delivery.

31. The main activities financed can be divided into three groups:

- a. *Enhancements in the coverage of the Financial Systems Modules of the GIFMIS.*
- b. *HRMIS roll-out:* The focus will be on completing the establishment registers for the remaining Government workforce, completing the rollout of the HRMIS core application, including establishment, profile and cost management, to enhance its coverage to all MDAs, services commissions and all ten Regions.
- c. *Technology Infrastructure:* This will include hardware and implementation services for setting-up the disaster recovery systems; refurbishment of primary data center; improving and extending network connectivity through National Information Technology Agency (NITA); other hardware/software enhancements; maintenance fee for the software licenses; technical support.

Sub-component 2.2: Cash and Treasury Management (US\$0.2 million). The objective of this sub-component is to strengthen the management of cash and debt to minimize net interest cost, ensure cash is available to meet commitments and obligations for service delivery and eliminate CF arrears accumulation.

32. The main activities financed will be: (i) developing a cash flow forecasting model, better forecasts of MDA requirements, and a cash management database; (ii) strengthening capacity of the Cash Management Working Group (CMWG) to improve control of budget execution by issuing expenditure warrants only on the basis of cash availability; (iii) broadening the coverage of the Treasury Single Account (TSA); and (iv) implement electronic bank reconciliation.

Sub-component 2.3: Strengthening Internal Audit Capacity (US\$0.8 million). The objective of this sub-component is to strengthen the internal audit function at the IAA and across MDAs & MMDAs.

33. The main activities financed will be: (i) providing additional operational resources and tools (e.g. computers: hardware) to roll out the training and capacity building programs for improving the ICT skill of staff of IAA and Internal Audit Units (IAUs) particularly in the MDAs; (ii) designing, developing and roll out of quality assurance programs; (iii) strengthening the role of ARICs in follow-up actions on internal audit reports as part of the oversight function; (iv) training IAU management to support Government's efforts at implementing Enterprise Risk Management (ERM) across MMDAs; and (v) provide consultancy and operational support in the conduct of specialized audits in collaboration with GAS to assist IAUs in undertaking procurement audits, payroll audits, system based audit and risk based audits, etc.

Sub-component 2.4: Public Procurement Planning, Management and Capacity (US\$2.0 million). The objective of this sub-component is to improve procurement planning and enhancement of economy, efficiency, transparency and accountability of the procurement process.

34. The main activities financed will be: (a) enhancing the existing Online Procurement Planning (PP) Tool and linking it to the Hyperion Budget Planning; (b) integrating/interfacing the e-procurement system, when completed under the e-Transform project, with the GIFMIS; (c) supporting the implementation of the Amendments to the Public Procurement Act, 2003; (d) carrying out Procurement Value Chain Analysis through consultancy services; (e) establishing Unit Cost of Infrastructure consultancy services; (f) establishing Functional Procurement Units in Procuring Entities through training and consultancy services; (g) outreaching the local private sector to build capacity of contractors, suppliers and consultants to be able to submit responsive tenders through dissemination workshops; (h) enhancing legal and regulatory capacity of PPA through purchase of goods, training and consultancies; and (j) preparing a framework for carrying out Procurement Audits through consultancies and training.

Sub-component 2.5: Strengthening Payroll and Pensions Management (US\$0.9 million). The objective of this component is to enhance the integrity of payroll and its compliance with the approved establishments.

35. The focus will be to support the Government in complementing the implementation of the Payroll Cleaning Plan, approved by the Cabinet, and already being implemented by the CAGD, under supervision of the Ministerial Committee of the Cabinet. Key activities include consultancies for payroll and personnel verification audits. .

Sub-component 2.6: Improving Financial Reporting and Asset Management (US\$0.8 million). The objective of this sub-component is to improve Government financial reporting in terms of completeness, consistency, and compliance with international standards.

36. Under the implementation authority of the CAGD, and with collaboration from the Institute of Chartered Accountants of Ghana (ICAG), the sub-component will finance (i) capacity building activities relating to financial reporting and implementation of International Public Sector Accounting Standards (IPSAS); and (ii) the establishment of policy guidelines for management, control, and reporting of public assets as well implementation thereof across government.

Component 3: Reinforcing Financial Oversight and Accountability (US\$2.0 million). The objective is to enhance external audit capacity as well as legislative oversight over budget management.

Sub-component 3.1: External Audit Capacity Strengthening (US\$1.4 million). The objective of this sub-component is to strengthen the financial oversight role of the GAS to enable them to carry out comprehensive performance and systems-based audit on Government financial operations.

37. The main activities financed will be: (i) provision of continuous training of GAS staff in electronic audit techniques; (ii) acquisition, installation and deployment of appropriate Computer Assisted Auditing Techniques (CAATs) and other Audit Management Information System (AMIS); (iii) undertaking of selected performance and specialized audits using the electronic tools; and (iv) strengthening capacity of the audit teams in completing audits of MMDAs within the statutory deadline of six months after end of fiscal year, through additional bought-out technical assistance.

Sub-component 3.2: Legislative Oversight (US\$0.6 million). The objective of this sub-component is to enhance the capacity of the Legislature to exercise appropriate oversight over both upstream and downstream PFM processes to ensure transparency and accountability in public financial management.

38. The main activities financed will be: technical assistance to strengthen the technical capacity to support Parliamentarians in performing budget analysis as well as analysis of audited public accounts and reporting on audit report reviews/hearings; enhancing the technical and professional capacity of clerks of the two committees, equipment support and website improvement.

Component 4: PFM Reform Coordination and Change Management (US\$7.6 million). The objective of this component is to provide a continuing institutional and coordination basis for overseeing the implementation of the PFMRS (PFMRS) as a whole, as well as manage the implementation of the proposed project.

Sub-component 4.1: Project Management and Reform Coordination (US\$2.1 million). The objective of this sub-component is to provide the administrative and operational structure for the seamless management and coordination of implementation of activities of the project by the various component managers. It will also be responsible for providing technical leadership in articulating, guiding and monitoring the overall PFM reforms across the Government of Ghana.

39. The main activities to be financed will be: technical assistance support to the PFM Reform Coordination Office (PFMRCO), goods including computers and accessories, operational expenses, and training/sensitization.

Sub-component 4.2: Monitoring, Evaluation and Communication (US\$0.4 million). The objective of this sub-component is to support management of the PFMRP and more generally implementation of the Public Financial Management Reform Strategy (PFMRS) through effective tracking of project performance and strategy implementation.

40. The main activities to be financed will be: (i) Strengthening the Monitoring and Evaluation (M&E) capacity to coordinate work plans and identify and report on key indicators of progress for each activity; (ii) strengthening PFMRCO and M&E capacity to develop the PFMRS Action Plan as a basis for reaching agreement on financial support for all activities envisaged in the ; and (iii) strengthening communication strategy and implementation as well as its linkage with the M&E results both for the project and the overall PFM reform.

Sub-component 4.3: Project Financial Management and Procurement (US\$0.1 million). The objective of this sub-component is to support the implementation of the financial management and procurement arrangements for the project. Financial reporting under the project will follow the current GoG Chart of Accounts and other reporting templates and formats as recommended by CAGD. Procurement will be carried out in accordance with World Bank's Guidelines. **Activities to be financed** will be limited to short-term procurement consultants to support preparation of complex procurement documentations under the project. Financial management will be carried out using the GoG accountants at no cost to the project.

Sub-component 4.4: Just-in-time Interventions & Change Management (US\$5.0 million). The objective of this sub-component is to provide the just-in-time interventions in new and arising reform activities as well as problem-driven issues that will be critical to leveraging the achievements of each of the components and sub-components of the project.

41. The sub-component, through consultancies, provision of goods, and dissemination workshops and targeted training, will finance: (a) in-depth PFM support for key service delivery agencies like Ghana Education and Ghana Health Service, through the identification of critical problems they experience in expenditure management processes at the centralized and decentralized levels, as well as the collective definition of home-grown, context-sensitive solutions to these problems; (b) stakeholders' workshops for better dissemination of PFM reform actions across all frontiers supported under the project; (c) ad hoc implementation needs, necessitated by changes in Government policy, across each of the first three components; and (d) support to the Government to implement policy reform changes introduced under development policy financing operations of donors as well as those introduced under the IMF Program.

B. Project Financing

42. **Lending Instrument.** The project will be financed under the Investment Project Financing (IPF) instrument of the World Bank, and will complement other financing models (budget support operations of partners as well as IMF Program support) that focus on instilling policy and institutional changes germane to improved PFM. The choice of IPF as the financing instrument is premised on the recognition by the Bank and GoG that it would most appropriately respond to the specific PFM reform implementation needs of the Government especially during the current macro-fiscal crisis.

43. **Project Costs and Financing.** The project is estimated to cost a total of US\$45 million equivalent, as depicted in the summary cost table below, financed 100 percent by the International Development Association (IDA) under the IPF instrument.

Table 1: Project Cost Summary

Ghana - PFM Reform Project	Year / Base Costs				
	2015	2016	2017	2018	Total
	13,894,500	14,898,000	10,097,500	6,110,000	45,000,000
1. Enhancing Budget Credibility	1,321,000	714,000	392,000	303,000	2,730,000
1.1. Strengthening Budgetary Planning and Macro-Fiscal Management	230,000	166,000	137,000	67,000	600,000
1.2. Strengthening Public Investment Management Capacity	214,000	36,000	25,000	25,000	300,000
1.3 Strengthening the Budget Operational Framework	677,000	512,000	230,000	211,000	1,630,000
1.4 Fiscal Risk Management and Reporting	200,000	-	-	-	200,000
2. Public Financial Management Systems and Control	8,935,500	12,165,500	7,810,000	3,759,000	32,670,000
2.1. Strengthening Government Information Systems	7,753,500	10,302,500	6,455,000	3,459,000	27,970,000
2.2. Cash and Treasury Management	97,000	103,000	-	-	200,000
2.3. Strengthening Internal Audit Capacity	371,000	249,000	130,000	50,000	800,000
2.4. Public Procurement Planning, Management and Capacity	275,000	800,000	900,000	25,000	2,000,000
2.5. Strengthening Payroll and Pensions Management	225,000	225,000	225,000	225,000	900,000
2.6. Improving Financial Reporting and Asset Management	214,000	486,000	100,000	-	800,000
3. Reinforcing Financial Oversight and Accountability	1,682,000	79,500	190,500	48,000	2,000,000
3.1. External Audit Capacity Strengthening	1,354,000	23,500	22,500	-	1,400,000
3.2. Legislative Oversight	328,000	56,000	168,000	48,000	600,000
4. PFM Reform Coordination and Change Management	1,956,000	1,939,000	1,705,000	2,000,000	7,600,000
4.1. Project Management and Reform Coordination	475,000	675,000	475,000	475,000	2,100,000
4.2. Monitoring, Evaluation and Communication	66,000	99,000	35,000	200,000	400,000
4.3. Project Financial Management and Procurement	25,000	25,000	25,000	25,000	100,000
4.4. Just-in-time Interventions & Change Management	1,390,000	1,140,000	1,170,000	1,300,000	5,000,000

C. Lessons Learned

44. In designing the project, a number of lessons drawn from experience in PFM and public sector management reforms in Ghana and beyond have been considered, and attempts made to reflect these in the design. The details, which were discussed at the Decision Meeting and with the client are, for reasons of PAD length, contained in the project files also available with the client.

IV. INSTITUTIONAL AND IMPLEMENTING ARRANGEMENTS

A. Implementing Arrangements

45. **This PFM project responds to the required reform actions that have been articulated in the PFMRS document of the GoG, and the Government’s objective of promoting efficiency and minimizing the administrative bottlenecks in the implementation of the PFM reforms.** To this end, the institutional arrangements for the implementation of this project are being simplified and streamlined, based on the lessons learnt during the implementation of the GIFMIS project, to provide for the orderly coordination in the implementation of project activities and completion of deliverables.

46. **The Ministry of Finance, under the leadership of the Minister, will be responsible for the overarching strategic coordination and oversight of the project.** The specific details for the institutional and implementation arrangements to support the project are summarized below.

47. *PFM Reform Steering Committee:* A PFM Reform Steering Committee (PFMRSC) – was established to provide strategic guidance and oversight to the reform implementation process. This Steering Committee will help in addressing inter-ministerial issues pertaining to the entire PFM reform agenda of Government. It will also ensure the full engagement of all major organs of Government for effective control and management of public finances. It will be responsible for the overall policy coordination and policy guidelines for the project in particular, and for

PFM reform in general. The PFMRSC will review, approve and cause the publication of annual progress reports on PFM reform at least two months after the end of the year.

48. *PFM Reform Technical Committee*: A PFM Reform Technical Committee (PFMRTC) was established. The Technical Committee will review and evaluate all technical issues related to the implementation of PFMRS and make recommendations to the PFMRSC for consideration. The work of this Committee will extend to activities of the existing PFM Sector Working Group where Development Partners are represented. For this project, membership of the PFMRTC shall include, at the minimum, program managers (budget, HRMIS, internal audit, external audit, procurement reform, IFMIS, legislative oversight).

49. *PFM Reform Coordination Office (PFMRCO)*: A PFMRCO was established under the leadership of the Chief Director of the MoF. The key role of the PFMRCO will be to coordinate and consolidate key reform PFM reforms.

50. *PFM Reform Project Management*: A Project Director will be appointed who will be responsible for the overall project coordination and lead the project management team. In this regard, the day-to-day management of the project will be the responsibility of the Project Director who will report directly to the Chief Director. The Project Director will lead a project management team comprising, inter alia, procurement officers, financial management specialist, change management specialist, communication officer and a monitoring and evaluation specialist. The current GIFMIS Secretariat, enhanced to cover related activities under the wider reform initiative, will be transformed into the PFM Reform Project Management Team. The functions of the project management team will be to coordinate the preparation of Annual Work Plans and Budgets (AWPBs), coordinate the preparation of progress reports for the consideration of the PFMRCO, preparation of annual PP, preparation of quarterly interim financial statements, preparation of annual project accounts, responsible for the timely conduct of annual audit of the project accounts and timely submission of same to the World Bank and to the PFMRCO. The Project Director will be the principal point of contact with the World Bank's Task Team Leader (TTL) for the resolution of Project issues on a day-by-day basis (including requests for no-objections).

51. *Program Management*: Program managers will be appointed to oversee the implementation of project activities in each sub-component or theme of the project. The themes are: IFMIS; Budget; HRMIS; Payroll; Internal Audit; External Audit; Procurement Reforms and Legislative Oversight. Each Program Manager will be responsible for the implementation of activities under him/her and will be reporting to the Project Director.

B. Monitoring and Evaluation

52. **Progress towards the PDO will be monitored through reporting on the PDO level and intermediate level results indicators given in Annex 1.** The M&E function for the project under the leadership of the Project Director, will be primarily responsible for integrating M&E indicators with work planning, and deriving and maintaining the primary data and information to report on these indicators. The Annex provides the baselines, annual targets, frequency of data collections, data source and methodology, and responsible institutions for data collection for all indicators. The project's results framework does not use PEFA indicators as primary measures, but progress against the PDO and the intermediate indicators are geared to assist with regular PEFA assessments (annual self-assessments and independent assessments after three years of implementation) and the project is expected to contribute to significant improvements in these

indicators. The M&E for the implementation of the overall PFMRS will be anchored under the PFMRCO.

53. The M&E Unit under the GIFMIS project established a sound basis for M&E reporting, but had a much narrower set of tasks, many of which related to system roll-out.

The present project is much more oriented to changes in critical budget management processes, and these changes will play a critical role in ensuring that budget and debt management are strengthened sufficiently to meet the fiscal consolidation targets required under the recently agreed Extended Credit Facility with the IMF. It is also important that similar arrangements become embedded in future arrangements with Development Partners (DPs) as part of the GoG's PFMRS which is due to be finalized in the near future. Accordingly, the project includes support for capacity building in M&E and Communication (sub-component 4.2).

54. Reviews of implementation progress will be undertaken annually and used to identify and discuss issues and bottlenecks that may arise and impede achievement of targeted outcomes. The issues raised will be discussed by project management and Bank implementation support missions and resulting recommendations will become action points for implementation follow-up and subsequent implementation support. The Government's PFMRS and the PFMRCO will also receive and review strategic information on implementation progress from the Project Directorate, and provide strategic guidance to enable the project achieve its development objectives.

C. Sustainability

55. PFM reform will continue after the closure of this project. Sustaining the implementation of the new systems, procedures, and reinforcing policy measures will remain critical to entrenching the outcomes delivered under the project. The experience of the PUFMARP indicates that risks, in terms of loss of reform momentum and reversal of the overall nominal gains, are inherent in such long-term projects. However, the Ghanaian authorities have a clear and strong commitment to ensure that reforms will be sustained to reverse the current 'fiscal over-hang' and implement a successful fiscal consolidation to stabilize the economy and budget. Abandoning the key foundational systems that were established under the GIFMIS project is not a realistic prospect, so there is a very powerful incentive that the implementation outcomes of the proposed reform project will be sustained.

56. The design of the project is particularly aimed at ensuring continuing sustainability in light of the GoG PFMRS, external commitments, and political economy considerations.

The proposed project plans to further develop and nurture the basic capacity in financial management through more rigorous implementation and strategic deployment of resources in priority areas that help to reinforce the foundation, with a view to avoid roll-backs in the core PFM reform arena supported under the project. With commitment control already firmly established for the CF expenditures under the GIFMIS and planned to be extended to all Government funds under the project, the potential for roll-back exists but is moderate. Ghana has a good core of PFM practitioners whose capacity will be continuously developed under the project. Systematic training of staff responsible for implementing the core financial management functions within Government, while ensuring the introduction of more robust and modern systems and tools, will provide a sound basis for ensuring that adequate capacity is retained after the project closure. Beyond training, engagement of key stakeholders in a deliberate process of change management will be critical to the success of the reform effort. Equally, development

policy operations and IMF structural benchmarks will be leveraged as enablers to introduce policy and institutional actions to help create the political and executive environment necessary for the implementation of project actions. These factors will be key to ensuring that policy changes are in place to allow the improved new tools to be deployed. Altogether, these measures will help to secure policy and institutional changes, particularly creating an environment of greatly strengthened fiscal discipline – a root cause of lack of budget credibility.

57. **In addition to the local expertise within the civil service to deliver on the reforms under the project, the project envisages the recruitment of a number of resident technical assistance/consultancy personnel.** Their role will include advisory and direct capacity building of counterparts on the job to ensure that competence in managing PFM activities remains. Complementary institutional capacity building activities supported by a number of development partners will also help to enhance capacity across most of the PFM frontiers in Government and will also be part of the process to engender sustainability.

58. **Continuity in the functioning and maintenance of the tools and systems to be delivered under the project – building on those delivered under the GIFMIS - will be dependent on the sustained availability of an appropriate technical organization.** To this end, despite the presence of a technical organization, the proposed project makes provision for the establishment of a coherent maintenance and support organizational set up that caters to both the technical and functional aspects of systems maintenance and support during project implementation and after project closure. This organizational infrastructure comprises a support team of staff, divided into two teams: functional support team and technical support team for each of the core applications – GIFMIS, Hyperion, HRMIS, and Payroll. To support the sustainable maintenance and upkeep of the systems at levels of the MDAs, the project will deploy a functional support team and reporting experts to key client organizations – Auditor General Department (AGD) (for the GIFMIS and Payroll), BD (for Hyperion Budget Module and associated PBB requirements), and PSC and education and health services (for HRMIS). An overall techno/functional advisor will also be recruited under the project to support the overall coordination of the different systems, their integration and interfaces.

59. **As regards the recurrent cost for implementation of the reforms, post project closure, the Government has confirmed its commitment to provide budgetary funds to pay for software licenses, hardware maintenance and replacements, and continuous staff training in all areas covered under the project.** The total estimated cost of the annual recurrent costs for all these will be in the region of US\$2.5 million, a figure commensurable with the average applicable in similar countries. With fiscal space supported under this project, the Government will be able to develop the capacity to provision for these expenditures after the four year implementation of the project.

V. KEY RISKS

Table 2. Risks Ratings Summary – Systematic Operations Risk-Rating Tool (SORT)

Risk Categories	Rating (H, S, M or L)
Political and governance	Substantial
Macroeconomic	High

Sector strategies and policies	Substantial
Technical design of project or program	Moderate
Institutional capacity for implementation and sustainability	Moderate
Fiduciary	Substantial
Environment and social	Low
Stakeholders	Low
Other	
Overall	Substantial

60. **Political and Governance:** There is a substantial likelihood that political and governance factors could impact the PDO. Notwithstanding Ghana’s good democratic tenets – the stable political situation of Ghana makes it a sound democracy in the region - the impact of the electoral cycle (with elections due in the coming year) may have a weakening effect on the maintenance of PFM reform momentum.

61. **Major governance indicators show that Ghana has achieved significant progress in governance, transparency of the regulatory framework and control of corruption compared to many African countries.** However, corruption challenges remain with persistent petty corruption.

62. **Mitigation Measures:** Bank and other partners will work with Government to support efforts towards enforcing the provisions in the Whistleblower Act, 2006 (Act 720). The media continues to vigorously report key aspects of corruption. The Ghana Audit Services will continue issuing reports that address the subject matter through value for money and performance audits.

63. **Macroeconomic:** The macro-economic risk was assessed as High. This is because Ghana is facing a major macro-economic instability.

64. **Mitigation Measures:** Austerity measures, particularly with a view to reducing public sector expenditure, are being put in place. Also, tight monetary and fiscal policy continue to be applied in tandem with a number of recommendations made under the IMF program which straddle short to medium term.

65. **Sector Strategies and Policies:** There is a substantial risk of adverse impact on the PDO stemming from sector strategies and policies as it is acknowledged that Ghana, which has large reserves of minerals such as gold, timber, cocoa, diamond, bauxite and manganese (representing a major source of foreign exchange earnings), could wrongly apply the Extractive Industries Transparency Initiative’s (EITI) principles to which the country is a signatory. This could undermine its ability to appropriately promote oil revenue transparency and thus significantly impact the sector strategies.

66. **Mitigation Measures:** It is most likely however that the policies and strategies will be aligned and consistent, while weaknesses in Governance will specifically be addressed by the present project. Existing laws promoting oil revenue transparency and Petroleum Management laws will be enforced. EITI principles for the resource revenue will be applied. This will be further enhanced by the application of “Freedom of Information Act”.

67. **Technical Design of Project:** There is a moderate likelihood that factors related to the technical design of the program or project may adversely impact the achievement of the PDO. The project is technically focused on PFM subject matters for which the key interlocutor is MoF which will use the same institutions that have implemented previous projects except a few additional elements. The client has good technical capacity, which will be further enhanced by the Bank's experience in similar projects designed and successfully implemented in other jurisdictions.

68. **Institutional Capacity for Implementation and Sustainability:** The risk to the PDO has been assessed as moderate. This is because most entities implementing the various programs and sub components of the project have competent staff who has previously implemented donor funded projects including those financed by the Bank.

69. **Fiduciary:** Fiduciary risks have a substantial probability of impacting the PDO in an adverse way in the project. Some key contracts that entail large fund outlays could be abused. Weaknesses in controls, lapses in rigorous follow up of internal and external audit on annual audit findings to allow for strengthened systems could weaken the fiduciary environment. The addition of new players who may not be very familiar with procedures to follow when implementing the project may raise risks.

70. **Mitigation Measures:** A project implementation manual will be used to help with understanding of systems and controls and set the order for better fiduciary control. A project launch workshop will be undertaken to kick-start proper understanding of roles and responsibilities supplemented by continuous training on topical areas to help build capacity. A Project Operations Manual (already prepared) includes specific fiduciary arrangements for project's implementation. The implementation team will include at least one Procurement and one Financial Management Specialist, with experience in World Bank-financed projects.

71. **Environment and Social:** There is a low likelihood that the achievement of the project objective could be affected by exogenous environmental and social risk factors (including those related to climate change and natural disasters) because they are not present or are not relevant to the project.

72. **Stakeholders:** Opposition from stakeholders, covering a multiplicity of Ministries, Departments, Agencies, and Municipalities, could have a negative impact on the achievement of the PDO when they influence the roll-back of reforms, but the likelihood and/or impact of this opposition is low. The key stakeholders, who could otherwise negatively impact the PDO are represented in the Steering and Technical Committees, and have demonstrated their commitment to driving reforms. This was also the experience with the implementation of the recently closed GIFMIS operation.

73. **The overall risk is rated as substantial** because of the substantial residual risk in two of the key risk categories above as well as the one 'high'. The likelihood of these risks to be realized is relatively low because of the mitigation measures proposed.

VI. APPRAISAL SUMMARY

A. Economic and Financial Analysis

74. **Although it is not straightforward to comprehensively identify and quantify the direct and indirect economic and financial benefits of reform interventions designed under the proposed PFM project,** it is clear that the economic and financial benefits that will accrue

from implementation of the project will be significantly higher than the envisaged investment of US\$45 million even over a four-year period.

75. **While the costs, as depicted in the cost table below, are identifiable, the benefits are largely indirect, ultimately seen in improved public financial governance, service delivery and better performance of the public financial management institutions.** The economic and financial justification of the proposed project is its contribution to a better functioning of economic governance through improved PFM systems and practices across Government. The benefits of the project will flow from improved budget credibility, strengthened budget execution and predictability in resource flows, better internal controls, and enhanced oversight in the management of public resources. Experience suggests that the proposed intervention could lead to: (i) efficient, transparent, and accountable budget management; (ii) better program implementation and service delivery as a result of improved credibility and predictability of budget; and (iii) improved budget credibility will also improve resource allocation and budget execution. Capacity building programs embedded in the project, aimed at sustaining the reforms, will also ensure the availability of the right type of human resources to pursue evolving reform actions needed to stabilize the macro-fiscal position of the country.

76. **Notwithstanding the inherent difficulty in attributing economic and financial benefits from the project, an attempt has been made to conduct a partial and conservative analysis of the quantifiable financial benefits of the proposed project using only one benefit scenario** – ‘notional savings from implementing the increased coverage /scope expansion of the TSA’ from its current coverage of 66 percent of budgeted finances.

77. **From a conservative perspective, and without accounting for a number of other benefit areas under the project, this area of intervention alone can cater to the costs allocated to overall project implementation over just the project’s life.** The conclusion of this partial analyses as summarized in the table below is therefore that, even without accounting for non-quantifiable benefits (highlighted above) that will certainly accrue out of the implementation of the proposed project, there will be realization of ‘net benefits’ in the form of ‘net present value’ of about US\$15 million equivalent. Even after accounting for the long run recurrent costs and the impact of inflation thereon beyond the project life, the anticipated savings accruing from this selected single quantifiable/measurable dimension alone will more than compensate for those costs.

Table 3: Summary Conservative Analysis of Net Benefits Against Full Costs

Summary Conservative Analysis of Net Benefits Against Full Costs (discount rate @ 17%)					
	Estimated Annual Net Savings (US\$)	Yr.	Present Value (Annual Benefits - US\$)	Present Value (Annual Costs - US\$)	Net Present Value - Net Savings (US\$)
		1	16,150,000	13,683,002	2,466,998
**Notional TSA Savings (Ways and Means Advances)	16,150,000	2	13,803,419	12,550,429	1,252,990
		3	11,797,784	7,288,700	4,509,084
		4	10,083,584	3,349,437	6,734,147
	16,150,000	Total	51,834,787.00	36,871,569	14,963,218

**Closure of some 1500 commercial Bank accounts (estimated holding of \$95 million) and transferring balances under the TSA will reduce interest costs on ways and means advances by a minimum of \$16 million equivalent p.a. based on analysis carried out in 2014.

B. Technical Evaluation

78. **The technical foundation and approach adopted in the design of the proposed project is strong.** It builds on the achievement of the GIFMIS project that closed in December 2014, and reinforces the necessity for increased legitimacy in embracing reforms as well as the functionality of the reform actions introduced. The human and technical resources needed to actualize reforms towards achieving the desired objectives have been factored in the design, and the political economy of PFM reforms in Ghana since the PUFMARP days in the 1990s as well as the democratic dispensation philosophy at play in Ghana have all been taken into account in defining the adopted framework for successful reforms. In addition, the priority focus areas of the project are well delineated and sequenced, based on the Government's own priority reform areas identified in the PFMRS and related outcomes of consultations during the stakeholders' workshop that informed the project design.

79. **Already, the required technical infrastructure and reform platform has been established.** This project will scale up interventions aimed at effective utilization and further development of the PFM tools and systems, complementarily with policy reforms facilitated by development policy financing operations of the Bank and other development partners as well as by the policy actions and benchmarks introduced under the IMF Program.

80. **The institutional and governance arrangements designed under the project, taking a cue from the Strategy document itself, reaffirm that the proposed project will be implemented under a more structured arrangement that brings in all the relevant stakeholders.** Enhancement of the technical efficiency and effectiveness of reform implementation across components and sub-components, and maintaining a strong relationship with development partners to reinforce complementarity instead of intervention overlaps will be key pursuits under the project.

C. Financial Management

81. **In line with the guidelines as stated in the Financial Management (FM) Manual issued by the Financial Management Sector Board on March 1, 2010, a financial management assessment was conducted on existing GIFMIS Secretariat of the CAGD of the Ministry of Finance (MoF).**

82. *The GIFMIS Secretariat will be transformed to be the Project Management Unit (PMU) for the proposed project.* The Secretariat has been well established and functional under the previous IDA funded eGhana Project and has the requisite set of technical and administrative staff.

83. **The assessment of the financial management arrangements at the PMU concludes that there are adequate systems in place that satisfy the Bank's minimum requirements under OP/BP10.00, and the financial management risk rating is assessed as Moderate.**

84. **It is expected that this project will consolidate on the effective use of Government systems – accounting (*using the GIFMIS Platform*), internal control, financial reporting, and external audit.** MoF will be the primary executing agency for the project, ensuring that the project development objectives are achieved. However within the MoF, the newly created PMU, headed by a Project Director will be tasked with the overall responsibility for day-to-day operational implementation, working in close collaboration with other beneficiary agencies i.e. CAGD, IAA, Office of the Head of Civil Service (OHCS), PSC, and GAS etc. In the same vein,

the overall financial management responsibility will be handled by the Project Accountant of the PMU. The project allocation will be budgeted as part of the GoG's annual budget, and the periodic disbursements from IDA will flow directly into the dedicated GoG Sub Consolidated Fund Account" (SCFA). The reporting format will follow the Government's standard chart of accounts classification and the audit of the annual financial statements of the project will, while integrated as part of the wider audit of the MoF, be provided on segmental basis, showing, among others, the sources and uses of project funds according to components, sub-components, activities, and elements of the single disbursement category.

D. Procurement

85. **The implementation arrangements highlight three principal implementing agencies (IAs):** (i) BD of MoF; (ii) CAGD under MoF; and (iii) PSC. The PPA, IAA and GSA, as other implementing agencies, have less direct beneficiary roles. The implementation structure indicates a central point (PMU) as the anchor for central management of procurement activities under the project, similar to the arrangements under the closed GIFMIS project. The principal Internal Auditors (IAs), have, in each respect, undertaken implementation of (or benefited from) Bank-financed projects. CAGD just completed the GIFMIS project with a secretariat housing a Procurement Advisor and Procurement Officer from the CAGD throughout the project. It is noted that the proposed central implementing (PMU) has capacity to ensure compliance with the Public Procurement Act, 2003 (Act 663) and apply it in conjunction with the associated Procurement Manuals.

86. **The assessment concludes that there will be a need for the Procurement Officer at the Project Secretariat to execute procurement activities under the project, with support from all the IAs.** It is noted that there was a Procurement Officer (a staff of CAGD), who worked with the Procurement Advisor (Consultant) for the entire period of the GIFMIS. The assessment indicates that the CAGD procurement officer assigned to the GIFMIS project has gained the requisite experience, knowledge and understanding of World Bank procurement procedures, guidelines and requirements as well as the related type of procurement under the GIFMIS project, and is therefore expected to continue in the capacity under this project. Notwithstanding, intermittent support for complex procurements, when needed, can be sought from particular procurement consultants for a short period.

87. In as much as procurement capacity under the proposed project is generally considered adequate, the assessment further concludes that the overall procurement risk rating is **Substantial**.

88. **Procurement will be carried out in accordance with World Bank's:** (i) "Guidelines: Procurement of Goods, Works and Non-Consulting Services under the International Bank for Reconstruction and Development (IBRD) Loans and IDA Credits and Grants by World Bank Borrowers" dated January 2011, revised July 2014; (ii) "Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits and Grants by World Bank Borrowers" dated January 2011, revised July 2014 and the provisions stipulated in the Legal Agreement; and (iii) "Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants", dated October 15, 2006, as revised in January 2011 and the provisions stipulated in the Legal Agreement.

E. Social and Environmental Impact

89. **The project is designed to have a positive social impact by improving the society's confidence in PFM and the government's overall management of public finances through implementation of activities that the Government will undertake in the areas of accountability and transparency.** Moreover, As a Category 'C' Technical Assistance project which by its nature does not have any environmental safeguard issues, the Bank's environmental safeguard policies are not triggered.

F. World Bank Grievance Redress

90. **Communities and individuals who believe that they are adversely affected by specific country policies supported under this World Bank Investment Project Financing Operation may submit complaints to the responsible country authorities, appropriate local/national grievance redress mechanisms, or the WB's Grievance Redress Service (GRS).** The GRS ensures that complaints received are promptly reviewed in order to address pertinent concerns.

91. **Affected communities and individuals may submit their complaint to the WB's independent Inspection Panel which determines whether harm occurred, or could occur, as a result of WB non-compliance with its policies and procedures.** Complaints may be submitted at any time after concerns have been brought directly to the World Bank's attention, and Bank Management has been given an opportunity to respond.

92. For information on how to submit complaints to the World Bank's corporate Grievance Redress Service (GRS), please visit <http://www.worldbank.org/GRS>.

93. For information on how to submit complaints to the World Bank Inspection Panel, please visit www.inspectionpanel.org.

ANNEX 1: RESULTS FRAMEWORK AND MONITORING

Country: Ghana

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

Results Framework

Project Development Objectives

PDO Statement

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

These results are at | Project Level

Project Development Objective Indicators

Indicator Name	Baseline	Cumulative Target Values			
		YR1	YR2	YR3	End Target
Proportion of budgetary expenditures reported in Annual Financial Statements of CAGD (including Consolidated Funds, Statutory Funds, IGFs and Donor Funds) (Percentage)	66.00	70.00	80.00	85.00	90.00
Comprehensive coverage of Government cash	Balances held in BoG HQ and 5 BoG Branches	Balances held with BoG and 5 Largest Commercial Banks in	Balances held with BoG, 5 Largest Commercial Banks in Accra. and	Balances held with BoG, 7 Largest Commercial Banks in Accra and	At least 90% of GoG cash balances in TSA

balances in TSA (Text)		Accra	branches of the 5	Branches of the 7 Largest	
Enhanced budget credibility through limitation in supplementary appropriations (Percentage)	6.20	6.20	6.00	5.50	5.00
Enhanced credibility of the payroll through percentage of payroll subjected to annual payroll verification audits (Percentage)	0.00	40.00	60.00	75.00	90.00
Expenditure arrears (as percentage of Central Government budgetary expenditures) reduced through improved monitoring and control (Percentage)	19.70	17.00	15.00	12.00	10.00

Intermediate Results Indicators

Indicator Name	Baseline	Cumulative Target Values			
		YR1	YR2	YR3	End Target
Number of MDAs reporting ex-post on program performance	0.00	5.00	10.00	15.00	20.00

(Number)					
Strengthened Public Investment Management (PIM) through selection, appraisal and prioritization of new projects entering the budget (Percentage)	0.00	20.00	35.00	50.00	60.00
Percentage of budgetary spending units submitting cash forecasting plans (Percentage)	40.00	50.00	60.00	70.00	80.00
MDAs integrating procurement planning as part of the budget preparation process (Number)	7.00	10.00	15.00	20.00	25.00
GIFMIS expenditure management functionality established in MMDAs (for CF, Statutory Funds, and IGFs) (Number)	5.00	25.00	60.00	100.00	150.00
Strengthening the Internal audit institution and capacity through	0.00	3.00	7.00	12.00	20.00

establishment of internal audit teams in MDAs focusing on risk-based and systemic issues (number of MDAs) (Number)					
Average time taken to complete external audit of MMDAs using modern audit techniques (Months)	12.00	11.00	10.00	8.00	6.00
Strengthened Parliamentary Oversight Capacity (Text)	Lack of analytical capacity to review budgets ex ante, and audit reports implementation	Established framework for a parliamentary budget office and upgrade PAC review process for audit reports	Established parliamentary budget review function and strengthened PAC Secretariat with adequate technical secretariat staff	PAC reviews of latest audit reports completed within one year of receipt of audit reports	Published PAC reviewed audit reports within 15 months of end of year of audit

Indicator Description

Project Development Objective Indicators

Indicator Name	Description (indicator definition etc.)	Frequency	Data Source / Methodology	Responsibility for Data Collection
Proportion of budgetary expenditures reported in Annual Financial Statements of CAGD (including Consolidated Funds, Statutory Funds, IGFs and Donor Funds)	Coverage of budgetary financial reporting- -a key weakness in budget implementation	Annual	CAGD AFS and GIFMIS	M&E Unit of PFMRCO responsible for all data collection in association with relevant PFMCU staff and agencies of the GoG
Comprehensive coverage of Government cash balances in TSA	Efficient use of Government balances through reduction in idle balances in commercial banks	Annual	CAGD/BoG	M&E Unit of PFMRCO responsible for all data collection in association with relevant PFMRCO staff and agencies of the GoG
Enhanced budget credibility through limitation in supplementary appropriations	Reliability of original annual budgets for MDA implementation	Annual	Review of budget process/- Budget Division	M&E Unit of PFMRCO responsible for all data collection in association with relevant PFMRCO staff and agencies of the GoG
Enhanced credibility of the payroll through percentage of payroll subjected to annual payroll verification audits	Payroll control and oversight	Annual	GIFMIS/HRMIS	M&E Unit of PFMRCO responsible for all data collection in association with relevant PFMRCO staff and agencies of the GoG
Expenditure arrears (as percentage of Central Government budgetary	Establishing critical monitoring system for central Government expenditure control	Annual	MoF	M&E Unit of PFMRCO responsible for all data collection in association

expenditures) reduced through improved monitoring and control				with relevant PFMRCO staff and agencies of the GoG
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Intermediate Results Indicators

Indicator Name	Description (indicator definition etc.)	Frequency	Data Source / Methodology	Responsibility for Data Collection
Number of MDAs reporting ex-post on program performance	Extent and quality of performance/results reporting	Annual	Budget Division	M&E Unit of PFMRCO responsible for all data collection in association with relevant PFMRCO staff and agencies of the GoG
Strengthened Public Investment Management (PIM) through selection, appraisal and prioritization of new projects entering the budget	Selection, appraisal and prioritization of new projects entering the budget	Annual	MoF	M&E Unit of PFMRCO responsible for all data collection in association with relevant PFMRCO staff and agencies of the GoG
Percentage of budgetary spending units submitting cash forecasting plans	Strengthening system of expenditure control and enhancing predictability of resource flows to service delivery agencies	Quarterly	MoF/CAGD	M&E Unit of PFMRCO responsible for all data collection in association with relevant PFMRCO staff and agencies of the GoG
MDAs integrating procurement planning as part of the budget preparation process	System strengthening to improve efficiency	Annual	MoF	M&E Unit of PFMRCO responsible for all data collection in association with relevant PFMRCO staff and agencies of the GoG
GIFMIS expenditure management functionality	Extending coverage to SNG	Annual/Completion of	MoF	M&E Unit of PFMRCO responsible for all data

established in MMDAs (for CF, Statutory Funds, and IGFs)		Task		collection in association with relevant PFMRCO staff and agencies of the GoG
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)	Strengthening internal management	Annual	IAA/CAGD	M&E Unit of PFMRCO responsible for all data collection in association with relevant PFMRCO staff and agencies of the GoG
Average time taken to complete external audit of MMDAs using modern audit techniques	Strengthening external audit oversight	Annual	GAS	M&E Unit of PFMRCO responsible for all data collection in association with relevant PFMRCO staff and agencies of the GoG
Strengthened Parliamentary Oversight Capacity	Strengthening role of parliamentary Finance and Public Accounts Committees	Annual	Parliament	M&E Unit of PFMRCO responsible for all data collection in association with relevant PFMRCO staff and agencies of the GoG

ANNEX 2: DETAILED PROJECT DESCRIPTION

Project Components

1. **At the request of the Government and based on an introspection of the key impediments in PFM that have contributed to the current macro-fiscal situation, a select number of areas requiring reforms in the immediate, medium and long term have been identified.** These areas constitute the focus areas for Bank intervention as quick-wins are expected to be realized to soften or contribute to completely reversing the current difficult position Ghana has found itself in.

Component 1: Enhancing Budget Credibility (US\$2.7 million). The objective of this component is to improve budget management and strengthen credibility of the national budget.

2. **It is widely acknowledged that the Ghanaian budget is not a good guide to the likely impact of fiscal policy, and these views are confirmed by recent PEFA assessments.** The major factors identified as contributing to lack of budget credibility include the rising pressure of quasi statutory commitments to wage and interest payments, public investment plans that greatly exceed realistic estimates of resources available over the medium term, and weak capacity to forecast or mobilize revenues. Failure in this area spills over to nearly all aspects of fiscal management: Most directly, the unreliability of the initial budget appropriations makes resource flows to service delivery agencies against their annual programs of work highly unpredictable and seriously undermines efforts made to establish PBB. It is also a major contributor to poor cash forecasting and inefficient cash and debt management (see component 2).

3. **The project will support a series of GoG interventions aimed at addressing the major factors that have led to chronic unreliability of the budget process.** To ensure that all potential claims on fiscal resources are included in the fiscal framework, the project will finance activities to strengthen links between planning, budgeting, and fiscal policy. A review of PIM and its integration with the MTEF will be supported. The project will support measures to establish systematic reviews of fiscal risks posed by SOE and other autonomous Government agencies operations and borrowing, as well as those that may arise from external factors. In this context, the project will support steps to establish operational PBB over the medium-term and extend coverage to MMDA, thereby encompassing all of general Government. For both objectives it is recognized that improved macro-fiscal credibility is essential to provide an appropriate environment for effective results-oriented PFM practices. A review of financial legislation will play a significant role in ensuring that all changes are under clear authority and consistent across all PFM functions. The IMF proposes providing a significant level of TA to support the needed legislative changes; the project will, however, include some TA inputs to ensure that PFM reforms are consistent with the intentions of the law, particularly with respect to macro-fiscal management (See activity 1.1(vi)).

4. **The component has four sub-components.** A brief description of each of the sub-components and activities directed toward these ends is given in the following paragraphs.

Sub-component 1.1: Strengthening Budgetary Planning and Macro-Fiscal Management (US\$0.6 million)

5. *Objective.* The objective of this sub-component is to establish and strengthen control on all claims on budget resources.

6. *Current Status.* GoG is currently implementing the Ghana Shared Growth and Development Agenda II (2014-2017). MDAs are required to prepare Sector Medium-Term Development Strategies which are then translated into SMTDP. These are required to capture time-bound actions, which are consistent with the GSGDA, and each of these actions must be fully costed. The PFMRS notes that accurate costing of plans is a significant weakness. Moreover the Strategy notes that SMTDPs are not resource constrained, resulting in over-ambitious “wish-lists” that cannot be reconciled with the MTF. As a result, currently these plans are not used in the preparation of budget strategy nor the formulation of budget ceilings. Also as a consequence of this, the link between the annual Budget and GSGDA is weakened.

7. **Fiscal forecasts are prepared each year by the ERFD. This is undertaken as a collaborative effort with the GRA, BD, DMD, External Resource Mobilization Unit, BoG, and other stakeholders.** Initial estimates are prepared in June, but little confidence is enjoyed by these estimates. They are however, used for the purpose of preparing Budget Ceilings for the following year’s budget. Reforecasting takes place in November and these estimates are used in the budget documentation. The initial forecasts are used internally by MoF for budget planning purposes and are not formally presented to the Cabinet. The PFMRS lists the following as weaknesses in this system: revenue forecasts can often include proposals for new revenue initiatives that are not subsequently implemented or are delayed (leaving a hole in the revenue stream) – this is particularly the case where the Parliament adds a revenue initiative during the process of budget approval; inadequate data is available to forecasters on potential tax payers and the levels of tax compliance; and unanticipated external shocks can diminish the accuracy of estimates (expenditure estimates also can suffer from shocks); wage negotiations are often finalized after the budget has been concluded and can differ from forecasting assumptions.

8. Debt management plays a critical role in ensuring that data on accruing debt is well maintained and debt is appropriately sourced and sustainable. The recent Extended Credit Facility (ECF) arrangement with the IMF has placed limits on the extent to which BoG financing can be used and these requirements will place more pressure on the DMD of the MoF, which already has limited capacity.

9. *Activities to be Financed.* The project proposes the following interventions to assist the Government to improve planning and forecasting performance.

- Review and reform of Cabinet’s engagement in the budget process. Current budget decisions are weakened both by the lack of recognition of a binding constraint on borrowing and lack of resistance to introduce new projects and borrowing without cutting other projects. Unified Cabinet support for the planning and budget process is a necessary condition for budget credibility. The following measures are aimed both at technical strengthening of the process and increasing Cabinet ownership of the budget, which will be the basis for credibility and discipline in budget execution. These measures will include:
 - A review, through consultancy services, of the current process and design of a “budget charter” that would establish the principles of a sound budget process, including the roles and obligations of key stakeholders (e.g. Line ministers, the Cabinet, the President’s Office, the Parliament, the MoF, the National Development Planning Commission (NDPC), and line MDAs). This charter should be developed in consultation with the Parliament and the Cabinet and should seek to detail the rules, roles and structures (for

example, the establishment of a small Cabinet Budget sub-committee to provide leadership in Cabinet on budget matters) required for an orderly and disciplined process. The Charter should be approved by Cabinet and endorsed by Parliament. Key aspects of the Charter should be taken into account (and possibly elements incorporated) in the forthcoming review of financial legislation.

- Design a strengthened budget framework paper to be used as a vehicle for obtaining Cabinet approval to medium term forecasts of fiscal space, the budget strategy (including a specific list of budget priorities), and MDA budget planning ceilings in the strategic phase of the annual budget process.
- The preparation of an outreach and change management strategy, through consultancy assignments, designed to enhance engagement by Cabinet, assist Parliamentarians to understand the benefits of the Budget Charter and PBB, and all stakeholders understand the need for increased budget discipline.
- Building MDA capacity, through training activities, to develop costed sector strategies and sector medium-term development plans (SMTDPs) and integrate these with the MTEF/ Medium Term Fiscal Framework (MTFF) process. One of the significant weaknesses consistently noted is in the ability for MDAs to undertake budget costings. Sector strategies are not well costed, either in respect of on-going expenditure requirements over the medium term, or in respect of new projects/programs proposed by the strategy. Credible budgeting requires that sector strategies be constrained by medium-term budget envelopes and realistic estimates of DP funding that are likely to be available. In this regard, the Ministry of Finance needs to be closely involved in providing sector ceilings. The project will provide TA to the Budget Director to identify the needs and timing, and to prepare guidance to MDAs in the costing of sector plans. The guidance will need to be incorporated in guidelines prepared by the NDPC (NDPC should be closely consulted in this process). The TA should also assist the BD to design processes for developing sector-specific medium term resource envelopes appropriate for this purpose, and processes that will effectively incorporate the planning information into the annual budget process for the purpose of setting annual ceilings. Sector plans are generally applicable for a three to four year period. Over this period, many things can change, and the process needs to include a capacity for review and revision of the sector strategy each year in order for it to remain relevant for the annual budget process.
- International technical assistance is needed to strengthen technical linkages between fiscal forecasting and analysis and the budget formulation and execution processes. Immediate gains can be made simply by providing better access to GIFMIS by ERFD staff, and as GIFMIS includes more real-time data from IGFs, SFs, and donor funds these can be accessed to improve the timeliness of the regular Ghana Fiscal Operations Reports (GFORs) produced by ERFD. In principle, the budget deficit and its financing could be tracked monthly, shortly after month-end, rather than quarterly with a one or two month delay. The possibility of making updated MTFF forecasts available through GIFMIS should also be explored.
- ERFD staff has developed capacity in modeling and forecasting. It is important to maintain and regularly update these skills. The project will provide resources for one officer to attend an intensive training course at a reputable tertiary institution in each year

of the project.

- Strengthen capacity in the DMD both to improve management of debt service arrangements and to handle new pressures on debt management as a consequence of the program of fiscal consolidation to be undertaken. TA will be required to review the revised functions of the unit and provide on-going technical training to DMD staff.
- Review all reform proposals under this project, to ensure consistency with proposed changes in financial legislations that IMF will provide technical assistance, and support the preparation of related regulations and manuals through technical assistance.

10. *Expected Outcome.* By the end of the project it is expected that: a) greater budget discipline will be exercised all key stakeholders in the budget process due to a shared understanding of roles, responsibilities, and the benefits of a disciplined approach; and b) Sector medium term strategy plans will be comprehensively costed and provide a sound input for the development of annual budget ceilings that are more closely related to the Government's policy objectives, and consistent with available fiscal space.

Sub-component 1.2: Strengthening Public Investment Management Capacity (US\$0.3 million)

11. *Objective.* The objective of this sub-component is to ensure that all investment projects for financing through the budget are properly selected, appraised and prioritized in relation to the available fiscal space.

12. *Current Status.* The Public Investment Program in Ghana is still experiencing serious problems due to weak systems, budgetary indiscipline, and weak capacity. Implementation of projects is slow, cost blow-outs are frequent and many projects remain uncompleted³. Serious reform to systems and practices are necessary and capacity needs to be upgraded.

13. The PID in the MoF has a formal responsibility for project appraisal and prioritization and for providing inputs to the budget process. However, this function appears to be fragmented. The PID has four units: Public Investment Unit (to appraise new projects and ensure that they have been appropriately prepared, and to maintain a data base of existing projects); PPP Advisory Unit (to advise the MoF on potential PPP projects); Public Entities Unit (ensure investment proposals for SOEs have been appropriately appraised, monitor the performance and financial health of the entities, and manage Government equity in entities including facilitating equity injections where necessary), and Strategic Projects Unit (currently inactive). The PID is still trying to find its feet and suffers from lack of budgetary resources (e.g. to engage consultants for appraisal of projects, feasibility studies, etc.) and a lack of specific project appraisal capacity.

14. The PID has recently received assistance from the Department for International Development (DFID) as well as the United States Agency for International Development (USAID) to develop the PIMS as the authoritative data base on investment projects, including current projects and those that have been developed ready for budget approval. While PIMS is meant to contain all projects' information, it is understood that a number of agencies' projects are not included. The database contains all contract information and can identify outstanding payments for current projects, and is interfaced with the budget preparation module of GIFMIS. PID is managed by the Public Investment Unit, which comprises six officers. These officers, while trained economists, require specialist skills in project appraisal.

³ The mission was advised of one project that commenced in 1973 and remains uncompleted.

15. PID has also received support from the World Bank to develop a draft Public Investment Management Policy. Government has not yet approved the policy. It is a high level policy that defines the role of key stakeholders in the process and provides a high-level process framework. The framework is fully consistent with sound budget management practice. A more detailed procedural manual is needed to drive sector wide practice and as the basis for capacity building.

16. *Activities to be Financed:*

- Improving capacity to ensure effective evaluation and ‘whole-of-Government’ prioritization of projects before they enter the budget process: significant skills upgrading is required by the Public Investment Unit to allow it to fulfill its accountability for quality assuring the preparation of projects for inclusion in the Public Investment Program. It is proposed to fund the cost of having an international expert (academic) to travel to Accra and deliver an intensive course on project appraisal. This would need to be a 4-6 week course, and will be delivered to the staff of Public Investment Unit and up to 24 staff of other infrastructure related MDAs.
- Improving coordination of PIM with the budget process: TA is necessary to assist PMU to develop a detailed procedural manual for the PIM. This should be consistent with the existing draft national policy, and cover the input and maintenance of the PIMS data, clearly outlined processes for interfacing to the annual budget process, and to the extent possible, procedures that limit access to budget funding for projects other than through the budget process. The manual should be used to develop a training course for MDA staff. The consultant should then be required to train local trainers who could then deliver training to all MDAs. Local training could be delivered either by staff (if adequately prepared) or local training consultants.
- Review the functionality of the Public Investment Management System (PIMS) and options to provide core infrastructure MDAs with access to the system. In the process of preparing the procedural manual, the functionality of the PIMS system should be compared against proposed business processes to ensure that the system will adequately support the determined processes.

17. *Expected Outcome.* By the end of the project it will be expected that an orderly process exists for ensuring that all projects submitted for funding through the budget are appropriately prepared and, therefore, the rate of timely completion of projects within budgets should be increased. This will impact favorably on budget credibility and avoidance of ‘throw-forward’ instances for projects that remain uncompleted year upon year.

Sub-component 1.3: Strengthening the Budget Operational Framework (US\$1.6 million)

18. *Objective.* The objective of this sub-component is to implement improved management practices to enhance the performance of public spending at MDA level, including the use of appropriate technological tools, while ensuring better predictability of resource flows for budget implementation.

19. *Current Status.* The 2015 Budget was prepared using the Hyperion module linked to Oracle, using the common national chart of accounts to ensure seamless loading to the General Ledger for execution, and appropriation was in a program format. The appropriation by programs has been the result of four years of design, piloting and capacity building to change the budget framework and is a significant achievement. Program structures have been developed for

all MDAs along with program and sub-program narratives and key performance measures and targets.

20. The year 2015 will be the first year in which program appropriations will be managed in budget execution. It is not evident that the BD has given much thought to change management actions that will support this change and ensure that the significant projected benefits of PBB are in fact realized. It is clear that the benefits of PBB will not materialize until basic controls over inputs (cash, people and assets) are operational. The Government has acquired the *Hyperion package* for budget preparation which is integrated with the Oracle Financials eBusiness suite. *Budget Preparation (see sub-component 1.3)*: Budget preparation is now streamlined and uses Hyperion, which links directly to the Oracle platform, improving the efficiency of downloading to the Oracle GL, facilitating development of PBB for appropriation management, and budget execution. The MoF has prepared the *Budget for FY2015 on the new Hyperion system, and training on the use of the system* is ongoing.

21. *Activities to be Financed*. The activities funded through the project will be will include the provision of TA assistance to the BD to assist it to review management arrangements as follows:

- TA to advise the BD on the changes required to ensure the benefits of PBB are maximized. TA should review the business processes in the BD to ensure that: the monthly and quarterly monitoring of MDA performance examines program and sub-program performance measures and targets and provides appropriate feedback to MDAs; reviews processes for warrants, virements and releases to ensure they are consistent with the principles of PBB; identifies gaps in these areas and works with BD to identify solutions. TA should also review internal management processes in MDAs to identify how MDAs are practically reflecting programs and sub-programs in these processes, and identify gaps between these and best practices and agree change management strategies with BD. Change management should include a program of sensitization for Ministers and Parliamentarians to reinforce the benefits of PBB consistently throughout the early years of implementation. The output of this review will be an action plan for BD and a change management strategy and its implementation. A follow-up review should be undertaken in early 2016 to review the experience of MDAs and BD in executing the 2015 budget, identify any further changes required, and review/refine the change management strategy.
- TA to review MDA program structures, performance measures and targets, and narratives. Each of these elements will need to be reviewed and refined over the period of the project. TA will make a number of short visits to work with the BD schedule officers to review the above elements of each MDA's program budget. The TA objective will be to provide expert input to the review of each MDA, while also building the capacity of schedule officers to undertake and on-going program review process.
- Refresher training for MDAs implementing PBB.
- Facilitation of an intense engagement between MoF and MDAs with a view to identify service delivery problems in MDAs and to use PBB as a tool to address these progressively, through the change management component (see below).

- Roll out of Budget Preparation module (Hyperion) to the MDAs - including acquisition of additional Hyperion licenses for provision of on-site access to all budget controllers in central MDAs (33), annual maintenance and support for the Hyperion software, implementation services for rolling-out Hyperion to the MDAs, and developing an interface between HRMIS and Hyperion, and training on Hyperion.

22. *Expected Outcome.* By the end of the project, it is expected that (a) management by programs will be embedded in MoF and MDA systems and processes and all stakeholders will have confidence in the program structure, performance measures and targets as well as using the tools in Hyperion to prepare their budgets; and (b) there will be improvements in service delivery performance in at least two MDAs.

Sub-component 1.4: Fiscal Risk Management and Reporting (US\$0.2 million)

23. *Objective.* The objective of this sub-component is to establish comprehensive systems for monitoring and review of all sources of risk to the planned budget out-turn to enable timely mitigation of these risks.

24. *Current Status.* Although risks, particularly from external shocks, are taken into account in fiscal forecasting, no mechanism is in place nor have organizational responsibilities been allocated for surveying all potential risks to the budget and fiscal position and taking these risks into account in assessing the fiscal impact of the budget or reviewing policy when risks actualize. Responsibilities for assessing some aspects of risk are distributed among various MoF departments (including PIM, which also covers financial appraisal of state holdings in corporate entities). Proposals to establish a single entity to monitor financial risks from the state enterprise sector including an enhanced role for the DMD are under consideration.

25. *Activities to be Financed.* The main activities will be as follows:

- Designate an entity and develop a comprehensive system for monitoring expenditure arrears and other risks arising from the CF, SOEs, and other sources. GIFMIS will be the main source of information and effective control of arrears from the CF (and eventually across all other funds), but significantly increased efforts will be required to monitor SOE arrears and risks arising from excessive exposure to debt as well as external risk from interest and exchange rate changes, commodity price changes etc. The main elements required to meet these needs will be as follows:
 - TA to review current risk analysis and reporting practices by existing entities, including the State Enterprise Commission (SEC) and PID, and recommend an appropriate organization and mandate to take over the function of risk analysis and development of risk mitigation policy;
 - Build capacity and establish the needed authority for the entity to carry out its functions effectively; and
 - On the basis of the information on risks, as well as the recommendations for mitigating actions that will be provided, develop a fiscal risk statement as a regular part of the budget presentation, incorporating a review of all fiscal risks threatening the forecast budget position, and the mitigation actions that will be implemented if these actualize.

26. *Expected Outcome.* The main outcome will be that fiscal risk monitoring will become institutionalized as an established as part of the budget process. This will both strengthen the

authority of the responsible entity and demonstrate the commitment of the Government to comprehensive management of fiscal risks.

Component 2: Public Financial Management Systems and Control (US\$32.7 million). The objective of this component is to support the design, development, implementation and coverage of the Government's PFM systems and control.

Sub-component 2.1: Strengthening Government Information Systems (US\$28.0 million)

27. *Objective.* The objective of this sub-component is to complete the work started in the previous project on the design, development, implementation and coverage of the GIFMIS (IFMIS, HRMIS, Payroll and systems interfaces) to enable them function as critical tools for improved fiscal management and budgetary control, cash and debt management, timely and accurate reporting for better economic management and effected service delivery.

28. *Current Status.* After a number of years of engagement in reforms supportive of strengthening the PFM tools through introduction of ICT-based information systems, the GIFMIS project started in 2010 under a renewed ownership and unambiguous commitment to PFM reforms by the Government. This project which did not aim to cover the design of policies but only their implementation through the provision of the requisite tools and enabling facilitation, has achieved measurable success towards establishment of the foundational systems and processes required to support a heightened reform in PFM.

29. The Government refocused attention to the basic rationale and objective framework for implementing such systems - namely to enable better fiscal control, cash management, improved service delivery and improved fiscal and financial reporting for economic management - and identified and addressed the key foundational policy, institutional and implementation prerequisites aimed at achieving these objectives. These are:

- **Adoption of a harmonized budget classification and structure and CoA** across the systems landscape;
- **Implementation of** institutional / banking arrangements that bring all Government funds under the control of the CADG (Treasury) and consolidating them in **a TSA at the Central Bank;**
- **Redesigning functional processes associated with Government budgeting and accounting and realigning institutional structures** to bring them in line with international practice, implementing key steps, such as commitment control in the budget cycle to enable budget control and monitoring;
- **Developing an Automated and Integrated Financial Management Information system** to support these functional processes and deploying this system in such a way that the main nodes of the systems architecture (a) provide access to the MoF BD and Vote Controllers in the Line Ministries, and (b) All **Treasury offices and selected spending units** where expenditure and receipts transactions are processed in the country;
- **Ensuring comprehensive coverage** so that all expenditure transactions are processed through the system and all receipts recorded in it.

30. A very significant amount of work has been done under the previous project on the policy, institutional realignment and systems design and implementation aspects.

- **Harmonized Chart of Accounts:** The Government has adopted and implemented through the GIFMIS, a new harmonized national chart of accounts compliant with international standards, for all financial transactions at all levels of Government, throughout the country.
- **Treasury Single Account (TSA):** The Government has committed to setting up a TSA and improving cash forecasting and cash management with the objective of reducing Government idle balances, streamlining funds release, integrating cash and debt management and reducing the overall cost of Government borrowing. A TSA framework has been adopted to be implemented in three phases: (i) consolidation of Government banks accounts held in BoG Accra and its branches; (ii) major commercial banks in Accra; and (iii) commercial banks in the regions.
- **A state of the art GIFMIS,** has been established. Supported by improved organizational and business processes, the GIFMIS is intended to serve as the official system of record to meet the GoG's budget, financial accounting and reporting, disbursements, internal control, and auditing requirements. The GIFMIS is based on a commercially available off the shelf software - the Oracle eBusiness Suite software, and Oracle Payroll/HRMIS.
- **Institutional responsibilities** for budgeting and accounting have been clarified. The Director of Budget is in charge of planning and implementing the budget management function using the budget module (Hyperion – see sub-component 1.3) of the GIFMIS and the Controller and Accountant-General is in charge of planning and implementing the budget execution, financial accounting, financial reporting, and cash management functions and uses the financial modules of the GIFMIS. The Controller and Accountant-General has **enhanced commitment control** through the widespread use of the Purchase Order module at all levels of Government. As GIFMIS is implemented, only those purchase orders that are entered, edited and approved in GIFMIS are processed through to payment status for the CF related transactions.
- **A modern technical infrastructure** has been established / upgraded to implement the new system. This infrastructure includes electronic data transmission systems (wide area network-WAN/ local area network-LAN) as well as environments for servers and desktop computers and related storage and disaster recovery systems. Extensive training and change management activities were programmed as part of implementation.
- **Systems Functionality / Architecture:** Salient features of the systems functionality and architecture are given below. The GIFMIS covers both the Budget Preparation and the Budget Execution and Reporting phases of the PFM cycle and includes modules for Payroll preparation and HR management (HRMIS).
- **The GIFMIS supports the full range of activities in Budget Execution including:**
 - Budget Management – including, Budget Appropriation, Budget Allotment/Releases, and Budget Transfers.
 - Commitment Management – Recording all commitments relating to intended Government expenditures initiated through requisitions.
 - Payments management – Processing all Government expenditures relating to: Procurement of goods and services, Salary Payments, Debt servicing, and Transfers.

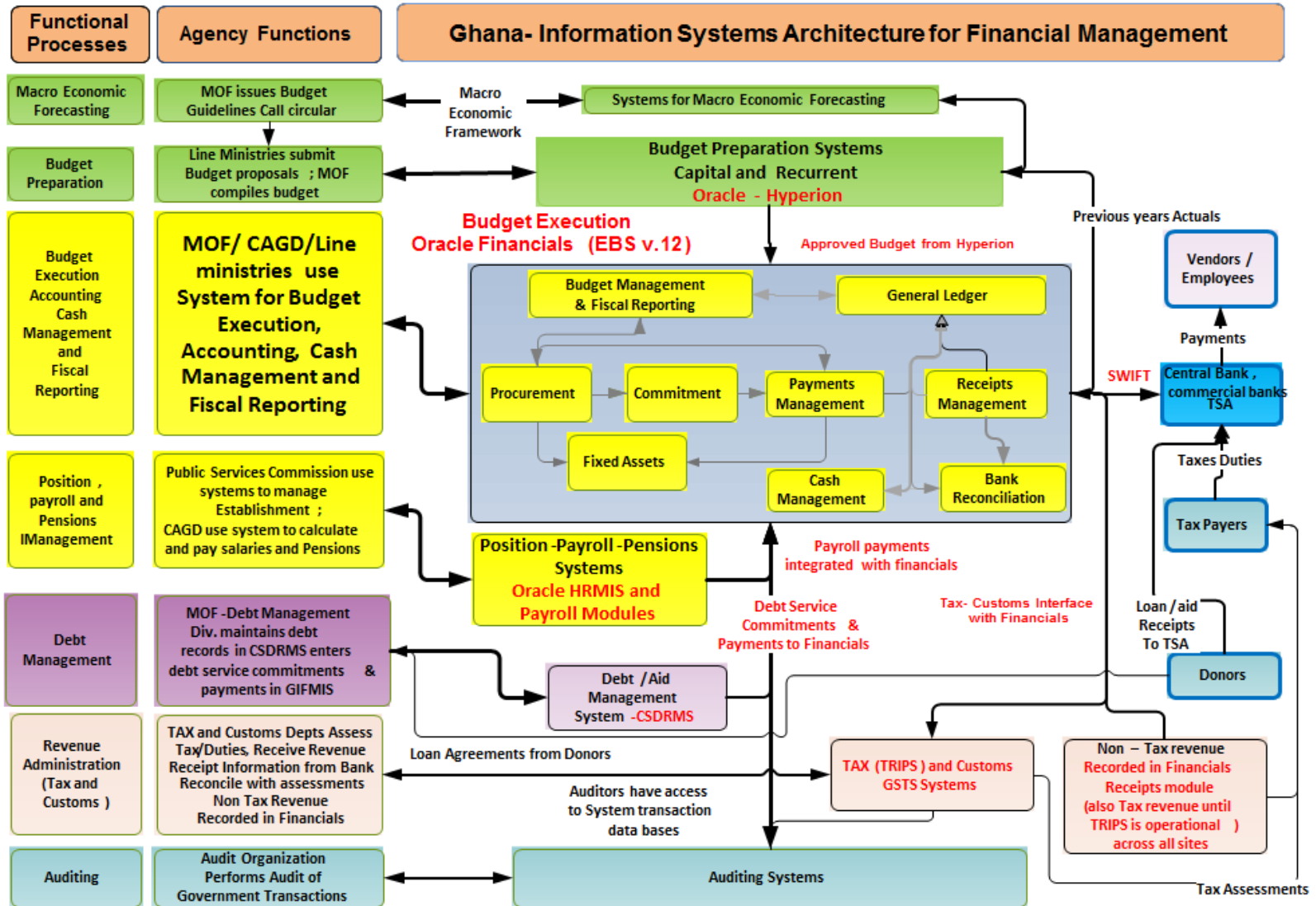
- Receipts Management - Recording revenues and other receipts
- Accounting (posting all transactions as they occur)
- Cash Management
- Fiscal /Financial Reporting
- Ensuring that all these functions are performed by authorized staff only.
- **Systems Deployment** The system has been implemented in a centralized architecture at a central site in Accra at the MoF. An in-house team of Government staff, supported by individual consultants, is rolling out the system. To ensure that all Government payment and receipt transactions are processed through the system, the main nodes of the systems architecture are designed in the following manner: (i) provide access to the BD and Vote Controllers in the Line Ministries; (ii) all Treasury offices and selected Spending units in Accra where expenditure and receipts transactions are processed in the country; (iii) ten regional treasuries who are responsible for servicing the regional branches of the MDAs; (iv) 216 MMDA/district treasuries who are responsible for processing transactions generated by the district level branches of the MDAs and the MMDAs. The main nodes of the system are connected via a WAN to the central server. Under the last project, deployment has been completed at the Central, regional and seven MMDAs levels and is now also being implemented at the remaining MMDAs.
- **Systems Implementation Status:** GIFMIS implementation has reached the final stages of implementation and continues to register progress towards achieving its objectives. Key achievements are:
 - At present, budget execution for all the CF-related expenditure transactions is conducted through GIFMIS after ensuring ex-ante commitment control. CF for FY2013 budget constituted 66 percent of the total GoG budget, including 28 percent personnel emolument budget. (Currently, budget control is not complied with for the personnel emoluments budget because of the lack of position management, linked to the budget, and in the absence of a functioning HRMIS).
 - **Procure to Pay (P2P) rollout:** The full system functionality, covering all stages of the Procure to Pay process (P2P), has been implemented at 33 MDAs, 250 Budget-spending units in Accra, ten regional treasuries, and seven MMDAs (districts). These sites are connected via a WAN network to the Central server.
 - At present there are about 4,500 named users created on the system. Out of this approximately 2,500 are active.
 - **Electronic Funds Transfer (EFT).** The CAGD, in conjunction with the Bank of Ghana, has developed the Oracle Electronic Funds Transfer System (EFT) between the MDA's and the Bank, under the GIFMIS platform.
 - **The BoG SWIFT interface with GIFMIS** has now been extended to all MDAs. EFT has been rolled out across all MDAs. This enables them to make EFT transactions directly against the appropriate TSA sub-account, an achievement that strengthens the efficiency in full migration to TSA.

- **Automated Checks – As MDAs became operational**, all manual check books were canceled and electronic check production has been automated in the Oracle Accounts Payable Module for the imprest/advance payments only, while the remaining payment instructions are sent electronically through the EFT.

The basis for EFT and system-generated check transactions will facilitate real time bank reconciliation for all MDAs. As the TSA begins to incorporate commercial bank accounts, full system-based reconciliation of the CAGD accounts with bank balances should be in place.

- **HRMIS Roll-out:** profile management and position management modules of HRMIS have been configured to implement the establishment registers and associated controls; establishment records of 70 percent employees across nine public services agencies have been migrated to HRMIS. HR Manual has been approved.
 - **Interface with the Ghana Revenue Authority** - The purpose of this Interface is to allow Oracle Account Receivables to track revenue generated by the GRA. The integration will consist of two different interface programs, one to collect the payments related to sales due, and the other to collect the receipt of payments at level of the summary personal account, organization, location of collecting agency, district, region and natural account. *Status of these interfaces is as follows:*
 - i. **Tax revenue - TRIPS:** The GRA is using GIFMIS terminals to record domestic tax revenue information, till the interface is operationalized (*ongoing*).
 - ii. **Ghana Customs Management System (GCMS) interface** (*ongoing*).
 - iii. **Non-tax Revenue:** The Government has decided to use the Account Receivable (AR) module of Oracle financials to pick up non-tax revenue receipts.
 - **Interface with Debt management** - The Debt Management System will be interfaced to the accounts payable module to capture all debt repayments as commitments and settlements.
 - **Roll-out to MMDAs:** The P2P process was rolled-out to seven pilot MMDAs for the CF-related expenditure transactions. The system has now been configured to also transact all IGFs and SFs utilized by the MMDAs to finance their expenditures. This is now comprehensively live and operational at five MMDAs.
31. The complete Information Systems Architecture for PFM for Ghana is as follows:

Figure 1: Information Systems Architecture



32. *Activities to be Financed.* On the basis of priorities identified by the authorities, the focus of this component will be to deepen the utilization of the GFMIS and the scope of its coverage (functionality) to realize its full potential. The target is to track 34 percent of remaining public funds of the core Government in the system. These primarily pertain to IGFs, Statutory Funds (SFs), Donor Funds, and MMDAs. The purposes of these interventions will be to further strengthen budgetary control, improve fiscal reporting for better economic management, improve service delivery, and improve workforce planning.

33. An IFMIS implementation can be viewed as a set of layers. The basic transaction data and the systems modules that are used to process these data constitute the transaction processing layer. On top of this layer there is a financial operations layer that enables production of budget execution reports, determination of the cash position in Government bank accounts, the ways and means position and production of monthly financial statements. Finally, on top of the financial operations layer is the management and statutory reporting layer which enables production of overall fiscal reports, financial statements and statutory financial reports.

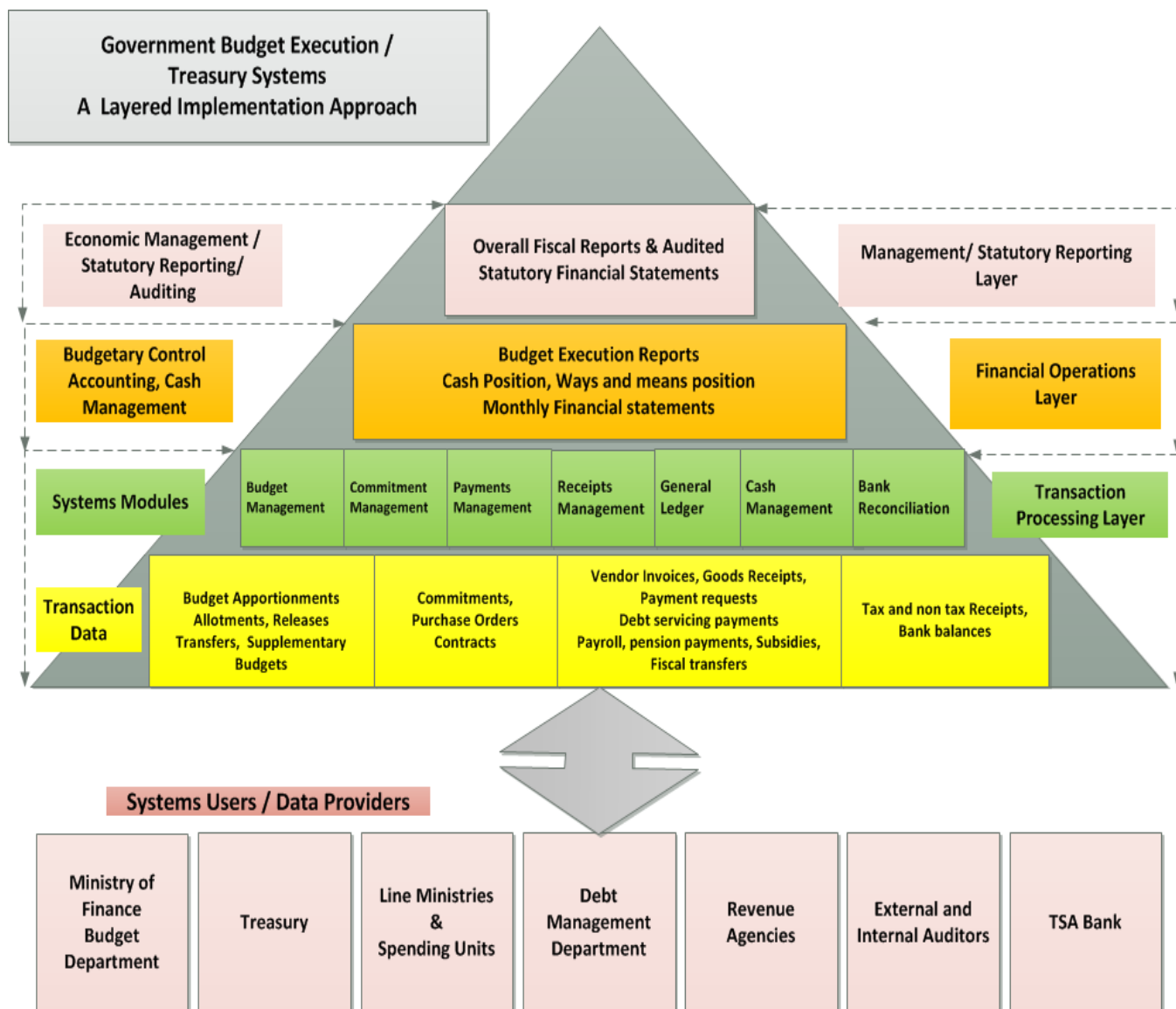
34. It is necessary to first have the transaction processing layer in place to get good and credible information to be used for financial operations and for management reporting and decision making.

35. For the purpose of clarity on the constituent cost elements under the sub-component, these are provided, in summary, below. The detailed costs of individual activities are available in the detailed cost table in the files and with the client.

Table 4: Systems set up, Integration, Implementation, Licenses, and Training Costs

<i>Main Expenditure Areas</i>	<i>Est. Cost (US\$ Million)</i>
Infrastructure (DRC/Main DC/Network)	6.5
Systems maintenance over 4 years	3.0
Software licenses/ support/maintenance	7.6
Hardware (computers /accessories) for roll out	1.5
Systems Integration /interfaces	1.4
Country-wide Implementation services/Training	7.9
Total	27.9

Figure 2: Government Budget Execution / Treasury Systems – A Layered Implementation Approach



36. GIFMIS has established a transaction processing platform for budget management, but gaps remain in coverage of this transaction processing which limit the delivery of comprehensive and credible information required for the financial operations for economic management and statutory reporting layers.

37. This project will enhance the coverage to address these gaps, so as to improve the quality of fiscal and statutory reporting for better economic management. *These aims will be achieved by enhancing the IFMIS footprint established under the GIFMIS project. These will need to be complemented with enhancements in the technical infrastructure which supports the GIFMIS.*

38. The key activities to be undertaken in this area can be divided into three groups:

I. Enhancements in the coverage of the Financial Systems Modules of the GIFMIS:

These will entail:

- **Extending GIFMIS footprint, including the P2P process, to capture and track transactions related to the IGFs, SFs and donor funds.**
- **Incorporation of IGFs, Donor Funds and SFs in GIFMIS and the TSA** and timely inclusion of these funds in budget and accounts will be key pursuit areas in this sub-component.
- **IGFs:** Ex-ante coverage of transactions for two pilot IGFs was attempted with limited results. This gap needs to be fully covered before the objective of comprehensiveness of transaction processing through the GIFMIS can be realized. It is necessary that a phased approach be adopted in this regard. As a first step the CAGD needs to assure the owners of the IGFs that the GIFMIS implementation will support the existing legal framework of the IGFs and associated autonomy of the MDAs over the use of these funds. Transaction processing for these IGFs can be brought into the GIFMIS by defining the Bank accounts within the GIFMIS where these funds are currently held.
- A similar transition is necessary for the **SFs (six), such as the Road fund and the GET funds and transactions related to programs and projects** financed through Donor funds. An important aspect to be kept in mind in each of these cases is that deployment emphasis should be prioritized in accordance with the amount of funds handled by the IGFs, the SFs, and Donor project funds to achieve the maximum impact with limited outlay of resources. It will include assessment of any special requirements by provision of consulting services.
- **Activities to be financed in this** include individual consultants, training, supplemental hardware, and connectivity.
- **Extending GIFMIS connectivity roll-out to all the remaining MMDAs- around 216 in total.** Currently GIFMIS access in the regions is restricted to the regional treasury offices. This requires that all spending units bring their expenditure and receipt transactions to the Treasury office for processing. The GIFMIS was rolled-out to seven pilot MMDAs and the system has now been configured to also transact all funds utilized by the MMDAs to finance their expenditure. This is now live and operational at five of the seven pilot MMDAs. In the enhancement, direct access to the GIFMIS will also be extended to all remaining MMDAs. It is important to restrict this rollout to MMDA central locations so as to ensure that the extension of the systems deployment is cost effective.

39. Technical investments in these areas, it should be noted, will not in and of themselves be sufficient to address the underlying issues related to recruitment, promotion and remuneration in the public sector; as well as to discipline in budget management. The change management component of the project will focus on translating these technical investments into behavioral changes through a problem driven approach. The project will also benefit from complementary policy and institutional reforms from the Bank DPF operation and the IMF program.

- **Activities to be financed in this** area will include training, supplemental hardware, and connectivity.

Public Investment Management: The Government is already maintaining a stand-alone software for public investment management, covering all projects in the public sector, including physical and financial information—contracts, commitments, and expenditures. This information is recorded ex-post. Maintaining this data in a stand-alone environment

leads to some critical issues: budgeted capital expenditures in PMIS are not aligned with the Program-budget classification in Hyperion; duplication of information with associated maintenance overheads as commitment information for capital expenditures should be maintained in GIFMIS as the Government's sole system of records; costly to develop and maintain an interface of PIMS with Hyperion and GIFMIS. These issues can be avoided if Hyperion as an integrated system for both capital and recurrent expenditures on a consistent PBB classification is used. The PID should have control over the Public Investment Management Module of Hyperion to ensure they are able to carry out their mandate in effectively. The contracts and long-term commitments should be maintained in GIFMIS through contracts and multi-year commitment functionality. The implementation will enable the PID in project analysis, appraisal, costing and contracts management. Activities to be financed under this include implementation services, training and hardware. The Government has informed that they plan to use Hyperion for PIM.

- **Implementation of electronic bank reconciliation for the main treasury account as well as the sub-CF accounts.** In this area the focus will be to complete the work started under the previous project and operationalize electronic bank reconciliation. Key activities to be financed will include training and implementation services.
- **Operationalization of GIFMIS interfaces with other key Government systems, including TRIPS for tax management, e-Monitor for non-tax receipts, GCMS for customs revenue management, e-procurement for tracking of procurement activities.** The focus will be to complete the work started under the previous project and operationalize these interfaces. The activities to be financed include implementation services to develop and operationalize the remaining interfaces and associated training.

II. HRMIS Roll-Out: The focus will be on completing the establishment registers for the remaining Government workforce, completing the rollout of the HRMIS core application, including employee cost management, establishment and profile management, to enhance its coverage to all MDAs, services commissions and all ten Regions, implementation of additional HR core applications; -Talent management modules like e-Recruitment, learning management and performance management will be out of scope-, development of interface between HRMIS and Hyperion to exchange establishment information.

III. Technology Infrastructure:

- Hardware and implementation services for setting-up the disaster recovery systems;
- Refurbishment of primary data center;
- Improving and extending network connectivity through NITA;
- Other hardware/software enhancements;
- Maintenance and support costs for the software licenses; technical support.

40. *Expected Outcome.* Interventions listed above will address some of the key issues highlighted by the authorities in the PFMRS. The key areas where improvements will be possible with the enhancements in the GIFMIS are:

- Coverage and usage of the integrated Budgeting and financial modules of the GIFMIS will improve:
- Capacity of the MoF to monitor expenditures against Government programs and projects to ensure that they are in accordance with appropriations.

- Availability of comprehensive and timely information (Government-wide) on expenditures and receipts including, the CF, the IGFs, the SFs and Donor Funds. This will directly affect issues related to effective reporting and oversight, enable production of reports in accordance with International standards such as IPSAS and enhance the capacity to supply economic managers with the information needed to link expenditures with performance indicators and outcomes. GIFMIS databases will also provide the capacity for improved PRSP reporting, more targeted allocation of resources and subsequent monitoring of expenditures to priority areas and needs (e.g. in health and education).
- Avail reliable and comprehensive information on commitments and expenditure arrears and timely information on the actual cash positions, including automatic reconciliation of bank balances. This will improve the credibility and timeliness of information used for budget releases as well as the predictability of commitment expenditures.
- Ensure the availability of information required for assets and inventory management for better accountability.
- Upgrades to the technology platform and telecommunication facilities will:
 - Improve systems reliability, information security, server performance and reduce response times for transaction processing and report generation.
 - Enhance business continuity planning accompanied by a capacity for disaster recovery.
 - Enable trouble free and faster access to the GIFMIS from a larger number of end user sites at the center, the regions and the districts.
- Enhanced training, technical systems support and help desk facilities for end users.
 - Will enable faster resolution of end user problems.
 - Improve value added usage of the system by the end users in support of their business functions and processes.

Sub-component 2.2: Cash and Treasury Management (US\$0.2 million)

41. *Objective.* The objective of this sub-component is to strengthen the management of cash and debt to minimize net interest cost, ensure cash is available to meet commitments and obligations for service delivery and eliminate CF arrears accumulation.

42. *Current Status.* Good progress is being made in establishing a TSA to reduce net borrowing and improve cash management. As of June, 2014 over 11,500 bank accounts had been identified across all Government institutions for rationalization. Of this number, 2000 have been closed and 700 have been earmarked for the TSA. The remaining 8,800 include commercial bank accounts used for managing IGFs, Donor Funds and SFs across MDAs and MMDAs.

43. Cash forecasting, cash and debt management, and controlling warrant release in line with forecast cash, however, remain very weak. The most critical weakness is that warrants are released beyond the available cash, giving rise to commitments that are likely not to be met during the year and accumulation of expenditure years. Oversight of these activities is under a Cash Management Committee (CMC) chaired by the Minister of Finance, with the CAGD, the Governor of the BoG, and the Commissioner of GRA as members. Operationally the cash position and warrant release is administered under direction of the Cash Management Working Group (jointly chaired by the Director of Budget and CAGD, with members drawn from a range

of relevant MoF, CAGD, GRA, and BoG divisions). The effectiveness of these operations, however, is greatly hampered by unreliable and partial data for cash flow forecasting and introduction of new claims on budget resources.

44. *Activities to be Financed.* Improvement of cash forecasting and cash management is seen as crucial to establishing credible budget execution. The project will fund TA and training costs associated with the following:

- Establishing better forecasts of cash requirements from MDAs and ensuring that all tax revenues are paid promptly into Treasury accounts will provide a more reliable basis for estimating cash needs and availability for the immediate future. On the basis of improved data, a cash flow forecasting model and a cash management database can be developed and progressively improved.
- The capacity of the CMWG to apply expenditure restraint will be enhanced by improved data and staff training in forecasting and cash and treasury management. It should be given greater authority to control budget execution rigorously by issuing expenditure warrants only on the basis of cash availability.
- Broadening the coverage of the TSA will be continued. It is proposed to extend coverage of the TSA from the present consolidation of all GoG balances held in BoG HQ and five Branches, to encompass around 90 percent of all Government balances in the BoG and commercial bank accounts by project end.
- Electronic bank reconciliation will be fully established for all CF and sub-CF accounts.

45. *Expected Outcome:* Control of warrant release within expected cash receipts over the forecast period is a necessary step to avoid over-commitment and, combined with progressive improvement in cash flow forecasting, will halt the accumulation of arrears and send strong signals to MDAs that spending plans must be adjusted. Establishing a comprehensive TSA will reduce borrowing requirements and costs for the GoG. This will be complemented by a credible commitment from the Ministry of Finance to only honor invoices supported by commitments made in the GIFMIS, going forward.

Sub-component 2.3: Strengthening Internal Audit Capacity (US\$0.8 million)

46. *Objective.* The primary objective of this sub-component is to strengthen the internal audit function at the IAA and across MDAs in particular, reset the focus of internal auditing to a more risk based approach, and equip the auditors with the skills to audit through the automated systems. A secondary objective under this sub component will be to support and facilitate the strengthening and effectiveness of the ARICs.

47. *Current Status.* As at the end of December 2014, there were 390 IAUs established (out of a possible 395) and 333 ARICs established (out of a possible 395), across MDAs and MMDAs. Over the years, many IAUs have concentrated on carrying out pre-auditing of payment vouchers at the detriment of internal control review and evaluations. To a large extent, these issues reflect a lack of capacity. In the case of MMDAs, however, IAUs are required by law to do pre-audit of payment vouchers. A substantial effort will therefore be required to improve technical capacity and move towards meeting International Standards for the Professional Practice in Internal Auditing.

48. Despite the enactment of the Internal Audit Agency Act, 2003 (Act 658), significant efforts has been achieved. Internal Auditing is not yet fully appreciated as a management tool for the review and evaluation of risks and internal controls in the MDAs and MMDAs. This leads to

non-compliance with budget, commitment controls and expenditure ceilings. The risk of this is heightened with the introduction of GIFMIS. There is an ICT skills-set gap amongst the current cadre of internal auditors with respect to skills required to effectively carry out electronic audits. Presently, through the support of other donor programs, including the just ended IDA funded GIFMIS Project, the IAA has had limited exposure to modern audit management tools such as TEAMMATE, and CAATs such as IDEA and Audit Command Language (ACL). This exposure has been limited to a few select staff mainly at the center, i.e. IAA and the headquarter MDAs but not the staff spread across the various MMDAs. The introduction of GIFMIS requires that the IAA and all staff of the IAU are adequately trained in CAATs and other data generation and analytical tools. In this vein, the project aims to support the Internal Audit function by providing technical assistance, assisting in designing quality assurance programs, purchasing and deploying of ICT tools and data analysis software and ultimately make the use of ICT tools an integral part of the work of the internal auditors.

49. Given the current Government automation of financial transactions, the component should assist in examining MDA/MMDA entity files to test controls and substantive testing of transactions by internal audit through usage of generalized packaged programs, purpose written and utility programs. The internal auditors can therefore chose to use live data, dummy data in normal processing of transactions and dummy data in special runs.

50. *Activities to be Financed.* The activities to be financed include TA support for providing key interventions needed to strengthen internal audit functions. These include: (i) providing additional operational resources and tools (e.g. computers: hardware) to roll out the training and capacity building programs for improving the ICT skill of staff of IAA and IAU in the MDAs in particular; (ii) designing, developing and roll out of quality assurance programs; (iii) strengthening the role of ARICs in follow-up actions on internal audit reports as part of the oversight function; (iv) training IAU management to support Government's efforts at implementing ERM across MMDAs; and (v) provide consultancy and operational support in the conduct of specialized audits in collaboration with GAS in undertaking procurement audits, payroll audits, system based audit and risk based audits, etc.,

51. *Expected Outcome.* It is expected that the interventions under the project will provide the necessary hardware for each IAU in order to gain access to CAATs tools, and develop competencies in the use of these applications. Key staff will be supported as candidates to become CISA. Stronger linkages should be achieved between the IAA, the Auditor General, parliamentary committees, and the ARICs to help ensure adequate follow-up of audit findings. Internal auditors will be better able to: test program controls; deal with large volumes of data, and to determine how cost effective some Government operations have been in terms of value for money.

Sub-component 2.4: Public Procurement Planning, Management and Capacity (US\$2.0 million)

52. *Objective.* The overall objective of this sub-component is to improve procurement planning by enhancing the economy, efficiency, transparency and accountability of the procurement process.

53. *Current Status.* The process of reforming the Ghana procurement system started as far back as 1996 under the PUFMARP. The overall objective of the program was to improve public financial management in Ghana. Studies identified a number of weaknesses in the procurement system including: the absence of a comprehensive public procurement policy; the absence of a central body with technical expertise to oversee/regulate sound procurement practice; and the absence of rules and regulations to guide, direct, train and monitor public procurement. In order

to address these weaknesses, the Public Procurement Act, 2003 (Act 663) was promulgated in 2003.

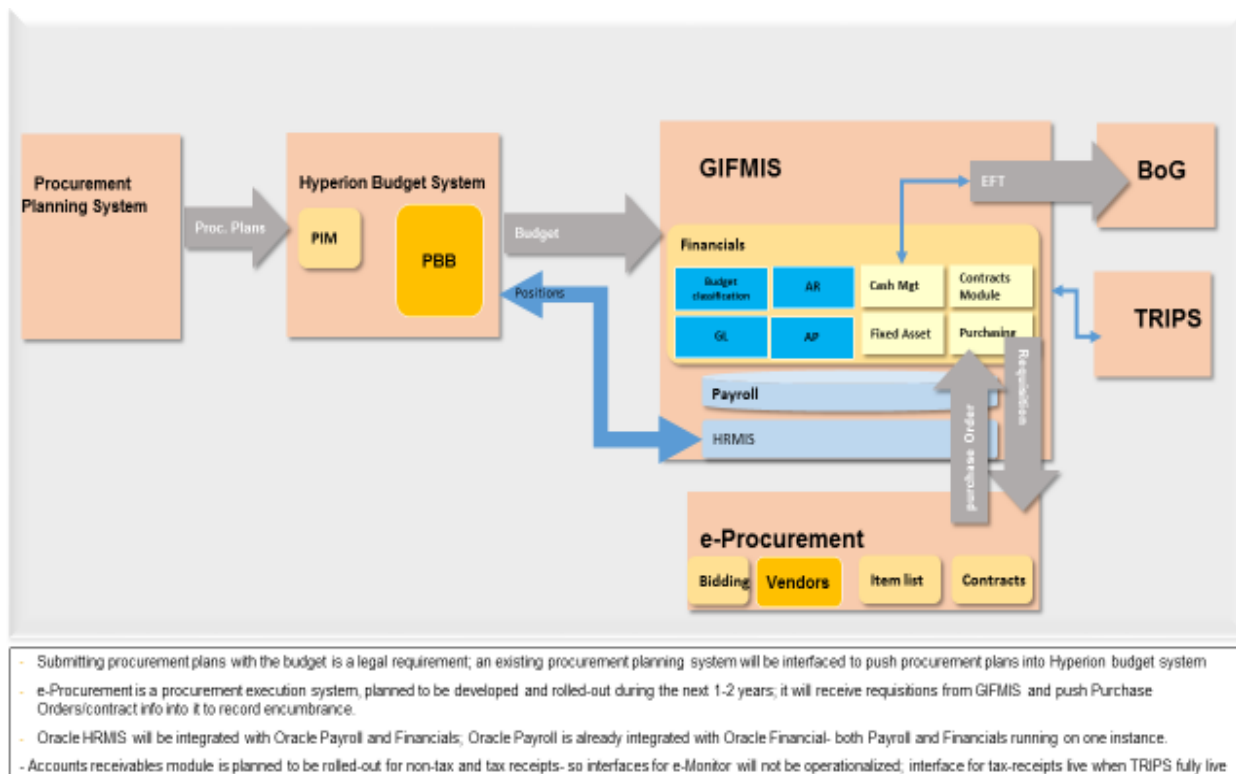
54. The Act was passed on December 31, 2003 and became fully operational on August 27, 2004, after the Board and other structures were put in place for a smooth operationalization of the Act. The PPA was established under this Act. The main mission of the PPA is to harmonize public procurement processes to secure a judicious, economic, and efficient use of public funds in a fair, transparent, and non-discriminatory manner while promoting a competitive local industry.

55. Under the leadership of PPA, Ghana procurement reforms have progressed well over the years with the following notable achievements:

- Preparation of procurement tools including: draft procurement regulations, manuals (Procurement, Procurement Records Management, and Contract Management), Standard Bidding Documents, and various Policy Guidelines such as those on the application of Framework Agreements, Low and Minor Value Procurements;
- Putting in place the necessary systems for informing stakeholders about procurement in Ghana;
- Development and delivery of various training programs to public and private sector procurement practitioners and policy makers, including: contractors, suppliers and consultants;
- Development of a public procurement model of excellence (PPME) tool for measuring performance of procuring entities;
- Establishment of an Appeals and Complaints Panel for the successful administrative review;
- Introduction and implementation of the Sustainable Public Procurement concept;
- Publication and Launch of the Scheme of Service for Procurement Class of the Civil/Local Government Service; and
- Preparation for the introduction of e-procurement.

56. Notwithstanding the above achievements, the procurement system in Ghana has a number of weaknesses and bottlenecks, which need to be addressed as soon as possible. These weaknesses include, inter alia: weak procurement planning including lack of integration of PPA's procurement planning tool with the Hyperion Budget Planning Tool and ultimately interface with the GFMIS; weak procurement capacity in the public sector (PPA, MDAs and MMDA's), the private sector (contractors, suppliers and consultants), and third party monitoring organizations (Civil Services Organizations and Media); lack of reference price data base for infrastructure; lack of private sector confidence in public procurement resulting in low competition; perceived existence of fraud and corruption in the procurement process; and weak/non-functional procurement units in many procuring entities. The following diagram illustrates the interfacing arrangements between Procurement, Hyperion, e-Procurement and the GFMIS.

Figure 3: GIFMIS Interfaces



57. *Activities to be Financed.* The procurement activities under this project will be actions intended to implement second generation reforms aimed at improving budget execution and credibility. Second generation reforms are aimed at achieving enhanced transparency and accountability for development results. These reforms involve focused effort on increasing capacity, monitoring performance and achieving an appropriate balance between fiduciary and development objectives. In the context of this project, the proposed procurement reforms will contribute towards achieving transparency and credibility of the budget process. Details of the procurement components are presented below.

58. The following activities are intended to address the above weaknesses:

- **Activity 1(a): Enhancing the existing Online Procurement Planning (PP) Tool and to link it with the Hyperion Budget Planning Tool that is already linked to the GIFMIS:**
 - The *objectives* of this activity are to strengthen PP by enforcing the legal requirement for MDAs to prepare procurement plans as part of the budget preparation and approval process; and to build procurement planning capacity.
 - *Status:* The current online PP tool is not currently linked to the budget planning tool (Hyperion system). The PP tool will be linked to Hyperion. In addition, many procurement practitioners are not familiar with the PP tool and have to be trained on its use.
 - *Elements of to be financed* from this activity will include: (a) enhancing the existing online PP tool to incorporate the amendments that have been made to the Procurement Act; b) deploying the PP tool to integrate seamlessly with Hyperion; and (c) training of procurement practitioners in the 34 procuring entities at the central Government on the use of the online PP tool.

- The *main outcome* of this activity is improved capacity of MDAs to submit credible budget proposals.
- **Activity 1(b) – Integration of the e-procurement system, when completed, with the GIFMIS:**
 - The *objective* of this activity is to ensure that e-procurement is seamlessly interfaced with GIFMIS.
 - *Status:* Ghana, under the e-Transform project, is financing development and deployment of e-procurement system in the public service. The procurement process to acquire and install the relevant infrastructure is ongoing. Currently there are no plans to interface the e-procurement system with GIFMIS. It is important to interface the system with the GIFMIS as soon as it is installed to enhance the efficiency of budget execution.
 - *Elements to be financed from the activity* include: technical assistance consultancies; goods (computer hardware and related software), and training. This activity will involve the design and implementation of a software system that will enable the e-procurement system to interface with the GIFMIS. The activity will start with the implementation of the P2P module of the GIFMIS that links procurement and payment during contract implementation.
 - *Expected Outcome:* The implementation of this activity will facilitate the establishment of an integrated solution to the entire phases of procurement management including, procurement monitoring during budget implementation.
- **Activity 2 – Implementation of the Amendments to the Public Procurement Act, 2003:**
 - The *objective* of this activity is to enable implementation of the amended Public Procurement Act which is in the final stages of approval by the Parliament
 - *Status:* Ghana has been implementing procurement reforms since the enactment of its Procurement Act in 2003 and had identified some areas where the Act needs strengthening, such as: (i) removing the delays caused by the hierarchical structures of the system, to improve efficiency; (ii) providing for more decentralized system to enhance effectiveness efficiency and accountability; and introducing some key elements of second generation reforms like sustainable procurement, framework contracting and e-procurement to improve value for money and efficiency of the procurement system. The current Public Procurement Act has undergone substantial amendments culminating in a new Bill that has been sent to the Parliament for review and approval. The Bill has already been reviewed by the Parliament and is currently in the process of being finalized in readiness for enactment.
 - *Elements to be financed* from the activity include: (a) dissemination of the amended Act among all stakeholders (MDAs, MMDAs, Private Sector, etc.); (b) engaging legal and legislative consultants to draft Regulations and other legal instruments; and (c) training stakeholders on the amended Act.
 - *The expected outcome* of this activity is an Amended Public Procurement Act that; is well understood by Procurement Practitioners; and will lead to more effective and efficient procurement practice that delivers better value for money and enhances transparency.
- **Activity 3 – Procurement Value Chain Analysis:**

- The main *objective* of this activity is to improve the quality and efficiency of procurement planning, procurement process and contract administration by providing empirical evidence of bottlenecks to procurement planning and processing and contract administration.
- *Status*: The efficiency of a procurement system is ultimately measured by the timely delivery of goods, works and services required to execute the budget. The system consists of a chain of activities the performance of which depends on a number of factors including the legislative and regulatory environment, institutional capacity, available procedures and control environment. The overall goal of the value chain analysis is to find ways to improve budget execution and the rate of disbursement of allocated funds
- *Elements to be financed* from the activity will include the following tasks: analyzing the process flows; identifying the actors, their roles and responsibilities, and the ‘standard’ time taken to complete the performance of the roles. This will allow capture of the sources of bottlenecks to the efficient processing of procurement.
- *The expected outcome* of the activity is improved budget planning and execution and enhanced value for money through increased competition.
- **Activity 4 – Establishment of Unit Cost of Infrastructure in Ghana:**
 - The *objective* of this assignment is to prepare a unit cost database for providing the following infrastructure facilities in Ghana: (a) roads; (b) buildings; (c) water resources; and (d) power.
 - *Status*: Currently, the PPA maintains a data base for common user items and therefore they have reference prices for such items. However, it does not have a similar database for infrastructure, which accounts for a large part of the total development budget. The lack of reference prices leads to unrealistic budget estimates in the procurement plan and many times the actual prices are very different from the estimates. There is a common perception in Ghana that the cost of providing infrastructure is too high compared to other countries. However, there is no concrete data to prove this or otherwise. This study will provide such data.
 - *Elements to be financed* from the activities include consultancy services for the study, covering the above four sectors, with representative costs across the country. The representative sample cities to include: Accra, Kumasi, Takoradi, Sekondi, Tema, Tamale and Cape Coast.
 - The expected outcome of the study will be the establishment of an infrastructure data base which should lead to more realistic estimates in the procurement plan and hence to more budget credibility.
- **Activity 5 – Establishing Functional Procurement Units in Procuring Entities:**
 - The main *objective* of this activity is to establish Procurement Units in all procuring entities appropriately staffed with trained procurement personnel from the civil service to enhance practice.
 - *Status*: Currently, only about 20 percent of the Procurement Units in procuring entities can be considered as fully functional. There are two fundamental reasons for this. Firstly, the Units are not fully established as required by the Act and therefore the staff positions have not been staffed as required. Secondly, in most entities, the capacity of available

procurement staff is inadequate for the responsibilities that have been vested in them.

- *Elements to be financed* from the activity include: conducting a procurement capacity and training needs assessment; engaging a consultant to review training materials to incorporate new policies; organizing tailored training for specific sectors; issuing clear guidelines on specific procurement activities; liaising with other public institutions to revise the schemes of service including setting up and appropriate staffing of Procurement Units; identifying ways to increase private institutions participation in providing sustainable public procurement training; developing separate procurement guidelines for goods, works and services; and continuous training in contract management.
- The *expected outcome* of this activity is functional Procurement Units that are capable of carrying out procurement efficiently and transparently in order to realize value for money in the procurement process.
- **Activity 6 – Outreach to the local private sector to build capacity of contractors, suppliers and consultants to be able to submit responsive tenders:**
 - The *objective* of this activity is to increase participation of local contractors, suppliers of goods and service providers in the tendering process.
 - *Status*: Experience shows that many local bidders are disqualified during the bidding process because of lack of knowledge of the bidding procedures and requirements. In order to encourage these local bidders to continue participating in the process, there is a need to train them on the procurement process particularly on the amendments that have just been made to the Public Procurement Act.
 - *Elements to be financed* from the activity include: reviewing of training Modules for private sector training to include amendments to the Act; categorizing service providers according to sectors; organizing sector specific training across the country; and engaging private sector in critiquing the procurement system.
 - The *expected outcome* of this activity is an informed private sector resulting in more participation and hence more competition leading to the achievement of better value for money.
- **Activity 7 – Enhancing Legal and Regulatory Capacity of PPA:**
 - The *objective* of this activity is to put PPA staff at the cutting edge of latest developments in the procurement field.
 - *Status*: As a Regulator, PPA staff is expected to be on top of the latest developments in the procurement field and they need constant upgrading of their knowledge so that they can impart it to procurement staff in MDAs, MMDAs and SOEs. For instance, they will need training in the latest amendments to the Act and emerging areas such as e-procurement, framework contracts, sustainable public procurement planning, etc.
 - *Elements to be financed* from the activity include provision of specialized long-term training for core staff in the above emerging areas.
 - The *expected outcome* of this activity is a regulatory body that is abreast of the latest developments in public procurement and capable of introducing reforms that will result in the maximization of the system’s potential to realize better value for money.

- **Activity 8 – Procurement Audits:**

- The *objective* of this activity is to prepare a comprehensive framework for conducting procurement audits.
- *Status:* Section 91(1) of the Procurement Act requires procurement audits to be carried out annually by the Auditor General (AG). Section 91(3) of the Act states: “*The statutory audit of procurement activities may be relied upon by the Board to institute measures to improve the procurement system*”. Given the large number of procuring entities (more than 1000) and owing to the shortage of procurement expertise in the AG’s office, procurement audits are not carried out regularly.
- *Elements of this activity* to be financed include the employment of a consultant to assess the current procurement oversight capacity within the PPA, procurement of a vehicle for monitoring and projects for training, as well as printing and photocopiers.
- The *expected outcome* of this activity is improved compliance with procurement procedures leading to better value for money.

Sub-component 2.5: Strengthening Payroll and Pensions Management (US\$0.9 million)

59. *Objective.* The objective of this component is to enhance the integrity of payroll and its compliance with the approved establishments.

60. *Current Status.* Payroll has been upgraded from Oracle V 11 to V 12; payroll has been integrated with GIFMIS; Electronic establishment registers for 70 percent of the public service, pertaining nine public services, has been implemented in the HRMIS; integration of these registers with the payroll is at advanced stages of completion; payroll technical assurance by the CAGD has been carried out and most of the recommendations of the KPMG consultants have been implemented; another round of more comprehensive audit, including Integrated Product and Process Development (IPPD) 2 and 3, is planned for completion.

61. The Government has prepared a detailed Payroll Cleaning Plan, which is already being implemented under supervision of the Ministerial Committee of the Cabinet. Under this plan, the data cleaning exercise for verification of bank accounts has started, resulting in suspension of 2690 employees from the payroll, till verification by the respective ministries. However, planned physical verification of employees will be a major exercise, involving several iterations of field visits and biometric and physical verification to be carried out under this project.

62. *Activities to be Financed.* The focus in this area is to strengthen the integrity of the payroll, and ultimately its consistency with the approved establishment. This will have a significant impact on overall fiscal management, as the wage bill constitutes around 70 percent of public spending in Ghana. Key area for financing under the project, apart from maintaining a single payroll platform under sub-component 2.1, will involve the conduct of annual payroll verification audits – verifying that the names on the payroll are supported by existing employees so as to eliminate ghost workers and thus further strengthen the systems controls.

63. *Expected Outcomes.* The outcome of this will be to enhance fiscal sustainability through control on the wage bill in compliance with the budget. This will be complemented by actions under the IMF program, and Government own efforts outlined in the CAGD strategy on payroll controls.

Sub-component 2.6: Improving Financial Reporting and Asset Management (US\$0.8 million)

64. *Objective.* The objective of this sub-component is to improve Government financial reporting in terms of completeness, consistency, and compliance with international standards.

65. *Current Status.* A roadmap for migration from the current modified cash framework being used by GoG, to accruals IPSAS has been put in place by the Ministry of Finance's (MoF) Working Group, but limited progress has been achieved. Currently CAGD financial reporting is restricted to reporting CF transactions, but, as noted in other activities, steps are being taken to exercise the option of broader reporting on all budgeted funds, including IGFs and SFs. In the longer term, reporting requirements will be revised as part of a comprehensive review of the Finance Act and Financial Administration Regulations (see Component 1). Little emphasis has yet been given to establishing systems for effective management of Government fixed assets, though a beginning has been made to establish fixed assets register using the GIFMIS fixed assets module. Capacity needs strengthening in both accounting and audit functions.

66. *Activities to be Financed.*

- To build capacity and to assist with implementation of the roadmap toward accrual basis accounting over a five year period from January 2016, the following activities will be supported by the project, implemented by CAGD with support from ICAG:
 - Development of a national professional qualification curriculum at the ICAG for public sector accountants and auditors that includes IPSAS;
 - Development and implementation of IPSAS-based Continual Professional Development (CPD) program;
 - Establishment of a laboratory at the ICAG for providing practical training to trainee public sector accountants through simulation techniques;
 - Upgrade of ICAG's website to provide technical knowledge and access to latest learning materials to all professionals in the country; and
 - Technical assistance on IPSAS rollout and implementation.
- On asset management, the project will support continuing steps to establish a basis for management of Government fixed assets through the following activities:
 - Deploying the GIFMIS Fixed Assets module to all MDAs and MMDAs, initially to establish a sound basis for inventory management, but also as an important step toward accrual basis accounting and financial control;
 - Development of a national policy for management of Government assets that would be the basis for further development of asset valuation, depreciation policy, and management on an accruals basis; and
 - Training in asset management for MDAs, MMDAs, and the Office of the Administrator General.

67. *Expected Outcome.* The project will have supported the CAGD to transition to IPSAS-based standards as well as established a clear road map towards establishing IPSAS-compliant accrual-basis accounting.

Component 3: Reinforcing Financial Oversight and Accountability (US\$2.0 million). The objective of this component is to enhance external audit capacity as well as legislative oversight over budget management.

Sub-component 3.1: External Audit Capacity Strengthening (US\$1.4 million)

68. *Objective.* The objective of this sub-component is to strengthen the financial oversight role of the GAS to enable them to carry out comprehensive performance and systems-based audit on all Government financial operations. Broadly speaking the component aims at building the capacity of GAS for effective scrutiny and transparency in the management of public finances, and facilitating collaboration between GAS and other accountability agencies.

69. Support under this sub component focusses on the strengthening of the financial oversight role of GAS and improve co-ordination with other statutory oversight bodies and the follow-up on response to audit findings on public accounts. The activity of GAS under this component will be complementary in supporting the broad oversight mandate of key institutions such as IAA and PAC.

70. In addition, the project will provide funding targeted at building the capacity of the audit staff to use ICT tools in their operational work and develop the ability and skills-set required to undertake specialized audits such as procurement audit, forensic audits other more specific audits including payroll audits etc.

71. The use of CAATs and other data generation and analytical tools is most critical if the GAS is to effectively perform its oversight functions on the GIFMIS Platform and other electronic systems being implemented by the Government. Toward this end, the focus of this component will be to provide adequate training, consultancy and other logistical support to the GAS in undertaking electronic audits using software and other data analytical tools and techniques. The project will also consider funding partnerships between the GAS and private audit firms to help clear backlogs of unaudited accounts, if any. The partnership arrangements and joint audits will help the Supreme Audit Institution (SAI) exchange ideas on improving upon its methods and approaches particularly for performance audits and other specialized audits. As part of supporting the broad mandate of oversight the intervention will assist in providing technical assistance to GAS to improve their briefings and presentations to parliament and PAC.

72. *Current Status.* Given the ongoing reforms, and other related activities on the public financial management landscape in Ghana, such as the introduction of the GIFMIS, adoption of IPSAS, move to accrual accounting and more commitment towards fiscal decentralization, etc., these have a direct impact upon the GAS's ways of working. There is thus the need for targeted and more focus support by donors in supporting the GAS to better perform its oversight role and mandate.

73. The GAS as the Supreme Audit Institutions plays an important role in strengthening public sector institutions by confirming that controls are operating effectively, identifying waste and suggesting ways in which Government organizations (MMDAs) can operate better. In addition, the GAS also plays a role in mitigating donor risk (both fiduciary and developmental) - particularly when development funds are channeled through Government systems. A critical area will be more emphasis on the adoption, and operationalizing of risk based audit methodology using electronic audit tools. It is for these reasons that the project seeks to support the Ghana Audit Service in carrying out its constitutional mandate and oversight functions.

74. The Risk-based audit methodology has been accepted by the African Organization of English-speaking Supreme Audit Institutions (AFROSAL-E) as an efficient and cost-effective regularity audit methodology in public sector auditing. It provides a systematic and professional approach for risk identification and evaluation within the systems and operations of the audited entity. AFROSAL-E has developed the Regularity Audit Manual (RAM) to provide guidance to member-SAI in applying the risk based audit methodology. The GAS, in 2009 customized the AFROSAI-E RAM to suit local conditions, including the legal framework, and has since been

using the RAM in the conduct of audits of public organizations and institutions. The project will support the GAS by providing technical assistance in revising or adapting these audit manuals.

75. *Activities to be Financed.* The following specific activities shall be financed under this sub-component: (i) provision of continuous training of GAS staff in electronic audit techniques; (ii) acquisition, installation and deployment of appropriate CAATs and other AMIS; (iii) undertaking of selected performance and specialized audits using the electronic tools; and (iv) strengthening capacity of the audit teams in completing audits of MMDAs within the statutory deadline of 6 months after end of fiscal year, through additional bought-out technical assistance

76. *Expected Outcome.* It is expected that through the interventions, the project will be able to: (i) build the capacity of GAS for timely completion of MMDA audits, (ii) strengthen the interface of the function with other Parliamentary oversight committees to effectively discharge their oversight functions, with a strong focus on compliance with financial controls; and (ii) provide additional operational resources and tools (e.g. computers hardware, software) to roll out the training and capacity building programs for improving the ICT skill of staff of GAS.

Sub-component 3.2: Legislative Oversight (US\$0.6 million)

77. *Objective.* The *objective* of this sub-component is to enhance the capacity of the Legislature to exercise appropriate oversight over both upstream and downstream PFM processes to ensure transparency and accountability in PFM. The sub-component will focus on strengthening the operational capacity and effectiveness of the PAC, the Finance Committee (FC) of the Legislature. The project will support the Legislature's capacity to scrutinize the national budget, fiscal reports, and audit reports.

78. *Current Status.* During the last decade, there has been improvement in the work of the legislature in performing its oversight functions in relation to the budget and audited financial statements of Government. These oversight functions have been provided by the Finance and the Public Accounts Committees, respectively. The two committees working in conjunction with other committees lead on financial transparency and accountability issues and demand transparency and accountability from public institutions and the executive. Both the Finance Committee and the PAC have dedicated secretariats for administrative and secretarial support. The Research Department has also assigned one research officer to both committees. . However, neither the Research Department nor the secretariats of the FC and other Select Committees have the capacity to critically analyze the budget submitted by the executive and assess the linkage of the budget to the medium term Government plans and strategies.

79. *Finance Committee (FC)* – The committee's main responsibility is to examine issues relating to finance and the economy. With regards to the national budgeting process, it plays a significant role in reviewing the Government' budget estimates when submitted to parliament. The committee's performance has improved over time and presently they are able to carry out their review within the stipulated timeline provided under the FAA. This notwithstanding, there are outstanding challenges faced by the FC in carrying out their work; these include: uneven capacity to analyze budget documentation; and inadequate capacity to evaluate the budget document for alignment with the PRS.

80. The project will therefore support the FC in the following areas and activities:

- Establishing a Budget Unit within the Research Department. The Budget Unit will be equipped with furniture and office equipment (computers, photocopiers etc.). Technical assistance will also be provided in the form of two economists to develop capacity to analyze budget documentation.

- Strengthening the FC Secretariat - provision of some office equipment (computers, photocopier etc.); specific training for support staff of the FC Secretariat.
- *Enhancing the capability of FC members to carry out their functions effectively:* by training FC members.

81. *Public Accounts Committee (PAC)* - The work of the Committee has improved over the last several years and, presently, there are no back logs of un-reviewed audit reports with the PAC. However there are some delays in the timeliness of finalizing the report of the Committee after the hearings, and the effectiveness of their scrutiny and follow up action will require remedial measures. The PAC is currently working on the last submitted audited financial statements of the CF, which is the report for the fiscal year ended December 31, 2013. The Committee undertakes public hearings in Accra and also conducts some of its public hearings at the regional levels to ensure that their work and the importance of overall PFM accountability issues are appreciated by MMDAs and the entire citizenry.

82. The current challenges faced by the PAC include; (i) inadequate technical expertise to effectively scrutinize and interrogate the audited financial statements; (ii) no guidelines for training of new parliamentarians on PAC's mandate; (iii) no effective mechanism to ensure recommendations are implemented; and (v) inadequate office equipment to support their work.

83. This sub-component will therefore support the PAC in the following areas and activities;

- *Strengthening the operational effectiveness of the PAC:* by the provision of technical assistance to support the PAC in their work – this will include the recruitment of consultants, and the activities will cover – carry out technical review of audited financial statements to help focus PAC members on the critical issues that need addressing; develop guidelines for technical review of audited financial statements and train support staff of the PAC on their use.
- *Strengthening the PAC Secretariat and other support systems:* by the provision of some office equipment (computers, photocopier, etc.); specific training for support staff of the PAC; the enhancement of the parliamentary website to help public access to parliamentary information, including PAC reports.
- *Development of a PAC Manual/Guideline:* Prepare a guideline to be used by newly PAC members to guide them in the review and scrutiny of audit reports.
- *Enhancing the capability of PAC members to carry out their functions effectively:* by training PAC members to enhance their capacity to be more effective in their work.

84. *Expected Outcome.* Enhanced legislative oversight leading to improved accountability of the executive in the management of public finances. *Indicator:* Level of legislative scrutiny of annual audit reports (PI-28).

Component 4: PFM Reform Coordination and Change Management (US\$7.6 million). The objective of this component is to provide a continuing institutional and coordination basis for overseeing the implementation of the PFMRS as a whole, as well as manage the implementation of the proposed project.

Sub-component 4.1: Project Management and Reform Coordination (US\$2.1 million)

85. *Objective.* The objective of this sub-component is to provide a continuing institutional and coordination basis for overseeing the implementation of planned activities from the PFMRS being financed by this project. Thus it will ensure that adequate project management is in place

for the implementation of the project. More specifically, it will support timely preparation of annual work plans and related budgets which will underpin the project procurement plan and M&E of project progress. When doing so, the component will also be responsible for preparing the annual training plan to be submitted to the Task Team Leader for review on an annual basis. It will include the management of fiduciary aspects of the proposed project which will amongst other things include rigorously following proper procurement methods and timely processes are followed; project audits are undertaken as well as ensuring that compliance with the financial management and procurement obligations under the project are followed. The sub-component will also be the coordinating authority responsible for monitoring and evaluation of all project activities and ensure that planned results are being attained. The component will also provide required training to various program staff that are key to implementation of the project.

86. *Current Status.* Under the GIFMIS project, a PMU was created to coordinate implementation of the activities of the project. The PMU served as the central anchor point for the project management as well as coordinator of the various PFM reform activities being undertaken across Government. Director is in place and is supported by various staff specialists in financial management, procurement, monitoring and evaluation. With the completion of the PFMRS for the entire Government, the Director of the unit will serve under the Chief Director in the Ministry of Finance to manage the project. Chief Director will be the overall PFM Government coordinator. It is anticipated that the staff in this unit will be moved over to the newly renamed 'Public Financial Management Reform Coordination Office' (PFMRCO). Thus, the Chief Director will be responsible for the overarching strategic coordination and oversight of the project.

87. *Activities to be Financed.* The sub-component will finance all inputs related to the following: logistics pertaining to implementation across components, overall coordination of the implementation of the respective activities articulated in all other components, including procurement of hardware and software, where necessary, organizing training and sensitization sessions in conjunction with the concerned program managers on topical issues, organizing meetings to review and evaluate what the project has achieved on a monthly basis as well as coordinating the consolidation of individual program progress reports inclusive of monitoring and evaluation reports. The sub-component will also finance the operating costs of managing the coordination of the project's implementation as well as the required technical assistance to the PFMRCO.

88. *Expected Outcomes of the sub-component* will be the availability of a strong coordination of the overall PFM reform and the reforms supported under the project.

Sub-component 4.2: Monitoring, Evaluation and Communication (US\$0.4 million)

89. *Objective.* The objective of this sub-component is to support management of the PFMRS and more generally implementation of the PFMRS through effective tracking of project implementation performance as well as the implementation of the PFMRS as a whole. This will allow the timely provision of quality feedback to Reform Coordinator, project and program management, and all stakeholders and the public.

90. *Current Status.* A good basis for both M&E and communication has been established under GIFMIS. The new project and its operation within the PFMRS will present additional challenges, but the lessons learned through the successful implementation of the GIFMIS platform will be transferable to the next phase of PFM development. Some technical assistance will be needed to ensure successful application of the techniques to the broader scope of PFM management

91. *Activities to be Financed.* M&E and Communication will play critical roles in a range of tasks: implementing the PFMRP; overall monitoring of the implementation of the PFMRS; guiding the establishment of M&E processes in all projects undertaken as part of PFMRS; and ensuring regular reliable reports to management and stakeholders. Support under this sub-component will include the following activities:

- International TA to:
 - Strengthen M&E capacity to report to management and DPs on progress in achieving the PFMRP Results Framework goals and milestones as per indicators defined;
 - Assist in preparing the PFMRS Action Plan and its use as a basis for discussions and negotiations with DPs regarding financing elements of the Action Plan;
 - Develop a framework for updating the overall Action Plan and the role of different DPs in different elements of the Action Plan;
 - Develop procedures for periodic review of the PFMRS as its implementation proceeds;
 - Establish a database of results and data on PEFA assessments that can be updated for regular self-assessments of elements of PEFA and can be used by the periodic external PEFA assessments; and
 - Strengthen the Communication Unit's capacity and help develop closer links with M&E regarding areas of slow progress by developing appropriate change management strategies and strengthening communication skills with regard to publicizing progress on the PFMRCP and the overall progress of the PFMRS.
- To use the TA and undertake these activities effectively, the PFMCU will provide direction to the M&E unit on detailed action plan preparation and monitoring of the PFMRCP; and ensure that stronger links are established between M&E and Communication. The TA will also provide support to the M&E unit of the PMU to adequately address implementation issues identified in the progress reports that will also feed into the overall PFMCU's overarching M&E reports.

92. *Expected Outcome.* Establish an M&E and Communication capacity within the project to guide implementation and which can be sustained as a key element of the PFMRCO (and, in the longer term, for the MoF) to implement the current PFMRS and provide a basis for continuing development of the PFMRS and engagement of DPs in a coordinated process.

Sub-component 4.3: Project Financial Management and Procurement (US\$0.1 million)

93. **This sub-component will support the implementation of the financial management and procurement arrangements for the project.** Financial reporting under the project will follow the current GoG Chart of Accounts and other reporting templates and formats as recommended by CAGD. Procurement will be carried out in accordance with World Bank's Guidelines. Activities to be financed will be limited to short-term procurement consultants to support preparation of complex procurement documentations under the project. Financial management will be carried out using the GoG accountants at no cost to the project.

Sub-component 4.4: Just-in-time Change Management (US\$5.0 million)

94. Successfully implementing PFM reforms require the collaboration of a multiplicity of actors, attitudinal, institutional and policy changes. To achieve these will require the implementation of new and arising interventions that will be needed during the life of the project

and that can facilitate and scale up the process towards achievement of the project's objectives. For example, stakeholder engagements, that cut across all components, national dissemination of incentives and outcomes arising from key project interventions, establishing a nexus of the reforms to the wider public sector reform initiatives that will engender better and sustainable outcomes from the implementation of this project, and delving deeper into supporting critical PFM reforms in select service delivery MDAs, will augment the objective relevance and outcomes of the PFM project.

95. *Objective.* The focus of this sub-component is to provide the just-in-time interventions in new and arising reform activities as well as problem-driven issues that will be critical to leveraging the achievements of each of the components and sub-components of the project.

96. *Current Status.* The activities designed under the project, while largely comprehensive, are not wholesomely exhaustive since circumstances change overtime, requiring re-orientation of intervention models to cater to new and emerging reform actions. The lessons learned in the implementation of the GIFMIS demonstrate that a number of critical stakeholder engagements were not capable of being funded out of the various sub-components due to the discrete nature of the funded activities. The approach taken was primarily technical in the past, whereas the root causes of most PFM problems are clearly political in nature. This therefore necessitates the introduction of a new sub-component that will bring a problem-driven outlook to the reform effort.

97. *Activities to be Financed.* The sub-component, through consultancies, provision of goods, and dissemination workshops, and targeted training, will finance: (a) in-depth PFM support for key service delivery agencies like Ghana Education and Ghana Health Service, through the identification of critical problems they experience in expenditure management processes at the centralized and decentralized levels, as well as the collective definition of home-grown, context-sensitive solutions to these problems;; (b) stakeholders' workshops for better dissemination of PFM reform actions across all frontiers supported under the project; (c) ad hoc implementation needs, necessitated by changes in Government policy, across each of the first three components; and (d) support to the Government to implement policy reform changes introduced under development policy financing operations of donors as well as those introduced under the IMF Program.

98. *Expected Outcome.* Implementation of the sub-component will address the financing shortfalls for new and emerging activities that will contribute to delivering on the full intermediate and/or final outcomes under the project.

ANNEX 3: IMPLEMENTATION ARRANGEMENTS

Institutional and Implementation Arrangements

1. **This PFM project responds to the required reform actions that have been articulated in the PFMRS document of the GoG**, and the Government's objective of promoting efficiency and minimizing the administrative bottlenecks in the implementation of the PFM reforms. To this end, the institutional arrangements for the implementation of this project are being simplified and streamlined, based on the lessons learnt during the implementation of the GIFMIS project, to provide for the orderly coordination in the implementation of project activities and completion of deliverables.

2. **The Ministry of Finance, under the leadership of the Minister, and supported by a PFMRCO, through the administrative authority of the Chief Director, will be responsible for the overarching strategic coordination and oversight of the project.** The specific details for the institutional and implementation arrangements to support the project are summarized below:

3. *PFM Reform Steering Committee:* A PFM Reform Steering Committee (PFMRSC) – was established to provide strategic guidance and oversight to the reform implementation process. This Committee will help in addressing inter-ministerial issues pertaining to the entire PFM reform agenda of Government. It will also ensure the full engagement of all major organs of Government for effective control and management of public finances. It will be responsible for the overall policy coordination and policy guidelines for the project in particular, and for PFM reforms in general. It will also be the forum for addressing strategic issues that hamper implementation of project activities. The PFMRSC is expected to meet at least three times a year. The PFMRSC will be chaired by the Minister of Finance with membership at Cabinet level drawn from major spending ministries (such as Education, Health, Local Government, Energy, Roads and Highways). It will also include the Minister of Justice, Auditor General, Commissioner General of GRA, the PPA and others. Other stakeholders may be invited to attend PFMRSC or sub-committee meetings as required. Regular reports and briefings will be provided to the Steering Committee by the PFMRCO. The PFMRSC will review, approve and cause the publication of annual progress reports on PFM reforms at least two (2) months after the end of the year.

4. *PFM Technical Committee:* A PFM Reforms Technical Committee (PFMRTC) was established. The Technical Committee will review and evaluate all technical issues related to the implementation of PFMRS and make recommendations to the PFMRSC for consideration. The work of this Technical Committee will extend to activities of the existing PFM Sector Working Group where Development Partners are represented.

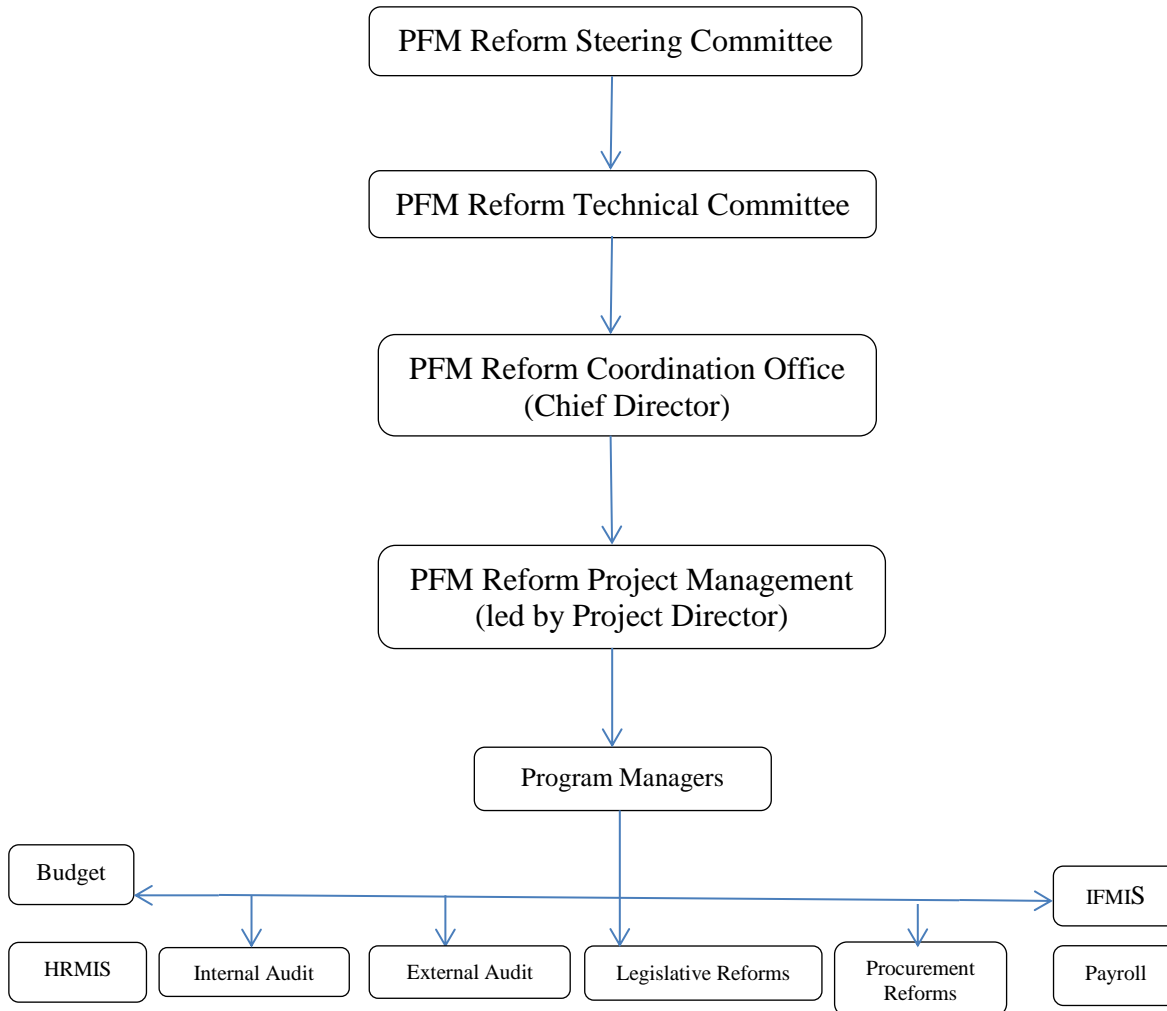
5. *PFM Reform Coordination Office:* A PFMRCO was established under the leadership of the Chief Director of the Ministry of Finance. The key role of the PFMRCO will be to coordinate and consolidate key reform PFM reforms. This will be the forum for confirming project goals and objectives; monitoring resources, work plans and budget; reviewing progress reports; endorsing milestone achievements; resolving escalated issues, ensuring synergy between components, championing any business changes that may be required.

6. *PFM Reform Project Management:* A Project Director will be appointed who will be responsible for the overall project coordination and lead the project management team. In this

regard, the day-to-day management of the project will be the responsibility of the Project Director who will report directly to the Chief Director. He will also regularly brief the PFMRCO on progress of the reforms supported under the project. The Project Director will lead a project management team comprising, inter alia, procurement officers, financial management specialist and a monitoring and evaluation specialist. The current GIFMIS Secretariat, enhanced to cover related activities under the wider reform initiative, will be transformed into the World Bank's PFM Reform Project Management Team. The functions of the project management team will be to coordinate the preparation of AWPBs, coordinate the preparation of progress reports for the consideration of the PFMRCO, preparation of annual PP, preparation of quarterly interim financial statements, preparation of annual project accounts, responsible for the timely conduct of annual audit of the project accounts and timely submission of same to the World Bank and to the PFMRCO. The Project Director will be the principal point of contact with the World Bank's TTL for the resolution of Project issues on a day-by-day basis (including requests for no-objections). S/He is also responsible for escalating project issues, where necessary, to the PFMRCO.

7. *Program Management:* Program managers will be appointed to oversee the implementation of project activities in each sub-component or theme of the project. The themes are: IFMIS; Budget; HRMIS; Payroll; Internal Audit; External Audit; Procurement Reforms; Legislative Oversight. Each Program Manager will be responsible for the implementation of activities under him/her and will be reporting to the Project Director.

Figure 4: Project Organizational Chart



Financial Management and Disbursement Arrangements

8. The MoF will be the primary executing agency for the project, ensuring that the project development objectives are achieved. However within the MoF, the newly created PMU, headed by a Project Director, will be tasked with the overall operational responsibility for day-to-day implementation working in close collaboration with other beneficiary agencies and program managers i.e. CAGD, IAA, OHCS, PSC, GAS, etc. In the same vein, the overall financial management responsibility will be handled by the Project Accountant of the PMU. The responsibility of the Project Accountant is to ensure that, throughout implementation, there are adequate financial management systems in place which can report adequately on the use of project funds. The Project Accountant will also be responsible for maintaining and operating the project’s designated account (DA) and make payments to contractors and service providers and verifying and authorizing payments for all contracts and activities under this project. The Project Director with the assistance of a Principal Accountant will have oversight responsibilities with regards to ensuring compliance with financial covenants such as submitting Interim Unaudited Financial Reports (IUFs), maintaining internal controls over project expenditure, and processing the engagement of external auditors (GAS). As the allocation of project funds to the

external audit (GAS) subcomponent is minimal (US\$1.4 million) and the funds will not be managed by the GAS but by the project financial management unit that reports directly to the Project Director at the MoF, and in a single DA, there will be no requirement for use of a private sector auditor to audit the sub-component. Based on the financial management assessment, the overall project financial management arrangement is rated as moderate.

9. **Project Risk Assessment and Mitigation.** The Systematic Operations Risk-Rating Tool (SORT) summarizes the risks and risk mitigating measures for the FM aspects of the Project. The Inherent and Control risks are both rated as ‘Moderate’ and, therefore, the overall project risk is considered ‘Moderate’. Similarly Internal Controls (included in Control Risk) are also rated ‘moderate’ as there is a strong presence of internal auditors in the strengthening of systemic controls on all expenditures from the CF and all its sub-funds.

10. **Summary Financial Management Assessment.** As stated earlier, the project intends to adopt fully the borrower’s own PFM systems. A summary of the key findings of the financial management assessment is presented as follows:

11. **Budgeting Arrangements.** The MoF and, by extension, the PMU follows the budget preparation guidelines as per the Financial Administration Act (2003), the Financial Administration Regulation (2004) and also the annual budget guidelines issued by the Ministry of Finance. Specifically for this project, the overall budget will be determined between the GoG and the World Bank as part of the project allocation, whilst the annual budgeting will be done in line with the Government’s existing budget timetable as part of the regular budget submission of MoF. On an annual basis the PMU will prepare and submit a budget, based on approved annual work plans, to the PSC for approval, and after which it will be forwarded to the Bank for reference purposes. The budget line for which the funds are to be allocated for the project should be clearly identified and reported upon as part of the MoF Budget allocations under a sub budget category. The project expenditures will be reflected in the GoG budget according to functional and object classification codes to capture expenditures for activities in line with the Government CoA.

12. **Accounting Arrangements.** The Project Director - Project Management Unit (PMU) - will be responsible for overall fiduciary aspects of the Project, whilst daily operational accounting functions will be managed by the Project Accountant. Accounting and financial reporting for the proceeds of the credit will follow the existing GoG accounting policies and rely on the existing systems including the GoG Chart of Accounts, approval processes, payment vouchers, and authorization limits etc. In terms of accounting systems, the project will rely on the Oracle Financials software to support financial accounting and reporting. The maintenance of the accounting and transactions recording will be exercised through the GIFMIS. The use of the GIFMIS will enable the timely preparation of periodic reports related to the overall project expenditures. Government’s accounts are maintained on a form of modified-cash basis, with the majority of transactions recorded when funds are received or paid (cash basis). Although a cash basis of reporting, being a bi-product of the modified cash basis of accounting, will serve as the reporting requirements under the project, the financial statements will provide adequate disclosures by way of detailed notes on commitments and obligations outstanding at each reporting period.

13. **Internal Control and Internal Auditing.** In line with the decision to adopt the Use of Country Systems (UCS) for implementation, the project’s internal controls will rely on the Government established accounting and internal control guidelines as documented in the Financial Administration Act (2003), the Financial Administration Regulation (2004), Public

Procurement Act (Act 663) and informed by the Internal Audit Agency Act (2003). Presently the PMU does not have a functional IAU but will, as an interim measure, continue to rely on the internal audit staff of the CAGD to perform that role. It is envisaged that in order to strengthen the PMU, the Unit will request for internal audit staff to be appointed from the IAA.

14. **With the use of GIFMIS, which has a system-based budget execution functionality in place - starting from budget releases to expenditure commitments, payment processing, accounting, and reporting - there are systems-based in-built controls designed to ensure that budget checks are made before any expenditures are committed.** Also, the financial management system provides for segregation of duties (work flow) in the expenditure processing cycle, while ensuring the monitoring of cash availability at any given time.

15. **Adequacy of internal controls in Government has never been questioned, except that the internal auditors have traditionally been focusing on pre-payment audits and compliance rather than on systemic issues.** This form of expenditure validation, as part of the payment processing arrangements, coupled with ex post systemic and risk-based audit, will be instituted to cover all expenditures control areas. Lack of adequate focus of internal auditors on risk is an area that the Government seeks to manage to ensure that the role is not limited to transactional reviews (pre-payment auditing) but adds value to the overall control environment.

16. **As an additional oversight of the fiduciary controls,** the ARIC for the MoF/CAGD will have oversight on the use of project funds to ensure compliance and also to follow up on audit findings.

17. **The conclusion of the assessment of the IAU of CAGD indicates that the internal audit and control environment is adequate for project implementation;** however the unit will need to be strengthened to be able to conduct risk assessment and update their skills and competencies in ICT based audit techniques.

18. **Funds Flow and Disbursement Arrangements.** The proposed project will be financed by a US\$45 million equivalent IPF. Proceeds of the credit will be used by the Borrower (MoF) for eligible expenditures as defined in the Financing Agreement and further detailed in the respective annual work plans and budgets. Disbursements and funds flow will follow the standard World Bank procedures using a dedicated and segregated designated account in the form of dedicated sub-account of the SCFA of the GoG. This account would notionally be part of the Government CF and should be reported upon as such and rolled up to the CF Account being held by the CAGD Treasury. This account will be operated by the project in line with GoG processes and procedures. The signatories to the account will be the (i) Controller/Deputy Controller (*depending on the value of transaction*), (ii) the Project Director and (iii) the Project Accountant.

19. **Funds for implementing activities will be channeled to a DA operated and maintained by the MoF/PMU and managed by the Principal Accountant.** Based on the assessment of financial management, the proceeds will be disbursed to the project using *report based disbursement* (IUFRR) arrangements with flexible disbursement ceilings. The initial disbursement and ceiling will be based on the expenditure forecast for six months (subject to the Bank's approval of the estimates). Subsequent replenishments of the DA would be done quarterly based on the forecast of the net expenditures for the subsequent half-year period. *Additional instructions for disbursements will be provided in a disbursement letter issued for this project.*

20. **Disbursement Arrangements.** Proceeds of the facility will be used for eligible

expenditures as defined in the Financing Agreement. Disbursement arrangements have been designed in consultation with the Government, after taking into consideration the assessments of current state of PFM Reforms and also the MoF/PMU’s financial management capacities, and anticipated cash flow needs of the project. There shall be one single disbursement category, i.e. ‘Goods, consulting services, non-consulting services, training, operational costs’ covering all four components. The following disbursement methods may be used under the financing: reimbursement, advance, direct payment and special commitments.

Table 5: Disbursement Categories

Category	Amount of the Credit Allocated (Expressed in SDR million)	Percentage of Expenditures to be Financed by the Credit (Inclusive of Taxes)
(1) Goods, Non-Consulting Services, Consultants’ Services, Operating Costs, Workshops and Training for the Project	32.7	100%
TOTAL AMOUNT	32.7	

21. **Retroactive Financing.** At the request of the GoG, it has been agreed that retroactive financing shall be applicable for up to **20 percent** of the total project cost (US\$9 million). The starting point for determination of the eligible expenditures for purposes of ascertaining the retroactive financing amount will be equivalent to the actual eligible expenditures incurred and paid for not more than 12 months before the expected date of signing of the Financing Agreement. The eligibility of claiming retroactive finance will be based on a review of the expenditure by the Bank to confirm if they followed IDA procurement and financial management guidelines.

22. **Financial Reporting Arrangements.** Financial reporting under the project will follow the current GoG Chart of Accounts and other reporting templates and formats as recommended by CAGD. Even though the project is adopting the country systems, it is expected that the project should be able to generate adequate project-specific financial reports. This should be possible since the sub-CF account will be operated and managed by the Project Director.

23. **The Project Director will be required to prepare and submit separate quarterly IFRs to account for activities funded under this credit.** In addition to the IFRs the MoF/PMU will report quarterly (within 45 days of end of each fiscal quarter) to the World Bank on the implementation status of the project.

24. **The annual audited financial statements of GoG, prepared in accordance with international reporting standards, shall provide the requisite assurance of expenditures that are financed under the project.** To this end, the MoF/PMU with assistance of the CAGD, shall prepare and submit for audit, within three months of the end of the fiscal year, a statement of sources and uses of funds under the project, according to components, sub-components, activities as well as according to individual elements of the disbursement category. Adequate disclosures of commitments and obligations outstanding will also be provided.

25. **Auditing.** In line with its mandate as per the GAS Act (Act 584), the Auditor General is solely responsible for the auditing of all funds under the CF and all public funds as received by Government ministries, agencies and departments. Genrally, the capacity of the GAS is considered satisfactory. The CAGD continued, as usual, to submit annual public accounts for the

preceding fiscal year on the CF to the Auditor General within the legally established timeframe (end-March), using, largely, the IPSAS cash basis of financial reporting as an output from the modified cash basis accounting that the Government is maintaining. The statements are presented in a consistent format and the published financial statements include a statement of the accounting policies applied in the preparation of the statements along with a full set of notes and schedules that provide disclosures of the accounting standards adopted.

26. **In this regard, and consistent with the use of country FM systems, the GAS will conduct the audit of the project's financial statement**, segmentally, as part of the MoF/CAGD Annual Audit. Copies of the audit report will be submitted to the Bank, during the life of the project, not later than six months after the end of the GoG fiscal year.

27. **Conclusion of the Assessment.** A description of the project's overall financial management arrangements above indicates that they satisfy the Bank's minimum requirements under OP/BP10.00. In line with the Bank's ORAF rating, the FM risk is assessed as **Moderate**.

28. **Supervision Plan.** Based on the risk rating of the project and the current FM arrangement, it is expected that in the first year of implementation, there will be two onsite visits to ascertain adequacy of systems and how effective the country systems are being used to support implementation. The FM supervision mission's objectives will include ensuring that strong financial management systems are maintained throughout project tenure. In adopting a risk-based approach to FM supervision, the key areas of focus will include assessing the accuracy and reasonableness of budgets, their predictability and budget execution, compliance with payment and fund disbursement arrangements and the ability of the systems to generate reliable project-specific financial reports.

Procurement Arrangements

29. **Applicable Guidelines.** Procurement will be carried out in accordance with World Bank's: (i) "Guidelines: Procurement of Goods, Works and Non-Consulting Services under IBRD Loans and IDA Credits and Grants by World Bank Borrowers" dated January 2011, revised July 2014; (ii) "Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits and Grants by World Bank Borrowers" dated January 2011, revised July 2014, and the provisions stipulated in the Legal Agreement; and (iii) "Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants", dated October 15, 2006, as revised in January 2011 and the provisions stipulated in the Legal Agreement. For each contract to be financed by the Loan/Credit, the different procurement methods, or consultant selection methods, the need for pre-qualification, estimated costs, prior review and methods requirements, and time frame are agreed between the Borrower and the Bank in the Procurement Plan. The Procurement Plan will be updated at least annually or as required to reflect the actual project implementation needs and improvements in institutional capacity. In preparing the Procurement plan, the prior review and methods threshold associated with a risk rating of Substantial is applicable

30. **Procurement of Works.** NO WORKS procurement is anticipated under this project.

31. **Procurement of Goods.** The procurement will be done using the Bank's Standard Bidding Documents (SBD) for all international Competitive Bidding (ICB) and National SBD agreed with or satisfactory to the Bank. Procurement may be done under National Competitive Bidding (NCB) and Shopping depending on the thresholds. Under NCB, the project must ensure that: (i) foreign bidders shall be allowed to participate in NCB procedures without any restrictions; (ii) bidders shall be given at least one month to submit bids from the date of the

invitation to bid or the date of availability of bidding documents, whichever is later; (iii) no domestic preference shall be given for domestic bidders; and (iv) in accordance with paragraph 1.16(e) of the Procurement Guidelines, each bidding document and contract financed out of the proceeds of the Financing shall provide that: (a) the bidders, suppliers, contractors, and subcontractors shall permit the Association, at its request, to inspect their accounts and records relating to the bid submission and performance of the contract, and to have said accounts and records audited by auditors appointed by the Association; and (b) the deliberate and material violation by the bidder, supplier, contractor, or subcontractor of such provision may account to an obstructive practice as defined in paragraph 1.16(a)(v) of the Procurement Guidelines. Contracts to be procured using shopping procedures would be based on a model request for quotations satisfactory to the Bank. Direct contracting may be used where necessary, but it will be subject to Bank's no objection depending on the threshold.

32. **Procurement of Non-Consulting Services.** Procurement of non-consulting services will follow procurement procedures similar to those stipulated for the procurement of goods, depending on their nature; and using the World Bank Sample Bidding Document of Non-Consultant Services dated December 2002, revised April 2007. What bidding document will be used?

33. **Selection of Consultants.** Consultancy services would be provided under the project. In accordance with the thresholds, methods of selection will include Quality and Cost-Based Selection (QCBS) and Selection Based on Consultants' Qualifications (CQS) Selection under Quality Based (QBS), Selections under Fixed Budget (FBS) and Least Cost Selection (LCS) methods will be applied in appropriate circumstances as respectively described under paragraphs 3.2-3.4, 3.5 and 3.6 of the Consultants Guidelines. For all contracts to be awarded following QCBS, QBS, LCS, and FBS, the Bank's Standard Request for Proposals will be used. Procedures of Selection of Individual Consultants (IC) would be followed for assignments that meet the requirements of paragraph 5.1 and 5.3 of the Consultant Guidelines. LCS procedures would be used for assignments for selecting the financial auditors. Single-Source Selection (SSS) procedures would be followed for assignments that meet the requirements of paragraphs 3.10-3.12 of the Consultant Guidelines and will require the Bank's prior review and no objection for contracts \geq US\$0.1 million.

34. **Assignments Estimated to cost the equivalent of US\$300,000 or more,** would be advertised for expressions of interest (EOI) in United Nations Development Business (UNDB) on line, and in the national gazette, provided that it is of wide circulation, or at least one newspaper of wide national circulation or technical or financial magazine, of national circulation in the Borrower's country, or in a widely used electronic portal with free national and international access in English, French or Spanish. In addition, expression of interest (EOI) for specialized assignments may be advertised in an international newspaper or magazine. Foreign consultants who wish to participate in national selection should not be excluded from consideration.

35. **Capacity Building and Training Programs, Conferences, Workshops, etc.** All training and workshops will be carried out on the basis of the project's Annual Work Plans and Budget which will have been approved by the Bank on a yearly basis, and which will identify: (i) the envisaged training and workshops; (ii) the personnel to be trained; (iii) the institutions which will conduct the training; and (iv) duration of the proposed training etc., as elaborated in the enhanced accountability framework under the project.

36. **Operating Cost Procedures.** Operating Costs financed by the project are incremental

expenses related to the implementation of the project, including incremental staff cost, office supplies, operation and maintenance of vehicles, maintenance of equipment communication, rental, utilities, consumables, transport and accommodation, and travel costs and per diem. The procedures for managing these expenditures will be governed by the principles outlined in the enhanced accountability framework under the project and on the operational basis acceptable to the Bank. However, this should not be presented on the Procurement Plan but must be implemented in accordance with the enhanced accountability framework designed under the project.

37. **Implementation Arrangement.** The implementation arrangements highlight three principal implementing agencies (IA) (i) BD of MoF, (ii) CAGD under MoF, and (iii) PSC. The Ghana Public Procurement Authority, Internal Audit Agency, Ghana Audit Services as other implementing agencies have less direct beneficiary roles. The implementation structure indicates a central point (PMU) as the anchor for central management of procurement activities under the project, similar to the arrangements under the closed GIFMIS project. The principal IAs, have, in each respect, undertaken implementation of (or benefitted from) Bank-financed projects. CAGD just completed the GIFMIS project with a secretariat housing a Procurement Advisor and Procurement Officer from the CAGD throughout the project. It is noted that the proposed central implementing (PMU) shall have capacity to ensure compliance with Ghana Public Procurement Act 663 and Bank Procurement Guidelines, procedures and processes as well as the use of the associated Standard Procurement Documents.

38. **Procurement Capacity Assessments.** As part of the Bank's fiduciary requirements to ensure that implementing agencies have and continue to have adequate systems, structures and capacity to administer procurement in compliance with the Bank's Procurement and Consultants' Guidelines under the project, a procurement capacity assessment was conducted on the principal implementing agencies (IAs) namely (i) BD of the MoF, (ii) CAGD under MoF and (iii) PSC. The assessment was conducted in accordance with the Procurement Services Policy Group (OCSPP) Guidelines and the Procurement Risk Assessment & Management System (P-RAMS), where the risks (institutional, political, organizational, procedural, etc.) that may negatively affect the ability of the agency to carry out procurement was assessed, so as to develop an action plan to address the deficiencies detected by the capacity analysis and to minimize the risks identified by the risk analysis; and propose a suitable Bank procurement supervision plan for the project compatible with the relative strengths, weaknesses and risks revealed by the assessment.

39. **BD of MoF, CAGD of MoF and PSC:** These agencies are Government agencies subject to national laws and their procurement rules respond to the Ghana Public Procurement Act, 2003 (Act 663), which provides a good legal framework for the conduct of transparent and comprehensive procurement. The Act has features of good public procurement practice including effective and wide advertising of upcoming procurement opportunities; public opening of bids; pre-disclosure of all relevant information including transparent and clear bid evaluation and contract award procedures; clear accountabilities for decision making with segregation of executive and oversight responsibilities; and an enforceable right of review for bidders when public entities breach the rules. In response to the Ghana PPA 663, they have completely set up the required structures, i.e. a procurement unit, entity tender committee and tender review committees that are required by law. They have adopted and used the comprehensive procurement procedure manual that details out all procurement and supply management functions of the procurement units prepared by the Public Procurement Authority to complement the Public Procurement Act. The manual lays out: the legal framework for undertaking procurement; processes and procedures of procurement cycle management; technical and

administrative for reviews for quality control; approval processes, authority and thresholds; appeal mechanisms; warehousing and stores management; and contract management responsibilities. The mainstream Procurement Units are staffed with personnel but these have not participated/and are not participating in the Bank funded projects currently on going, as they have used the services of procurement consultants separately to support these projects, and therefore lack good experience, knowledge and understanding of Bank Procurement guidelines, procedures and requirements.

40. **Due to the value, nature, volume, complexity and coordination of the procurements under the project, there would be inherent challenges.** For this reason, the **procurement risk is rated Substantial.** The key risks for procurement include: (i) the inherent complexity of the project and the procurement activities therein; (ii) coordination difficulties in the procurement implementation across the various components by the PMU; (iii) lessons learned during GIFMIS implementation arising from the lack of use of the procurement plan as a monitoring, evaluation and management tool, therefore lacking updates to reflect procurement performance; (iv) possible delays by the IAs in preparing procurement documents, evaluation of bids and Technical Proposals, and possible weakness in ensuring contract management (supervision)/administration (monitoring) during contract implementation to completion. All these risk related issues, which were considered in the SORT, will be managed during project implementation.

Table 6: Threshold for Procurement Methods and Prior Review for Substantial Risk Rating

RISK RATING	Prior Review Threshold					Procurement Method Threshold						All-National Shortlist of Consultants
	Works	Goods	IT Systems+ Non Con. Serv	Consultants		ICB		NCB		Shopping		
				Firms	Individuals	Works	Goods + Non Con. Serv	Works	Goods + Non Con. Serv	Works	Goods + Non Con. Serv	
SUBSTANTIAL	≥\$10 Mil	≥\$1 Mil	≥\$1 Mil	≥\$0.5 Mil	≥\$0.2 Mil	≥\$15 Mil	≥\$3 Mil	<\$15 Mil	<\$3 Mil	<\$0.2 Mil	<\$0.1 Mil	≤\$0.3 Mil (All) ≤\$0.5 Mil (Engr+ Contract Spn)

41. These thresholds are for the purposes of the initial Procurement Plan. The thresholds will be revised periodically based on reassessment of the project procurement risks during implementation.

42. **Additional Notes:**

- Based on Specific needs and circumstances, shopping thresholds for the purchase of vehicles and fuel may be increased up to US\$500,000 equivalent.
- The threshold for shopping is defined under paragraph 3.5 of the Guidelines and should normally not exceed US\$100,000 equivalent for off-the-shelf goods and commodities; and US\$200,000 equivalent for simple civil works.
- CQS Threshold: The threshold for the use of CQS is determined on a case by case basis taking into account the nature and complexity of the assignment but shall not exceed US\$300,000 equivalent other than in exceptional situations in accordance with paragraph 3.7 of the Guidelines: Selection and Employment of Consultants.

- Operating expenditures are neither subject to the Procurement and Consultant Guidelines nor prior or post reviews. Operating expenditures are normally verified by the TTL and the Financial Management Specialists.
- Irrespective of the thresholds and category of risk, the selection of all consultants (firms or individuals) hired for legal work or for procurement activities are respectively cleared by the Legal Vice-Presidency Unit (LEG-VPU) of the World Bank with the relevant expertise and the designated Procurement Specialist (PS)/Procurement Assistant (PAS) or Regional Procurement Manager (RPM), as required.
- Prior Review Contracts for the Hiring of Individual Consultants: Apart from legal work and procurement assignments, irrespective of the thresholds and category of risk, which shall respectively be reviewed by Bank's LEG-VPU with the relevant expertise and the designated PS/PAS or RPM as required, review of the selection process for all other individual consultants (Technical Experts) shall be by the TTL.
- Contracts below the threshold but falling within an exception as defined in clause 5.4 of the Guidelines: Selection and Employment of Consultants are also subject to prior review or require the Bank's prior no objection.
- Special cases beyond the defined thresholds are allowed based on applicable market conditions.
- For thresholds for which a shortlist may comprise only national consultants, the Borrower does not need to publish/advertise in UNDB online.
- For procurement value less or equal to US\$ 0.3 million, the Shortlists of Consultants can all be Nationals (Borrowers); The value can increase up to US\$0.5 million in case of consultancy assignments for Engineering Design and Contract Supervision
- Single Source (firms, individuals) and Direct Contracting of value \geq US\$0.1 million are subject to Bank prior review and no objection.

43. **Frequency of Procurement Supervision:** In addition to the prior review supervision which will be carried out by the Bank, the procurement capacity assessment has recommended one supervision mission each year to visit the field to carry out post-review of procurement actions and technical review. The procurement post-reviews and technical reviews should cover at least 15 percent of contracts subject to post-review, as the risk rating is **Substantial**. In addition, post-reviews of in-country training will be conducted from time-to-time to review the selection of institutions/facilitators/course contents of training, and justifications thereof and costs incurred. Post review consist of reviewing technical, financial and procurement reports carried out by the Borrower's executing agencies and/or consultants selected and hired under the Bank project according to procedures acceptable to the Bank.

44. **Contract Management and Expenditure Reports.** As part of Procurement Management Report (PMR), the PMU will submit contract management and expenditure information in quarterly reports to IDA. The procurement management report will consist of information on procurement of goods, non-consulting services and consultants' services and compliance with agreed procurement methods. The report shall give a snap-shot summary of the stages of procurement progress from planning to contract completion. The report will compare procurement performance against the plan agreed at negotiation and as appropriately updated at the end of each quarter. The report will also provide information on complaints by bidders,

unsatisfactory performance by contractors and suppliers, and any information on contractual disputes.

45. **Publications of Awards and Debriefing.** Publication of contract awards of the bidding process and debriefing for all ICB procurements, and also for all consultants' contract for hiring firms, will be carried out in accordance with World Bank's Guidelines: Procurement of Goods, Works and Non-Consulting Services under IBRD Loans and IDA Credits and Grants by World Bank Borrowers" dated January 2011, revised July 2014; and (ii) "Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits and Grants by World Bank Borrowers" dated January 2011, revised July 2014. Publication of results of other procurement activities, including debriefing shall be subject to the stipulations in the Ghana Public Procurement Law of 2003, Act 663.

46. **Fraud and Corruption.** All procuring entities as well as bidders and service providers, that is, suppliers, contractors, and consultants, shall observe the highest standard of ethics during the procurement and execution of contracts financed under the project in accordance with paragraphs 1.16 of the Procurement Guidelines and paragraphs 1.23 of the Consultants Guidelines. Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants, dated October 15, 2006 shall apply to the project.

ANNEX 4: IMPLEMENTATION SUPPORT STRATEGY AND PLAN

Background

1. Implementation support to the various programs being financed by the Bank is the function of the Government of Ghana. Owing to mutual benefits that derive from the same, the Bank has some responsibility through its task teams to provide adequate implementation support to project. Such support will aim at achieving the following objective:

- Help Government increase development impact of the project through (a) improved results; (b) better implementation and risk management; and (c) increased institutional development whilst ensuring compliance with Financing Agreement of the project.

2. As such, implementation support will revolve around two main dimensions:

- Providing high quality technical advice by which the Bank brings added value to Government through providing technical assistance and policy advice on capacity building activities which could lead to improved results at project level or the sector being supported by the project.
- Compliance oversight by which the Bank will monitor and provide advice as necessary to Government, to implement the project with due diligence to achieve its intended development objectives in conformity with the project's Financing Agreement.

Strategy and Approach

3. An implementation support strategy has been developed as part of the design of the project to enable the Bank task team members and other participating donors play a crucial facilitation role in the GoG's implementation of the project. On a semi-annual basis, the Bank task team will conduct thorough implementation review and support mission whose terms of reference will include guidance and technical advisory support to the various implementing entities under the project across all programs, sub programs and activities. In between, the formal semi-annual implementation reviews, specialist support missions will also be conducted to provide additional intimate support to Ministry of Finance and the various implementation teams. The task team members will respond to any challenges they may be facing and provide ample guidance accordingly. The task team members will also follow up on the status of implementation of agreed actions, geared to delivery on results which will constitute a cardinal focus of all implementation support missions.

4. The implementation support team members will focus on critical risks to achieving the project results and how those risks can be managed through monitoring or addressed during implementation. Specific factors they will address will revolve around:

- Stakeholder risk factors.
- Operating environment factors such as risks posed by a country's politics, governance, societal, security, economic or fiscal issues. Further, the team members will also focus on ownership, commitment aspects and governance issues at sectoral level.
- Implementing agency factors such as project management capacity, adequacy of arrangements to monitor and evaluate progress.

- Project design factors such as nature and size of project activities, projects technical, policy and institutional complexity, degree of innovation and the degree of project decentralization.

5. Apart from the Bank's semi-annual review missions in the field and the regular implementation support visits by the Task Team Leader and other specialist members of the task team, the following will serve as the basis of the arrangement and approach for supporting the implementation of the project.

- A full time qualified and experienced Bank staff assisted by other staff with deep country knowledge in PFM will be made based at the World Bank in-country office. He/She will provide continuous support and guidance to the project implementing agencies, strengthen the Bank's oversight of compliance with the implementation covenants. The individual will also serve as the 'one-stop-shop' for, and coordination interface with the GoG counterparts on project related issues as well as serve as the coordination link between the donor partners and the Bank and be a full member of the donor PFM working group.
- Regular technical meetings arranged when necessary in between formal missions between the GoG counterparts and the task team will be put in place, to discuss matters impacting implementation risks and bottlenecks.
- Regular one-to-one interactions between in-country task team members and the implementing agencies to cater for ad hoc support requirements will be put in place.
- Synthesis of feedback on the outcome of meetings of the GoG's PFM reform steering committee will also be put in place and fed into implementation support.
- Prior reviews of procurement actions falling within the threshold as determined in the procurement plan as well as recurring reviews of procurements subject to post-review.
- Regular reviews of monitoring and evaluation reports and milestones achieved will also be put to use.
- Interim financial and progress reports, and annual audited financial statements of the project will also be used to discern progress, risks and where action is required.

6. The need to exercise reasonable flexibility in project implementation and by fine-tuning of the scope, pace, and substance of the reforms in response to changing circumstances will be agreed between the Bank team and the GoG counterparts in support of achieving sustainable outcomes. The Bank will therefore, where necessary, enter into dialogue with the GoG to restructure the project, as long as that process will better redirect the implementation actions towards achieving the project development objectives.

7. As part of the implementation, governance and coordination arrangement designed under this project, a project implementation manual will be prepared which will facilitate the implementation coordination of this project. The manual will articulate and assist in understanding of rules and guidelines, responsibilities and roles required for effective implementation of the project. The MoF will, prior to each formal Bank task team implementation support mission, provide a comprehensive progress report on the project's activities, results attained as well as an updated annual work plan, budget and procurement plan consistent with the project work plan and related costs as agreed at the outset.

Specific Responsibilities

8. On the Government side, arrangements will be put in place to kick-start management of risks and assist with implementation by:

- Establishing organizational arrangements including adequate financial management systems.
- Appointment of key staff and consultants.

9. On the Bank side, the task team will also make attempts to:

- Closely monitor performance of actions implemented by the GoG to strengthen the FM system and providing technical advice based on relevant international experiences on ways to carry out needed improvements.
- Supporting analytical work that could lead to better institutional performance in the long run.

10. To maximize resources providing implementation support, the Bank task team will take advantage of its strategic alliances in Ghana to leverage opportunities for its implementation support efforts by doing the following:

- Involving project beneficiaries in verifying project outputs where necessary.
- Establishing transparent, accessible complaint and dispute resolution mechanisms.
- Involve other development partners to organize more site visits, collaborate on project reporting or share the provision of technical assistance where necessary.

11. Coordination amongst the development partners will also be key to achieving results on the ground since their individual financed project may go along to complement what is being implemented through this project. The partners already formed a coalition through an existing PFM Sector Working Group whose role has been, among others, to harmonize and align their reform interventions to avoid duplications, sequence their support within the overall framework as defined in the holistic Ghana PFMRS, and share information on all facets of their respective country programs impacting PFM as a whole to assist in optimizing results and bring about change

12. Sustaining high quality implementation support throughout project life will be critical to assure delivery of outcomes (not merely outputs) within the project's 4-year implementation period. The task team will be led by a vastly experience and seasoned professional in PFM reforms, and will have a skills mix that is adequate and draws on rich tapestry of world class knowledge on the various subjects to cater for a thorough implementation support of this technical assistance project. The team will include economic policy and public sector specialists; IFMIS implementation specialists (technical and functional); monitoring and evaluation specialist; Budget reforms specialist; experienced public sector accounting, auditing, and reporting specialists; financial management and procurement specialists – all with experience in supporting PFM reform projects in environments similar to Ghana and beyond. The donor partners would be invited as observers during review missions as necessary.

ANNEX 5: STRENGTHENING PROJECT ACCOUNTABILITY FRAMEWORK

1. The growing focus on development results has made managing for results central to effective project implementation. It emphasizes the importance of reviewing progress towards results, learning from what does and does not work, and altering the overall plan if necessary through bringing all stakeholders on board.
2. To achieve the aforementioned, the implementation arrangements of the project have been streamlined to ensure implementation effectiveness and efficiency. A strengthened accountability framework has been put in place to ensure orderly and effective management of project funds to help attain value for money as well as ensure clarity of roles and responsibilities of key stakeholders is in place. The detailed responsibilities and clarity of roles will ensure smooth and timely project implementation. The sub-components or programs will be managed through the respective project managers under the auspices of the Project Director.
3. The objectives of a strengthened accountability framework are to:
 - Develop and implement a robust improvement in preparatory and implementation activities, accountability for the project and for all stakeholders that will assist attaining improved outcomes for the various programs being financed.
 - Develop clear accountabilities and processes leading to robust quality assurance, improved programming and target setting and where necessary bring about systemic focused intervention before it is too late.
 - Provide clarity on the subject of payment of allowances and per diems.

Annual Work Plans and Budget Preparation

4. The AWPB with the related PP will be developed in a participatory manner by each component manager. The preparation will follow key steps which will include:
 - Provision of guidelines and timetable, developed by the Project Director within the Ministry of Finance, to all thematic programs and teams.
 - The various teams will ensure that key departments and units such as procurement, finance, and others (as necessary) are involved in their thematic areas and sub-components, and are consulted and participate in the development of their work plans.
 - The thematic work plans will be discussed in a joint work plan preparation session, involving all program managers and key staff as necessary, chaired by the Project Director. This will ensure overlap issues are considered, omissions addressed, and any duplications eliminated.
 - The procurement team will then work with the various teams to prepare the related procurement plans which will be reviewed and subsequently approved before sharing with the World Bank task team.
 - The agreed AWPB and PP will then be discussed with the World Bank for its initial review, ensuring that activities are eligible for funding under the project
 - The AWPB and PP will then be forwarded to the Technical Management Committee for final approval.

- The Project Director will then submit the package of cleared AWPB and PP for a No Objection from the Task Team Leader.
- It will be important that all activities and approvals are obtained for the AWPB by the end of Year preceding the year to which the AWPB related.

Specific accountability framework for per diems and allowances

5. Weaknesses in policy design and control of spending on per diems as a way to reimburse out of pocket expenses for travel and/or training, has become a problem on most projects financed by the Bank in a number of jurisdictions. This project will adopt and implement a fair, transparent and efficient policy which provides adequate compensation for work related travel without creating incentives for personal gain or abuse. To mitigate the risk of unretired travel advances and provision of inappropriate/fraudulent documentation to acquit the travel advances, and unjustifiable claims for travel not undertaken, the project will undertake the steps listed below, which are aimed at arresting any such eventuality. The steps are as follows:

- The Ministry of Finance shall establish a standard rate for use in all Bank-assisted projects in respect of **local travel**. These rates shall also be applicable to this project.
- In respect of **overseas/foreign** travel, the applicable allowances shall be the UNDP rate which normally involves lump sum payment for hotel and per diem.
- Local and overseas/foreign travel allowances paid to project staff would not require vouching under the proposed policy framework; nevertheless, where actual travel days fell short of the travel days for which the advances were paid, the official will be required to reimburse the difference.
- Air tickets will continue to be reimbursed or paid on actual basis and used air tickets and boarding passes will need to be submitted as evidence of travel.

6. To further strengthen above guidelines, an enhanced accountability framework is put in place over expenditures in the areas of training, workshops, study tours, etc. as follows:

- At the beginning of each fiscal year, a separate training summary plan shall be developed and shared with the TTL for review as part of the annual work plan.
- All training, i.e. local and international, would require prior clearance from the Bank's TTL before they are undertaken. The request for clearance should, at a minimum, include the following:
 - A demonstrated linkage between the rationale for the workshop/training/etc. and the Development Objective of the project;
 - Identification of the part of the Annual Work Program (AWP) to which the activity falls;
 - The number of trainees, their function and mode of selection. This should also include the number of times during the past 18 months that listed trainees had benefitted from training;
 - Number of years before retirement from service of each of the trainees, if not a group training;
 - The process used for selection of training provider, and if foreign training, rationale for not proposing local training;
 - Training prospectus and reference to the beneficial outcome of the training; and

- The detailed cost of the event; if local training/workshop/sensitization, the following additional information would need to be provided: venue for the event, how venue was or is proposed to be selected, venue rental, refreshments/lunches, per diem, transport cost (air or land travel cost per trainee);
- No residential local training program will be allowed where the venue of the training is in the locality of the trainees; the preferred choice of locality should be the location of the majority of officials to be trained.

7. Only on the basis of these above submissions and TTLs' prior clearance will expenses be committed and become eligible for financing under the project.

- The coordinating unit of the project will ensure a formal process of accountability is instituted on training expenditures which will include:
 - Submission of training report by the trainee;
 - Certificate of attendance from the training institution;
 - Relevant travel certifications such as air tickets, boarding passes for air travel, etc.;
 - Direct acquisition, from the travel agent, of lowest cost economy class tickets, through electronic payment or cheque (no cash payments shall be allowed); and
 - Direct payment of tuition fees /accommodation and subsistence costs (where applicable) to training providers as well direct payments to vendors accounts for approved services
- Independent impact evaluation on project funded programs through work surveys will be done to determine the effect of training and workshops, and the application of the learning in terms of better decision-making, better understanding of new systems and improved service delivery.
- Rigorous control systems will be put in place for fuel usage where monthly reports for fuel usage shall be produced stating distances covered, purpose and how much fuel has been consumed per vehicle.
- A requirement to audit aspects pertaining to fuel, per diems, allowances and other travel expenditures will also be included in the project audit terms of reference. Specific focus will be made to the auditors to look at the following aspects:
 - The ability for the project to give opportunities to earn per diems to favored employees, friends, and kin;
 - Influencing plans and budgets to increase the use of per diem friendly strategies;
 - Planning meetings or activities in locations that require travel and per diem;
 - Seeking out ways to attend trainings which are not directly relevant to one's work;
 - Attending multiple workshops in one day without staying for all of the sessions;
 - Over-estimating days needed for tasks which earn per diem;
 - Splitting trips or creating extra trips for the same task;
 - Claiming per diem days which were budgeted, even if work is postponed or takes less time than planned; Accepting payment from two or more sources for the same activity or travel; and

- Follow up on weaknesses in audit reports pertaining per diems, allowances and any other issues.
- As for per diems and allowances, discretion shall not be allowed where managers/supervisors sign for their employees or vice versa.

Implementation and Approval responsibilities

8. **Implementation:** After approval of the AWPB, the day to day implementation responsibility for the approved activities in the AWPB will lie with the individual program managers in close collaboration with the Project Director in respect of those activities falling within their domain. The Project Director will ensure that the component heads receive all the technical support provided by the procurement, FM, and M&E staff for the implementation of their component activities. The implementation framework places overall project implementation coordination on the Project Director through the program managers. The program managers will also be held accountable for the smooth implementation of their respective programs being financed from the project. To ensure synergies and effective coordination, there will be monthly meetings of all program managers, chaired by the Project Director to review implementation progress and resolve all outstanding issues faced by the programs.

9. **Approvals:** Day to day approval of project activities will be vested in the Project Director who will ensure that those activities are part of the approved AWPB.

- S/He will provide this approval or provide reasons why approval cannot be given within one business day on receipt of such requests, for activities that do not need World Bank's prior reviews or clearance.
- S/He will also seek required Bank clearances and No Objections for activities that require them within two business days after receipt from program manager.
- S/He will also communicate within one business day after receiving response from the World Bank to the program manager responsible.
- For activities not included in the AWPB and PP, there will be clear guidelines to be followed to seek approval.

10. **Reporting relationships and responsibilities:** The Project Director will be the main interlocutor between the GoG and the World Bank on this project. H/She will be responsible for submitting project progress reports, quarterly financial reports, annual project audit reports and other reports to the Bank in line with provisions specified in the Financing Agreement. H/She will be the principal spokesperson for communicating decisions of the Oversight PFM Reform Steering and Technical and Implementation Management Committees to the World Bank and, similarly, communicating World Bank responses, correspondence and information to the relevant oversight committees of the project.

- The Project Director will ensure that relevant reports including financial reports are provided to the PFMRCO for discussion at the Steering Committee and the Technical Committee meetings.

Banking Arrangements for the Project

11. Since this project seeks to enhance and support the ongoing PFM reforms of Government, deepen the usage of country systems and strive for strengthened fiduciary arrangements, the project will use the Bank of Ghana to hold its related DA. The project will use one DA, to be managed under the auspices of the Project Director in the MoF. The DA will be

maintained in US\$ and the ceilings will be determined and set out in the disbursement letter for the project.

Internal and External Arrangements and Oversight

12. **Internal Audit:** The project will be subject to internal audit review at least twice a year. This review will be undertaken by the Internal Audit Directorate of the Ministry of Finance. Copies of the reports on the reviews undertaken will be submitted to the Bank.

13. **External Audit:** This will be done as outlined in Annex 3 on FM.

ANNEX 6: GOVERNANCE AND ANTI-CORRUPTION ACTION PLAN

1. The political economy of Ghana indicates Ghana's governance building blocks continue to be fairly weak for a middle income country (MIC) and the capacity of its public administration is well below the average of comparable MICs. Recent experiences in regard to rising incidence of judgment debts and compensation payments, poor outcomes of major public services such as electricity, water, health and education, and a cycle of Government expenditure over-runs have highlighted symptoms of both governance and institutional weaknesses. The conditions that facilitate extensive corruption continue to exist such as non-adherence to processes and procedures as enshrined in the laws, weak systems of financial management and accountability.

2. In 2014, Ghana was ranked 61 out of 175 countries surveyed for the Transparency International Corruption Perceptions Index (CPI), with a score of 48, on a scale of 0-100. The discovery of hydrocarbons and the subsequent production of oil and gas since December 2010, has propelled the issue of transparent and accountable management of public resources to the top of the development agenda and if not adequately handled could lead to renewed rent-seeking, elite capture and social tensions.

3. While Ghana's budget process is supported by a relatively sound legal framework, coupled with implementation of reforms such as the GIFMIS to improve budget comprehensiveness and management, budget deviations and arrears still characterize the fiscal cycle. Ghana has a track record of fiscal deficits that is essentially a by-product of both democratic governance and limited Government accountability. This is also a result of fiscal indiscipline, resulting in large budget deficits, which arise largely from unplanned commitments and expenditures, occurring on the back of limited political accountability and structural constraints to the country's public expenditure and financial management system. The provisions in the budget laws regarding fiscal responsibility are very limited and ineffectively enforced. Fiscal policy management problems are also manifested in large information gaps on public expenditure outcomes, incomprehensive reports on outturns and making aggregation of expenditures by program cumbersome.

4. Governance and corruption issues continue to impede developmental efforts in Ghana. At the fiduciary level, the introduction GIFMIS and the recruitment of procurement officers in various ministries has helped in significantly mitigating these issues and raising fiduciary standards. However, the weak internal controls, weak procurement, financial management capacities, and monitoring and evaluation systems continue to increase the risk of patronage, bribery and corruption.

5. Based on Ghana's political economy and project level governance assessment, the following governance and anti-corruption risks have been identified:

- Sector governance, policies and institutions: The institutional governance in policymaking in Ghana is still constrained by lack of trust, poor coordination among (and within) agencies, often magnified by information asymmetries and weak capacity. The 2013 audit reports by the GAS underscored the need for a much stronger coordination among public financial management institutions (MoF, GRA and BoG). The development of a PFMRS (2015-2018) with a focus on consolidating the gains of the GIFMIS and other PFM reforms, capacity building in all aspects of the value chain in public financial management including external audit, demonstrates the Government's commitment and determination to improve the policy coordination environment.

Significant resources from this project will be used to strengthen existing PFM areas such as IFMIS, budget formulation, debt and cash management, procurement reform, HRMIS and payroll, internal audit, external audit, legislative oversight and other issues. This will be complimented by an on-going IMF technical assistance to review the legal regime of PFM in Ghana.

- Systemic corruption, state capture and patronage: A National Anti-Corruption Action Plan (NACAP) was developed and approved by Parliament on July 3, 2014. The NACAP is expected to contextualize and mobilize efforts and resources of stakeholders to prevent and fight corruption through the promotion of high ethics and integrity as well as vigorous enforcement of applicable laws. The country began implementing a GIFMIS which is an ICT-based public financial management information system. Thus, corruption issues that are technical in nature can partly be mitigated through the successful establishment and use of internal controls embedded in the GIFMIS in order to reduce the human interface factors. Additionally, the broader political economy and corruption issues will be tackled through changes in the incentive structure of PFM reforms. The project will thus contribute to strengthening transparency and accountability within the public service.
- Weak demand for good governance (accountability): The political economy of Ghana suggests a vibrant civil society and other non-state actors in the country. However, information on the budget and public expenditure, even though uploaded on the Government's websites, is not comprehensive and available in a timely fashion. Subsequently, the demand for good governance is hampered. The recently prepared CPS noted the importance of social accountability (demand for good governance) for improving citizen engagement and voice in the management of public resources. Cognizant of this, the project will demand timely publication of budget and public expenditure information. At the same time, support will be provided to strengthen the capacity of the Legislature (Finance and Public Accounts Committees) in order to provide statutory oversight over the executive arm of Government.

6. The Project will address all the issues noted above using both the demand and supply side measures not only in project management but also in the general public financial management issues. It will strengthen the Supreme Audit Institution to consolidate the modest gains and expand the scope of audits. The capacity of the GAS will be built to undertake systems audit, use of CAAT at the national level. In addition, capacity of the GAS will be built to focus on completing audits of sub-national Governments within the statutory six months requirement. The project will also support the consolidation of the HRMIS to enhance the integrity of the payroll through the integration of the Establishment and the Payroll system.

7. On the demand side, a policy of disclosure of PFM information to the public will be vigorously pursued. This will include, but not be limited to, revenue data, expenditure data, external audit reports, information on procurement, and contract awards. In addition, proactive disclosure of project documents will also be pursued. In this regard, work plans, periodic progress reports, external implementation status reports (ISRs), aide memoires, etc. will be made public. All this will be geared towards providing accurate, comprehensive and timely data to non-state actors to enhance their advocacy activities.

ANNEX 7: SEQUENCING OF PFM REFORMS

1. The project design, as articulated in the PAD, has considered the need for proper and coherent sequencing of project implementation actions. Sequencing has two perspectives: (i) *Broad*: the fundamental functions of a PFM system should be the initial focus of a PFM reform program, each component should be seen as a building block towards an improved PFM system and sequenced accordingly; and (ii) *Narrow*: within each component, some activities should be implemented first as they enable the implementation of other activities. The over-riding sequence of the design at the broad level, is to prioritize two key elements: i) the completion of outstanding (mostly systems) elements of the GIFMIS system, including the role out of various modules; and ii) in accordance with the PFMRS, focusing on improvements to budget credibility, as this is fundamental to the successful implementation of most other reform activities. Within the context of the Project, the four broad components reflect the above with Component 1 focusing on Budget Credibility and Component 2 on public financial management systems and control.

2. Within each component, every effort will be made to ensure a logical sequencing of activities, in line with the PFMRS and with the PFM Reform Steering Committee and Coordinating Units taking the lead in sequencing. There will always be some need for adaptation of the sequencing in response to the pace of reform and evolving local circumstances. Additional flexibility is provided in the form of the “Just-in-Time” intervention capability.

3. The following sequencing framework is planned in the implementation of the Project:

- *Component 1 – Enhancing Budget Credibility*: supports the strengthening of budget and planning systems, with a focus on interventions that will result in enhanced budget credibility. Assistance will be provided to strengthening the functional areas of forecasting, medium term development planning and costing by MDAs, public investment planning and project preparation, and budget formulation. Improvements in these areas will significantly enhance budget credibility. Under Component 2, assistance will be provided for completing payroll audits, one part of the solution to excessive compensation payments that are at the heart of the budget credibility issue. Budget credibility needs to be restored before the Government can expect significant advantages from the implementation of PBB. Resourcing is also included for continuing the PBB reform, to maintain the very sound progress with PBB. While in an ideal world this reform would be delayed until credibility is restored, given that PBB is already well advanced, not supporting the on-going reform will risk a loss of momentum.
- *Component 2 – Public Financial Management Systems and Control*: focuses on the completion of the implementation of the GIFMIS system. This includes continuing the development of key modules, and completing the rollout to both national and sub-national levels of Government. The sequence of this development path was determined in the GIFMIS project and the design follows this path with minor fine-tuning. This component also supports the on-going development of the processes that surround the strengthening of the internal audit capacity, public procurement planning, management and capacity, payroll and pensions management, financial reporting and asset management.
- *Component 3 – Reinforcing Financial Oversight and Accountability*: provides on-going

support to another key element of improved budget credibility - audit and parliamentary oversight. The connection between oversight and budget credibility is twofold. Parliament needs to understand better the consequences of late change to the budget during its approval process (the Parliament frequently introduces additional expenditure items and additional revenue measures and this often leads to the failure to fulfill budget objectives). This requires a strengthened understanding of budget structure, interrelationships between revenue, expenditure and financing items and the processes through which budgets are formulated. The second aspect is the need for external oversight to ensure focus remains on the key budget targets outcomes. Strengthening the analytical capability of both audit and parliamentary committees will enhance budget credibility and may avoid potential risks to these targets.

- *Component 4 – PFM Reform Coordination and Project Management:* Strong project management and governance arrangements are essential to maintain the pace and quality of implementation, including, through better oversight and coordination with other programs, and therefore contributes to all objectives discussed above.

Table 7: Strategic Framework Governing Ghana’s PFM Reforms

PFMRS	PFMRS planned activities ⁴	PFMR Project supported areas/ components	Overall Anticipated DP interventions, including PFMRP
Objective 1: Improving Budget Credibility			
Strategic Planning	<ul style="list-style-type: none"> • <i>Ensure fiscal discipline by strengthening the strategic link of the SMTDP with the resource constraint of the Budget.</i> • <i>Develop system for structured engagement with NDPC, Presidency, to ensure consistency between Government priorities and resource allocation.</i> 	<p>Sub-component 1.1: Strengthening Budgetary Planning and Macro-Fiscal Forecasting:</p> <ul style="list-style-type: none"> - Review/strengthen Cabinet’s engagement in the budget process. - Building MDA capacity to develop costed sector strategies 	<p>German Society for International Cooperation (Gesellschaft für Internationale Zusammenarbeit – GiZ) - Good Financial Governance Program (GFG)⁵. Including PFMRP, Assist MoF to:</p> <ul style="list-style-type: none"> • Ensure effective process management and co-ordination of the formulation and preparation of the Budget and Mid-Year Review
Macro-Fiscal Framework	<ul style="list-style-type: none"> • <i>Improving MTEF Budget preparation with improved strategic phase and resource ceilings;</i> • <i>Improving medium term macro-fiscal forecasting and Medium term expenditure forecasting.</i> <p>Developing a multi-year macro-fiscal table to</p>	<p>Sub-component 1.1: Strengthening budgetary planning and macro-fiscal forecasting</p> <ul style="list-style-type: none"> - Specialist training in forecasting techniques for ERFD staff - Capacity building for staff 	<ul style="list-style-type: none"> • Enhance the strategic phase of the Budget cycle

⁴ In this column, text printed in italics quotes the strategic priorities that were provided to the mission by GoG. Other text is highly summarized from the PFMRS document.

⁵ The GFG provides support to GoG in Public Finance mainly, tax administration and revenue policy, public financial management (including budget planning and execution) and domestic accountability (including resource governance and external oversight). GiZ is supporting the BD and ERFD.

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	<p>serve as an instrument of top-down budgetary discipline including: Realistic and comprehensive multi-year revenue forecasts and grants; Multi-year estimates of net borrowings constrained by sustainable fiscal deficit targets; sector spending estimates that incorporate completion schedules of on-going contracts and expenditure arrears; Cabinet approved sector expenditure ceilings that are informed by the sector strategies.</p> <p>Developing annual monitoring and evaluation framework for the achievement of fiscal aggregate estimates involves the following specific interventions:</p> <ul style="list-style-type: none"> • Monitor revenue estimates versus outturns, net borrowing ceilings versus outturns, expenditure ceiling versus outturns; • Monitor sector allocations versus outturns; • Monitor new program initiatives versus fiscal space estimates; • Monitor debt stock, expenditure arrears stock, revenue arrears stock and PPP stock. 	<p>of DMD</p> <p>Sub component 1.2: Strengthening Public Investment Management Capacity</p> <ul style="list-style-type: none"> - Technical training for PID staff and MDAs on project appraisal techniques. - Improving coordination of PIM with the budget process - Review the functionality of the Public Investment Management System (PIMS) 	<ul style="list-style-type: none"> • Develop and implement a plan to introduce hard ceilings into the Budget cycle • Improve capacities of MDAs and MMDAs in budgeting and Budget process • Monitor revenue estimates versus outturns, net borrowing ceilings versus outturns, expenditure ceiling versus outturns • Monitor sector allocations versus outturns • Monitor new program initiatives versus fiscal space estimates • Monitor debt stock, expenditure arrears stock, revenue arrears stock and PPP stock <p>June 2015 to Dec 2018</p>

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Budget Formulation and Preparation	<ul style="list-style-type: none"> • <i>Deepening the PBB and Hyperion and rolling them out</i> • <i>Review institutional arrangement to support PBB objectives</i> • <i>Reducing wages bill through effective controls and forecasting</i> • <i>Improving Payroll Management System</i> • <i>Improving HR Management</i> <p><i>Building capacity of MoF/MDAs / MMDAs in budgeting</i> Review and redesign budget formulation processes and outputs to achieve: enhanced levels of analysis and advice by BD on revenue and expenditure estimates; formal and disciplined processes for approval of key parameters (MTFF, budget ceilings, etc.); increased transparency of processes; more useful and relevant budget reports.</p> <p><i>Review PFM laws, propose and draft a new law.</i> Review Financial Legislation – to clarify the</p>	<p>Sub-component 2.1: Strengthening Government Information Systems – Rolling Budget preparation module out to MDAs.</p> <p>Sub-component 2.5: Strengthening HR and Payroll Management - Continue payroll audit</p> <p>Sub-component 1.1 Strengthening Budgetary Planning and Macro-Fiscal Forecasting: - TA to advise BD on changes required to maximize the benefits of PBB.</p> <p>Sub-Component 1.3: Fiscal risk management</p>	<p>GIZ: GFG³ program (see above)</p> <p>IMF TA mission (Q1/2, 2015)</p>

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	strategic intent of budgeting and to authorize the processes, practice and outputs of the redesigned budget process.	and reporting - Support implementation of the reviewed /revised financial Legislation and Regulations	To draft PFM laws.
Revenue Management	<p><i>Improving revenue mobilization and administration at both central and local levels</i></p> <p>Continue to improve efficiency of tax collection and expand the tax-payer base. This includes compliance programs for high net-worth individuals and key industry sectors (extractive, telecommunications, finance and construction).</p> <p>More responsive customer service. Better communication and sensitization, improving access for registration, filing returns etc. – including through technology solutions.</p> <p>Improving compliance with the law for non-tax obligations (particularly in relation to the Custom Service’s role in trade facilitation)</p> <p>Improved management of non-compliance risk – including enhanced monitoring, targeted at high-risk economic sectors and businesses.</p>	Not explicitly addressed under the proposed project – linking of revenue systems with GIFMIS systems will be undertaken.	DANIDA, GIZ, DFID GRA Modernization program On-going

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	GRA will work closely with MMDAs to enhance non-tax revenue performance.		
Objective 2: Enhancing Comprehensiveness and Transparency in PFM			
	<i>Improving the engagement of Central Government operations with other forms of Government.</i>		
SOEs	Establish and implement clear rules of engagement between the Government and the SOEs to facilitate effective tracking of financial operations of SOEs.	Sub-Component 1.3: Fiscal risk management and reporting - Review of arrangements for SOE financial monitoring and reporting	PFMRP: Assist govt: to strengthen framework for monitoring fiscal risks, and implementation of techniques to address mitigation measures. WB DPO to strengthen SOE Governance.
Sub-national institutions	Develop a comprehensive and effective system of monitoring how funds are utilized at the sub-national levels	Sub-Component 2.1: Strengthening Government Information Systems - extend GIFMIS coverage to 216 MMDAs	WB Local Governance Project. EU support for decentralization
ICT-based PFM Tools for Government	<i>Deploying PFM Tools to All Levels of Government</i> Strengthen PFM performance in local Government by deploying systems, processes and practices consistent with best practice. This may include: • the adoption of GFS 2001 budget	Sub-component 2.1: Strengthening Government Information Systems - expanding the functionality and completing the rollout of GIFMIS to MMDAs	PFMRP to support integrating procurement planning tools with overall procurement management and execution. World Bank E-Transform

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	classification; <ul style="list-style-type: none"> • development of harmonized Charts of Accounts; • introduction of Program Based Budgeting; • the GIFMIS; • Revenue Systems such as TRIPS and GCMS for tax revenues, the E-Monitor for non-tax revenue; and the broader e-Ghana Program. 	- Establishing/strengthening linkages between key PFM systems	project – supporting eGovernance systems and eProcurement. Providing a single platform for e-sourcing.
Procurement Management	<i>Linking Procurement to GIFMIS through an interface and strengthening other areas of procurement management</i> Review the 2003 Public Procurement Act (Act 663) to address the current weaknesses in the procurement program process, including: regulation rigidities; inadequate capacity within the civil Service for effective Procurement Management; and lack of capacity by service providers to submit responsive tenders.	Sub-component 2.4: Public Procurement Planning, Management and Capacity Procurement planning as part of budget process; capacity building of procurement staff at MDAs, Capacity enhancement of Public Procurement Authority	WB eTransform project
DPs Programs and Projects	<i>Effectively putting aid on the PFM cycle - No adequate system is currently in place to track and report receipts and disbursements to the satisfaction of Government and donors. Designing an appropriate system and reporting format that would give relevant information to all stakeholders is a priority in this PFM strategy.</i>	Sub-component 2.1: Strengthening Government Information Systems Extending the scope of GIFMIS to all central Government agencies for all funds,	PFMRP WB DPO actions (from policy perspective).

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		including Donor Funds, Statutory Funds, and IGFs	
	<i>Improving on budget documentation and reporting</i>	Sub-component 2.6: Improving Financial Reporting and Asset management Transition to IPSAS; capacity building of staff	PFMRP supported
OBJECTIVE 3: Improving Predictability And Control In Budget Execution			
Budget Allotment and Releases	<i>Improving Budget Allotment and Releases to administrative units;</i> The current deviation between budget allotments to spending units (MDAs and MMDAs) and actual releases undermines the credibility of the budget. There is a need to reorganize and strengthen existing processes such as budget controls, requisitioning, purchase orders, invoicing, payment authorization/approval, accounting and reporting. This will involve the development of detailed business rules, communication and authorization structure for the	Sub-component 1.1/ 2.2: Cash, Treasury and Debt Management TSA coverage, cash planning and forecasting, budget release processes,	PFMRP-centric. IMF AFRITAC direct TA support

PFMRS	PFMRS planned activities ⁴	PFMR Project supported areas/ components	Overall Anticipated DP interventions, including PFMRP
	<p>speedy dissemination of spending ceilings to MDA and MMDA Spending Units.</p> <p><i>Improving Cash Planning and Management</i> - MOF needs to execute cash releases, which are as close as possible to the set spending ceilings.</p>		
<p>Instituting an effective Commitment Control System</p>	<p><i>Instituting an effective Commitment Control System;</i> Enforcement of commitment controls will be intensified to curb the build-up of arrears through embedded system control features of the IFMIS.</p> <p>Reduce the incidence of extra budgetary expenditure (unbudgeted expenditures introduced during the financial year). Introduce procedures requiring approval of such expenditures at the “highest level”.</p>	<p>Sub-component 2.1: Strengthening Government Information Systems - Financial management systems, controls accounting and reporting</p> <p>P2P implementation and expansion of coverage to other Funds beyond CF.</p>	<p>PFMRP supported</p> <p>WB DPO reform actions (from policy perspective)</p>
<p>Monitoring Expenditure Arrears</p>	<p><i>Improving in-year monitoring of budget implementation using GIFMIS</i> Use the IFMIS platform to ensure effective tracking of expenditure arrears and strict compliance with the commitment control embedded in the system.</p>	<p>Sub-component 2.1: Strengthening Government Information Systems - Financial management systems, controls accounting and reporting</p>	
	<p><i>Improving the business process for budget execution using PBB</i></p>	<p>Sub-component 2.1: Strengthening</p>	

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		Government Information Systems - Financial management systems, controls accounting and reporting	
Objective 4: Improving Accounting, Recording And Reporting			
IFMIS Rollout and Functionality	<p>Hyperion - <i>Integrate the MTFE and MTEF in the Hyperion.</i> Procure more user licenses and deploy the system to all MDAs and MMDAs to facilitate the budget process at the MDA/MMDA level.</p> <p>IFMIS - <i>GIFMIS Rollout and Functionality</i> - bring on-board other public funds including Internally Generated Fund (IGF), Statutory and Donor Funds and to extend rollout to cover the remaining 209 MMDAs for all funds.</p> <p>Fixed Assets module of the GIFMIS to be deployed to all MDAs and MMDAs to achieve a comprehensive management of public assets across public institutions.</p> <p>Integration of payroll with GIFMIS - ongoing initiatives to improve payroll management include biometric registration of employees, Electronic Payment Voucher and Pay Slips to ensure electronic validation of employees before payroll</p>	<p>Sub-component 2.1: Strengthening Government Information Systems - additional Hyperion licenses - Financial management systems, controls accounting and reporting</p> <p>Coverage of Hyperion implementation extends to only MDAs under the PFMRP.</p> <p>Additional modules – Assets - will be implemented.</p> <p>Payroll strengthening/HRMIS implementation and roll out</p>	<p>WB DPO action (for policy reforms in wage control and fiscal sustainability)</p> <p>IMF Program milestones</p> <p>Donor partners’ budget support policy actions</p>

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	<p>is run; and payment of salaries and wages through Ghana Interbank Payment & Settlement System (GhIPSS) to eliminate duplication of salary payments</p> <p>HRMIS - Phase one, which has been implemented under GIFMIS, covers installation and deployment of three modules: Establishment Control / Position Management, Employee Profile Management and Employee Cost (Compensation & Benefits) management at nine pilot MDAs. Phase two will cover five modules namely Recruitment and Selection, Training and Development, Absence/Leave Management, Termination/Attrition and Postings/ Transfer/ Secondment. The phase three modules include Performance Management, Career and Succession Planning, Competence Management, Learning Management and Time Management.</p> <p>Integration with other PFM systems - integrate and interface with all key PFM systems as a means of achieving one-stop PFM systems across all levels of Government. The existing systems being interfaced or integrated with the GIFMIS Financials include the Budget software, Payroll, HRMIS, TRIPS, GCMS, E-Monitor, T-24 at BoG,</p>	<p>Completion and fine-tuning of HRMIS phase one, and completion of phases two and three for roll-out to all 33 MDAs/including services commissions and regions. Focus will be for core relevant functionalities in HRMIS and not the cosmetic areas like eRecruitment.</p> <p>Sub-component 2.5: Strengthening Payroll and Pensions Management - completion of the on-going work on establishment and profile</p>	

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	<p>CS-DMRS, PIMS, amongst others.</p> <p>Completion of WIP –</p> <ul style="list-style-type: none"> • <i>Review and providing quality assurance on existing system infrastructure</i> • <i>Improve existing IT infrastructure at all levels (DR, DS, etc.)</i> <p>Implementation of full disaster recovery site for the GIFMIS platform is also outstanding. Extension of network connectivity to the outstanding MDA/MMDAs site at national, regional and district levels is very crucial to improve and sustain the gains of IFMIS implementation. The expectation i</p>	<p>management</p> <ul style="list-style-type: none"> - Integration of establishment registers with payroll, but focusing on payroll verification audits, including for pensions. <p>Sub-component 2.1: Strengthening Government Information Systems</p>	
Financial Reporting	<p><i>Financial Reporting</i></p> <p>Issues to be addressed:</p> <p>Completeness – the reports are fragmented and inconsistent. The monthly and annual financial statements are prepared on only the CF. There is the need to expand the scope to cover all Public Funds.</p> <p>Access: MDAs and MMDAs are not completely able to use GIFMIS to prepare and generate their reports without manual interventions. There is the need to configure GIFMIS to address the reporting needs of MDAs and MMDAs.</p> <p>IPSAS - More importantly the reports do not meet</p>	<p>Sub-component 2.6: Improving Financial Reporting</p> <ul style="list-style-type: none"> - Development/ implementation of national professional qualification curriculum for public sector accountants and auditors - Development and implementation of IPSAS-based Continuing Professional Development (CPD) program; 	PFMRP-centric intervention but in collaboration with ICAG – under CAGD leadership

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	<p>the expectation of International Public Sector Accounting Standards (IPSAS) which is considered worldwide as the way forward for Public Sector financial reporting. With the support of the GIFMIS, the Government is preparing to adopt IPSAS-based accounting standards to ensure better transparency and consistency in financial reporting.</p> <p><i>Review of Legislative Instrument</i> – the existing laws are not compatible with the requirements of IPSAS which the Government intends to adopt and need to be reviewed.</p>	<p>Implementation of IPSAS and establishment of roadmap to accruals</p> <ul style="list-style-type: none"> - Establishment of a laboratory at the ICAG for providing practical training to trainee accountants through simulation techniques; and - Upgrade of ICAG’s website to provide technical knowledge and access to latest learning materials to all professionals in the country <p>Sub-Component 1.3: Fiscal risk management and reporting</p> <ul style="list-style-type: none"> - Review and revise financial Legislation and Regulations 	
Assets Management	<ul style="list-style-type: none"> • <i>Assets Management</i> • <i>Strengthen Inventory controls and reporting</i> <p>This strategy seeks to improve fixed asset management in the public sector by establishing systems (including the GIFMIS Fixed Assets</p>	<p>Sub-component 2.1: Strengthening Government Information Systems - Financial management systems, controls accounting and</p>	PFMRP-centric support under GIFMIS implementation

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	<p>module) at all levels of Government. Issues to be addressed:</p> <ul style="list-style-type: none"> • There is no consolidated fixed assets register for GoG; • Most MDAs/MMDAs are not able to track their fixed assets due to lack of complete and reliable database; • Some MDAs/MMDAs attempt to keep assets inventory or register but it lacks the completeness and regular updates required; • Lack of uniformity in the classification and labeling of fixed assets across MDAs/MMDAs making consolidation and reporting very difficult; and • Incomplete or short-term approach to accounting for fixed assets, especially under cash accounting method where assets acquired are expended in the year of acquisition though their usage transcends more than one fiscal year. 	<p>reporting</p> <p>Fixed assets control and management system installed and implemented across Government</p>	
	<p><i>Review and implement Existing Legal and Regulatory framework at all levels</i></p>	<p>Sub-Components 1.3/2.6: Fiscal risk management and reporting - Capacity development on implementation of the review and revised financial Legislation and Regulations</p>	<p>PFMRP, building on the work to be carried out under IMF FAD support.</p>

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Objective 5: Strengthening Internal And External Scrutiny And Audit			
Risk Management	Establish risk management systems across all levels of Government to ensure that risk management is embedded in the culture of PFM practitioners.	<p>Sub-Component 2.3 /3.1/3.2: Internal Audit, External Audit, and Legislative Scrutiny sub-components.</p> <p>Strengthened internal and external oversight capacity - ICT-based audits; audit coverage and timeliness including for MMDAs, focus on risk-based/systemic audits by Internal Auditors.</p> <p>Enhance Finance and Public Accounts Committees (ex ante /ex post review capacities.</p>	<p>GIZ GFG Program³: In the area of external oversight, GFG is supporting two parliamentary committees, Public Accounts Committee (PAC), the Ghana Audit Service (GAS) and other bodies that contribute to transparency of the extractive sector.</p> <p>PFMRP activities under sub-components 2.3, 3.1 and 3.2.</p>
Internal Audit Function	<p>Shift the focus of Internal Auditing from pre-auditing of Payment Vouchers to more advanced auditing techniques, including system and risk-based auditing.</p> <p>Build capacity of Internal Auditors to effectively use advance auditing tools including Computer-Assisted Audit Techniques (CAAT).</p>	<p>Sub-component 2.3: Strengthening Internal Audit Capacity</p> <p>As highlighted above</p>	

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	<p>Consider resourcing Internal Audit Units across MDA and MMDAs in a manner that shields them from resource cuts, in order to achieve full scrutiny of financial transactions for improved predictability and control in budget execution.</p>		
External Audit Function	<p>1. <i>appropriate software for data extractions and analysis, audit management tool, servers, Consultancy cost, Training materials and other logistics</i></p> <p>2. <i>Rollout: to the units within the four operational departments</i></p> <p>3. <i>Constant engagement with management of Audit Service, the Director of Budget (MOF) and GIFMIS Secretariat on implementation issues</i></p> <p>Build the capacity of GAS, to strengthen its financial oversight role and enable it to carry out comprehensive performance and systems-based audit on all Government financial operations.</p> <p>Support capacity enhancement of the committees of Parliament that review: the budget and appropriations bill (Parliamentary Finance Committee (PFC); and the audited financial statements and audit reports on agencies and programs of Government (the Public Accounts Committee (PAC)).</p> <p>Ensure that PAC recommendations following the review of the audit report are implemented</p>	<p>Sub-component 3.1: External Audit Capacity Strengthening</p> <p>- improvements to processes and systems aimed at improving the coverage and timeliness of financial audits (including CAAT training)</p> <p>(As highlighted above)</p> <p>(As highlighted above)</p>	<p>GIZ GFG – see Risk Management (above)</p>

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	<p>accordingly by the relevant agencies, including where necessary by law enforcement agencies.</p> <p>Strengthen operation of the Audit Report Implementation Committees (ARICs) including strengthening the laws in respect of appointment of chairmen of ARICs in Institutions without Boards. Develop, deploy and train ARIC members on standard ARIC operational guidelines.</p>		
Objective 6: Strengthening Treasury/Cash Management			
Cash Flow Forecasting Model	<p>One of the objectives of this strategy will be to develop and adopt a more comprehensive and reliable cash flow forecasting model. This cash flow forecast model should be able to, with minimal deviation, reconcile MDA and MMDA expenditure requests, net borrowing maturity profiles, and revenue receipts as a basis for setting spending ceilings three to six months in advance. This will be updated on a monthly and quarterly basis of actual cash inflows and outflows.</p>	<p>Sub-component 2.2: Cash, Treasury, Debt and Asset Management</p> <p>- Technical Assistance to assist the Government improve its liquidity management and the predictability of budget releases to MDAs, MMDAs and statutory funds.</p> <p>(As also highlighted above)</p>	<p>PFMRP</p> <p>US Treasury TA</p>
Developing a Database for Cash Management	<ul style="list-style-type: none"> • <i>Strengthening Cash Management framework</i> • <i>Strengthening cash planning by all MDAs / MMDAs</i> • <i>Building Capacity of MDAs for cash management purposes</i> 	<p>Sub-component 2.2: Cash, Treasury, Debt and Asset Management</p> <p>- Strengthen the</p>	<p>PFMRP</p> <p>US Treasury TA</p>

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	The development of an effective cash forecasting model will require an effective cash management database which captures information on all actual expenditure and revenues and is able to generate timely reports to facilitate forecast analysis.	management of cash and debt through GIFMIS reporting - Implementation of electronic bank reconciliation - MDA cash forecasting capacity improved	
Strengthening the Treasury Single Account (TSA) System	<i>Strengthening the Treasury Single Account (TSA) System</i> - This strategy seeks to complete the rationalization of the bank accounts as part of the TSA implementation, including Commercial Bank accounts used for managing IGFs, Donor Funds and statutory funds across MDAs and MMDAs.	Sub-component 2.2: Cash, Treasury, Debt and Asset Management - Continue work to broaden the TSA (As highlighted above)	WB DPO milestone actions (for policy support)