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The World Bank

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Report No: 54603-GH

PROJECT PAPER

ON A

ADDITIONAL FINANCING CREDIT

IN THE AMOUNT OF SDR 29.60 MILLION
(US\$ 44.70 MILLION EQUIVALENT)

TO THE

REPUBLIC OF GHANA

FOR THE

EGHANA PROJECT

MAY 27, 2010

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CURRENCY EQUIVALENTS
(Exchange Rate Effective {April 30, 2010})

Currency Unit = Ghana Cedis (G¢)
G¢1.42 = US\$1
US\$1 = SDR 0.6618
FISCAL YEAR
January 1 – December 31

ABBREVIATIONS AND ACRONYMS

OP/BP	Operational Policy /Bank Procedures
BPEMS	Budget and Public Expenditure Management System
BPO	Business Process Offshoring
CAS	Country Assistance Strategy
CAG	Controller & Accountant General
CAGD	Controller & Accountant General's Dept
DO	Development Objective
DFID	Department for International Development (UK)
DP	Development Partner
EU	European Union
GDP	Growth Domestic Product
GFO	Ghana Fiscal Operations
GICTed	Ghana Information Communications and Technology Directorate
GIFMIS	Ghana Integrated Financial information Systems
GoG	Government of Ghana
GovNet	Government-wide Network
ICT	Information and Communications Technology
IDA	International Development Associations
IFMIS	Integrated Financial Information Systems
IGF	Investment Guarantee Fund
IMF	International Monetary Fund
IT	Information Technology
ITES	Information Technology Enables Services
M&E	Monitoring and Evaluation
MDAs	Ministries, Departments and Agencies
MMDAs	Metropolitan, Municipal, District, Assemblies
MoC	Ministry of Communications
MSME	Micro, Small and Medium Enterprises
MTR	Mid-Term Review
PAD	Project appraisal Document
PDO	Project Development Objectives
PFM	Public Financial Management
PPP	Public Private Partnership
SME	Small and Medium Enterprise
TSA	Treasury Single Account
WAN/LAN	Wide Area Network/Local Area Network

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Project Paper Data Sheet

Date: May 27, 2010 Country: Republic of Ghana Project Name: Additional Financing for the eGhana Project Original Project ID: P093610 AF Project ID P120942		Team Leaders: Ismaila B Ceessay/Mavis A. Ampah Sector Director/Manager: Edward Olowo-Okere/Philippe Dongier Country Director: Ishac Diwan Environmental Category: B			
Borrower: Republic of Ghana Responsible agency: Ministry of Finance & Economic Planning; Ministry of Communications					
Revised estimated disbursements (Bank FY/US\$m) (Original project + AF)					
FY	2011	2012	2013	2014	
Annual	18.677	14.460	23.850	19.703	
Cumulative	28.397	42.857	66.707	86.410	
Current closing date: March 31, 2012 Revised closing date [if applicable]: June 30, 2014					
Does the project require any exceptions from Bank policies? Have these been approved by Bank management? Is approval for any policy exception sought from the Board?				<input type="radio"/> Yes <input checked="" type="radio"/> No <input type="radio"/> Yes <input type="radio"/> No <input type="radio"/> Yes <input checked="" type="radio"/> No	
Revised project development objectives/outcomes PDO - No Changes					
Does the project trigger any new safeguard policies? If so, click here to indicate which one(s): New Safeguards Policies triggered – OP 4.01 and 4.12					
For Additional Financing					
<input type="checkbox"/> Loan <input checked="" type="checkbox"/> Credit <input type="checkbox"/> Grant For Loans/Credits/Grants: Total Bank financing (US\$m 44.70): Proposed terms: 35 years maturity, 10 year grace period and 0.75 % service fee.					
Financing Plan (US\$m.) (AF)					
Source			Total		
Borrower/Recipient			0.00		
IDA:					
- New			44.70		
Others:					
- DFID			15.05		
- EU			12.27		
Total			72.02		
Financing Plan (US\$m.) (Original project + AF)					
Source		Original	AF	Total	
Borrower/Recipient		02.00	00.00	02.00	
IDA:					
-New		00.00	44.70	44.70	
-Recommitted		41.71		41.71	
Others:					
DFID				15.05	
EU				12.27	
Total		43.70	44.70	115.73	

ADDITIONAL FINANCING FOR THE eGHANA PROJECT

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I. INTRODUCTION

1. This Project Paper seeks the approval of the Executive Directors to provide an additional credit in an amount of US\$44.70 million for the eGhana Project (P093610; Credit Number 4226-GH).

2. The proposed additional funds would be used to: (a) meet the financing gap under the original eGhana project components, arising from the modification and restructuring of project activities, and (b) scale-up project activities to include a GIFMIS (Ghana Integrated Financial Management Information System) component in order to enhance development impact of the project as a whole through further enhancing the accountability and transparency of government financial operations using ICT-based tools. The restructured and scaled up activities requiring additional financing include: the enhancement of the e-Government applications and Community Information Centers and/or Regional Innovation Centers to disseminate e-Government Services, a Business Process Offshoring Center, and the introduction of a new component – Ghana Integrated Financial Management Information System. Reduced IDA financing participation under the original eGhana project components include: the Shared Portal infrastructure, Government-wide Network (GovNet), and Technical Assistance for Re-privatization of Incumbent Telecommunications Companies, as these activities are now largely funded outside the IDA credit.

3. Additional financing is being processed at the request of the Government of Ghana. As a result of the nature of the additional financing required to support the development of Innovation Centers and the refurbishment work related to the establishment of a BPO (Business process Offshoring) Center, however, an environmental and safeguards policy has been triggered, thus upgrading the category from ‘C’ to ‘B’ and rendering the project to fall in the category of Level I restructuring. The Project Development Objectives, however, will remain the same and have therefore been unchanged.

4. IDA contribution to financing a new GIFMIS component is US\$28.44 million, out of an overall cost of US\$55.76 million. Co-financing the total financing requirements of this new component will, by effectiveness, come from UK DFID (GBP 10 million) and the European Union (EUROS 9 million) - as part of a strengthened donor collaboration and harmonization in support of public financial management improvement using a government-wide ICT platform.

5. The proposed Additional Financing also entails (a) an extension of the closing date of the original eGhana project by 2 years and 3 months from March 31, 2012 to June 30, 2014, (b) a restructuring of the component activities, including the modification of the project’s outcome indicators, and (c) invoking the Country Financing Parameters for Ghana by allowing for a disbursement percentage of 100% for financing of IDA’s share of expenditures for all project components and sub-components except for the following:

- The Matching Grants sub-component (disbursement category 2) will be a maximum of 90% or such percentage as may be determined based on projected subproject costs as specified in the PIM and in the subproject agreements;

- The component 4, GIFMIS (disbursement category 5), for which the IDA financing percentage will be determined from the annual work plans, agreed with co-financiers.

6. This increase of disbursement percentage will apply to all disbursements made by the Bank after the effectiveness date of additional financing.

II. BACKGROUND AND RATIONALE FOR ADDITIONAL FINANCING

7. The eGhana project (IDA Credit No. 4226-GH) was approved by the Board on August 1, 2006 in the sum of about US\$41.7 million (SDR 26.9 million), with Government of Ghana counterpart funding amounting to US\$2 million. The project became effective on November 21, 2006 and the closing date, which will be revised to be co-terminus with the closing date of the ‘additional financing’ of June 30, 2014, is March 31, 2012.

8. **Rationale for Additional Financing:** The proposal for additional financing is in response to the Government of Ghana’s request to bring the revenue agencies and the expenditure management agencies under a uniform ICT platform interface, and create an enhanced project impact through inclusion of scaled-up activities for more effective, transparent and accountable government. The additional financing introduces new activities, including the establishment of Community Information Centers (CICs) and a Business process Offshoring (BPO) Center, as well as a new component, GIFMIS, which, together, result in a financing gap under the original project. Equally, with the level of disbursements and implementation challenges under the original project, coupled with the significant changes in fund uses, doubling of the commitment towards the PPP for revenue generating agencies, changes in institutional arrangements in Fund Management, and cost overruns on some contracts, a formal restructuring of the project to better align implementation and outcomes became inevitable.

9. The **Development Objective** of the eGhana Project, which remains unchanged, is to assist the Republic of Ghana to generate growth and employment by leveraging ICT and public-private partnerships to: i) develop the IT Enabled Services industry, and ii) contribute to improved efficiency and transparency of selected government functions through e-government applications.

10. The principal **development outcomes** anticipated from the project include: i) increased employment and income generation in ICT/ITES sector, ii) increased competitiveness of the ICT/ITES industry in Ghana and opportunities for local businesses, iii) increased human capacity in the ICT/ITES sector, iv) increase in ICT/ITES led export revenues, v) increased contribution of the ICT/ITES sector to GDP, vi) more effective, transparent and accountable government, vii) increased engagement of the private sector with the government, and viii) strengthening of the policy and regulatory framework to support increased competitiveness, decreased telecommunication costs and improved telecommunications services. Expected outcomes of the original eGhana project have been amplified to include: establishment and use of GIFMIS-based PFM functionality at GoG treasuries; improved macro-fiscal discipline and management; improved MDA and sectoral management; and improved financial management, control and efficiency across government. Implicit in the outcomes under the project is also the positive synergy factor arising from the introduction of an electronic platform for the Ghana Revenue

Authority. A number of CORE ICT sector indicators have also been introduced as highlighted in Annex 1 – Revised results Framework and Monitoring Indicators.

11. **Consistency with the CAS:** Besides the rationale provided in the original eGhana project - which continues to be valid - the introduction of a new component (GIFMIS) will contribute substantially to sound public financial management in Ghana. This is in alignment with the key high level development hypotheses for Bank's engagement in Ghana that include achieving better governance, improving the efficiency and effectiveness of public expenditures, increasing the potential for economic growth and poverty reduction . The proposed additional financing is also fully consistent with the priority interventions of the Bank as defined in the Bank's FY07-11 Country Assistance Strategy (CAS) as well as the Joint-CAS FY07-11, both of which envisioned the strengthening of economic governance, with clear indicators relating to the Paris Declaration. The additional financing is equally aligned with the Ghana Poverty Reduction Strategy Paper II. The GIFMIS component of eGhana will make government more accountable and its processes transparent and thereby contribute to the government's development agenda. The proposed new component will be a key cross-cutting vehicle for securing the required level of transparency in public finance management, and the Bank, together with key development partners in Ghana, is seen as a credible partner that can engage in the PFM sector, and support reforms within a wider country context with the use of ICT. The additional financing will be completed within three years of the closing date of the original project, eGhana, as required under OP/BP 13.20.

12. **Implementation Status of existing project:** Overall Progress towards the achievement of the Project Development Objective is Satisfactory with significant efforts by Government to implement the key milestones across all three original project components. Apart from component2 - Support to ITES and ICT SMEs – which was rated moderately satisfactory, the remaining two components were rated satisfactory. Financial management, procurement, project management, and monitoring and evaluation were equally rated satisfactory while counterpart funding was rated highly satisfactory. The sector has experienced an impressive growth: explosion in telephone penetration from about 25% in 2006 to 64.7% as at end of November, 2009; highly competitive environment, with 6 mobile operators – 2 within the last 3 years. The IT and IT Enabled Services Sector (including Outsourcing/Offshoring) is developing rapidly, with Ghana moving 12 steps up from No. 27 to No. 15 (out of 50 countries) on the A.T. Kearney Global Services Location Index, and Accra rated as one of 50 top emerging cities for outsourcing¹. On the e-government side, the launching of the e-Govt PPP for electronic applications for revenue agencies in Ghana is set to put the country at the forefront of transparent and efficient government.

13. Significant progress has occurred in **Component 1**. Institutional capacity has been greatly strengthened with the confirmation of all the core eGhana Team. Parliamentary approval of 4 key legislation for: i) Electronic Transactions, ii) Electronic Communications, iii) National Communication and iv) National Information Technology Agency, continues to improve the environment for ICT Business. The completion of the Postal Policy Framework is laying the foundation for revitalizing the postal sector. Implementation progress has, however, been slow on the sub-components which target institutional capacity building and regulatory instruments

¹ Global Services Media

for the National Communications Agency. Improvements are being made following the MTR process.

14. Progress under **Component 2** includes increase in employment generation and investment in the IT/ITES sector. Some direct results include: i) increase in the number of BPO companies (from about 5 in 2006 to 24 in 2009), ii) increase in the number of jobs created in the industry (estimated at 2,000 – 30% of total projected under project), and iii) increase in the level of investment in the sector (0.8% of GDP). Indirect results include a 50% reduction of bandwidth prices to a core group of IT/ITES companies. These achievements are largely attributable to the project's support for the creation of two industry bodies – GASSCOM (Private Association of IT/ITES Companies) and ITES Secretariat (Public Facility to support industry growth) which continue to provide visibility for the IT/ITES industry and facilitate industry development. Progress in the Matching Funds for Training, Business Incubation and Software Development has been delayed following the abrogation of contract of the BDS Fund Manager (Shared services with the MSME Project).

15. Regarding **Component 3**, the completion of i) the e-Govt PPP for electronic applications for revenue agencies in Ghana (US\$60m contract with **US\$20m** of this from eGhana credit funds) and ii) the framework for Interoperability and Enterprise Architecture are likely to provide a strong foundation and disciplined process for the development of applications and networks to transform delivery of government services. The Government's decision to use funds from China to implement the Government Network and Portal Infrastructure has resulted in non-use of the funds targeted for same activities under the Project.

16. **Disbursements:** These positive developments, however, have not translated into a high disbursement rate for the project. Cumulative disbursements to date represent 21.5% of project commitment. The slower than anticipated disbursements have been primarily due to: (a) the mainstreaming of project implementation which has had the advantage of internal capacity building but also presented challenges in contract processing; (b) challenges of the global financial crisis which required increase in GoG contribution to the eGovt PPP for revenue agencies to make it more attractive (US\$10m) and subsequent delays; (c) the highly complicated and sensitive nature of eGovt PPP applications and the significant time needed for consensus and clearances (both within World Bank and Government); (d) the rebidding of two of the largest contracts for egovt PPP (US\$20m) and Investment Promotion (US\$1.5m); and (e) the challenge faced by GOG in providing additional counterpart funding. However, the mid-term review showed that certain key large value contracts (including the US\$21.5m contract for automation of revenue agencies and investment promotion activities) are underway and would greatly improve the disbursement rate over the next eighteen months to about 80% of original commitments.

17. This level of disbursements and implementation challenges, combined with the significant changes in fund uses, doubling of the commitment towards the PPP for revenue generating agencies, changes in institutional arrangements in Fund Management, and cost overruns on some contracts, present the need for formal restructuring of the project to align project implementation and outcomes more effectively.

18. **Compliance with Covenants:** The original project has 2 key covenants including a disbursement condition for Matching Grants as follows: i) appointment of independent financial and procurement auditors at latest 6 months after effectiveness, and ii) the Matching Grants Fund Manager will have primary responsibility for the appraisal, disbursement, and supervision of all Matching Grants as provided in the Project Implementation Manual. While the first covenant was successfully completed, the completion of the Matching Grants Fund Manager activities has been delayed following delayed appointment of the Fund Manager and the subsequent abrogation of contract². The Ministry of Communication is in the Process of hiring a Funding Manager dedicated to the eGhana Project and this is expected to be completed during the next 4 months. The achievement of the PDO is, however, not expected to be affected as short term consultants were hired to support the MoC with the reviews. As regards other covenants, (i) financial auditors were duly appointed; (ii) the financial management reports were received timely; (iii) the audits were conducted and audit reports were unqualified; (iv) the Recipient established an account to receive its counterpart funding and, consistently, funds were deposited into the account to finance the recipient's-own expenditures under the project. Independent procurement auditors were since appointed and have carried out their annual audits and submitted their reports. The reports indicate no serious procurement lapses. In addition to this fiduciary control arrangement, (a) all prior review contracts were duly reviewed by the Bank prior to contract signature; (b) the Bank has conducted post-procurement reviews covering about 50% of the non-prior review contracts; and (c) the financial audits did also entail a reasonable review of all transactions, including procurement contracts, for regularity and compliance.

III. PROPOSED PROJECT CHANGES

19. The proposed additional financing (including restructuring) caters for a number of proposed changes with respect to the activities within the three original components (1, 2, and 3) as well as the inclusion of a new fourth component 4.

20. **Component One – Enabling Environment:** (*IDA original: US\$ 9.65m; IDA revised: US\$ 9.37m*). All sub-components under this component remain unchanged with the exception of:

1) *B.3.1.4. (Technical Assistance for Re-privatization of Incumbent Telecom Companies):* This activity was meant to finance transaction advisory support (with partial retainer fee) for the re-privatization of incumbent telecom companies. As the government made an earlier decision to use its own funds for the two privatization transactions, prompted by the perceived potential delays in World Bank procurement processes, the funds previously allocated for the two transactions (US\$2.25 million) are to be re-allocated to address projected financing gaps.

B.3.1.6. Technical Assistance to Provide Options for Developing Sustainable Community Information Centers: As part of the initial Project Appraisal Document, World Bank and Government agreed to re-evaluate the potential for financing of Community Information Centers (CICs) and/or Regional Innovation Centers (RICs) at the project mid-term review to ensure that there is a demand driven sustainable CICs model in place. The Government now requests

² This is a shared service with an existing Project MSME. During the eGhana Project Preparation, the team was encouraged to leverage existing facilities and institutions created using World Bank funds. The selection of BDS Fund Manager was made through the MSME Project.

funding in the amount of US\$1.2 million for pilot Community Information Centers and/or Regional Innovation Centers in all 10 Regional Capitals which would serve as the focal points for delivery of e-Govt activities. The funding will support activities including establishment of the 10 Regional Innovation Centers, training of facility operators, purchase of software and hardware, content coordination and packaging.

21. ***Component Two – Support to Local ICT Businesses and ITES in Ghana*** (IDA original: US\$ 9.46m; IDA revised: US\$14.60m). All sub-components of this component remain unchanged with the exception of:

1) *C.1.3 Universities IT Capacity Improvement Program*: This sub-component was initially designed to expose professors of tertiary institutions teaching in the field of IT and management to operational/industry experience. The PAD made a provision to further articulate this sub-component during the MTR. The revised sub-component places emphasis on establishing capacity at selected universities to deliver cutting edge IT management and software development courses that would contribute towards building local IT skilled labor force in the latest technologies. Training activities will be linked to industry and market requirements as well as contribute towards assessment of graduates' readiness for employment. Specifically, this activity will support the establishment of at least two training and certification facilities in IT/knowledge-intensive industry. A modified program will now finance development of a facility for training and certification; and delivery of a training program at a participating university to train trainers and an initial group of trainees. A sum of US\$600,000 has been reallocated towards this activity. Selected universities will collaborate closely with GASSCOM in defining curricula, and establishing internship opportunities.

2) *C.3.1. Quality Assurance Program for Ghana ICT Companies*: The project was intended to finance matching grants to an eligible public or private institution selected on a competitive basis to set up a shared facility for software testing in Ghana. This facility would provide support to local ICT SMEs in obtaining international certification. The implementation of the Software Certification Center has not commenced and, given re-alignment of priorities, it was decided to cancel Testing Center activity and re-allocate to University-Business Linkage Program (C.1.3).

3) A new Activity – *Establishment of BPO Center* - has been included as part of the additional financing requirements under the project. Major constraints to the development of the ICT/ITES sector in Ghana identified during initial project preparation included (i) the high cost and varying quality of communications and real estate infrastructure, (ii) the limited availability of skilled manpower and entrepreneurial talent, (iii) the lack of access to finance and venture capital and (iv) a weak institutional setup for targeting investments in the sector. So far, the original eGhana Project is assisting to address some of these challenges. The government, through specialist technical advice, has however highlighted the urgency to provide some grade 'A' facilities in order to retain the interest of investors who are keen to outsource business in Ghana. At MTR, the GoG requested additional resources (\$5 million) to refurbish existing government warehouses for a BPO Center on a PPP basis.

22. **Component Three – e-Government Program** (*IDA original: US\$22.6m; IDA revised: US\$34.0m*). All sub-components remain unchanged with the exception of:

1) *D.2. Government-wide Network (GovNet)*: The sub-component was designed to support the establishment of a shared government-wide network connecting about 76 key MDAs (US\$2.5 million). This would help MDAs to better secure their databases and provide them with high speed connectivity for sharing information and applications. During the MTR, the mission was given to understand that the Government had obtained substantial funding from the Chinese government (US\$30 million initially, followed by an additional request of \$150 million) which was proposed to be used for establishing a much more ambitious network to be executed by Huawei. The Huawei network proposes to provide connectivity to all 170 districts, municipalities and metropolitan areas in the country and will also fund a dedicated data center for GoG. In view of these various developments, the full amount provisioned for GovNet will not be utilized under the eGhana project. Bidding documents have already been prepared for GovNet using IDA funds which have been used by GICTeD to firm up the technical specifications for the Huawei network. The remaining funds will be re-allocated.

D.3 New eGovernment applications: The original eGhana Project made provision for multiple e-Govt applications. During the MTR, the government made a specific request for additional priority applications including e-Procurement and e-Justice. Both applications will provide electronic platforms for reforming improving accountability, transparency and efficiency in the respective sectors.

23. **Component Four – Ghana Integrated Financial Management Information System (GIFMIS)** – (*IDA original: US\$0; IDA revised: US\$28.44m; DFID and EU: US\$27.32m*). This is a newly added component that is expected to scale up the development impact of the eGhana project. The new GIFMIS component will contribute significantly to the PDO of the eGhana project in using ICT as a base for improved efficiency and transparency of government. Supported by improved organization and business processes, GIFMIS will serve as the official system of record and processing to meet the GoG's budget preparation and management, financial accounting and reporting, disbursement processing, internal controls, and auditing requirements. It has two sub-components as well as a management sub-component.

1) *4.1. PFM Information Systems*: This new sub-component is aimed at establishing an ICT-based PFM Information Systems' functionality comprehensively across government through treasuries and MDAs/MMDAs located at Central, Regional, and District levels. A modern technical infrastructure will be established / upgraded to implement the new system. This infrastructure includes electronic data transmission systems (WAN/LAN) as well as operating environments for servers and desktop computers and related storage and disaster recovery systems. The system will be implemented in a centralized architecture at a central site in Accra at the MoFEP and will be connected via a WAN to each of the 92 MDAs, including the 28 MDA Treasury offices located in the line ministries. The 10 regional treasuries and the 170 district treasuries will also be connected to the central site. Under the sub-component, a country wide Ghana Integrated Financial Management Information System (GIFMIS) will be implemented in accordance with the Government's GIFMIS charter, using the Oracle E-Business Suite Financial software.

2) *4.2. PFM Business processes and Control Systems:* Activities introduced in this sub-component include: (a) Budget Planning Tools aimed at establishing much more effective macro-fiscal management and control of the budget; (b) Review of PFM Regulations, Rules, and Business Processes to establish a program of reform of rules and regulations to support the needed changes in business processes as part of the ICT platform; (c) Treasury and Cash Management - with the key objective of establishing a Treasury Single Account (TSA), transparently embodying all government funds including internally generated funds (IGFs) through an IT system; (d) Strengthening MDA Internal Management to support government's policy of broadening the basis of management improvement, with support from the ICT tools developed under the project.

3) *4.3. Project Component Management:* Covered under this sub-component are key activities related to coordination of the day-to-day component implementation through specialist teams as follows: cultural change and process management, Budget, Finance and Accounting, Treasury and Cash Management, Payroll, Technical, M&E, and Legal. The component management will be supported by an outsourced team of technical and PFM specific consultants, on contractual basis, to focus on related activities and deliverables of the component.

24. The **implementation and institutional arrangements** of the eGhana restructured components (1, 2, & 3) and their related additional financing will remain the same as for the original eGhana project. However the proposed new component 4 – GIFMIS – will be managed under a pooled-funding arrangement, with disbursements made through a sub-account of the government's consolidated fund. The funding for the current activities specified under component 4 is expected to be derived from the partners who have already committed to funding the Government GIFMIS. Three donor partners (the Bank, DFID and EU) will jointly finance component 4 (a total cost of US\$55.76 million) through co-financing arrangements. To this end, there shall be a Memorandum of Understanding signed between the participating donors and the GoG which will spell out the co-financing arrangements and the specific and general responsibilities of each of the donor partners and the government in supporting the component's implementation. In the event of a delay in funding from any of the three DPs, one of the participating DPs or any other new partner may be called upon by GoG to fill the financing gap. In addition, where new PFM related reform activities beyond those specifically defined under this GIFMIS component are identified, GoG may seek parallel financing from other DPs for implementation of those activities. The underlying principles of the understanding reached with the Participating DPs of the PFM Sector Working Group on the proposed MoU (as presented in Appendix 1) forms part of the negotiations with the GoG. The project will be implemented over a 4-year period (July 1, 2010 – June 30, 2014)

25. A project component management unit has already been established in the CAGD under the direction and guidance of the PFM Reforms – Revenue and Expenditure Steering Committee, and charged with the day-to-day management of the implementation of the GIFMIS (Component 4) across all MDAs and MMDAs. Related activities under the sub-component will include the coordination of training in the use of the new systems, a robust monitoring and evaluation unit, and management of seven other component-implementation teams. The responsible agency for the component will be the Ministry of Finance and Economic Planning.

26. **Project Costs and Financing:** The table below presents the overall project costs (original and additional financing) as well as the sources of financing, including the co-financing arrangements with other development partners in respect of component 4. Total IDA additional financing amounts to US\$ 44.70 million. The relative indicative percentage of contribution to the financing costs of Component 4 by the DPs, including the World Bank, is as follows: IDA (51%), DFID (27%), and EU (22%). The contributions into the account of the project will be received in US Dollars.

Project Costs and Financing (according to components) – in US\$ millions

Project Components	Original	Additional Financing				Revised Total	Revised IDA	IDA Disbursed
		IDA	DFID	EU	Total			
1. Enabling Environment	09.65	-0.28	00.00	00.00	-0.28	09.37	09.37	03.45
2. Local ICT Businesses & ITES	09.46	05.14	00.00	00.00	05.14	14.60	14.60	00.46
3. e-Government Program	22.60	11.40	00.00	00.00	11.40	34.00	34.00	04.81
4. GIFMIS	00.00	28.44	15.05	12.27	55.76	55.76	28.44	00.00
Total	41.71	44.70	15.05	12.27	72.02	113.73	86.41	08.72
% Financing of new Component 4		51%	27%	22%	100%			

27. The additional financing provides for retroactive financing of up to \$8.5 million equivalent of total IDA contribution to the project equivalent may be made for payments made prior to the date of signing the Financing Agreement but on or after January 1, 2010, for Eligible Expenditures under Categories (4) and (5). The percentage of IDA financing for the Component 4, GIFMIS (disbursement category 5) will be determined from the annual work plans agreed with the co-financiers. Additionally, based on GoG's request and consistent with the country financing parameters agreed with the GoG, the entire project will now allow for a 100% disbursement from the IDA credit for the restructured and additional financing activities under components 1, 2, and 3, as of the date of effectiveness, except for the Matching grant sub-component (disbursement category 2) which will be a maximum of 90% or such percentage as may be determined based on projected subproject costs as specified in the PIM and in the subproject agreements.

28. **Disbursement Categories of the restructured and additional financing project:** The original disbursement categories for the eGhana project are being modified under the additional financing. In order to simplify and reduce the transaction cost, the additional financing for components 1, 2, and 3 have been grouped under category one and four of disbursement and will be at 100%. In summary, there will be 5 disbursement categories: Four relating to the eGhana's original 3 components (1, 2, & 3), and the other relating to the newly introduced component 4. Category 6 of disbursement remains for the refund of the preparation advance.

29. In respect of the disbursement categories for the original eGhana components (prior to additional financing), these are provided in the table below. The original 9 disbursement categories have now been collapsed. For comparability, the original financing allocations are now presented below under their new disbursement categories.

Category	Amount of the Original Financing Allocated (expressed in SDR)	Amount of the Additional Financing Allocated (expressed in SDR)*	Percentage of Expenditures to be Financed (inclusive of taxes)
(1) Goods, consultants' services, Training, Government Investment Support, and Operating Costs for Components 1, 2 and 3 of the Project (other than Subprojects and Components 1.D and 3.B)	22,920,000	10,060,000	100%
(2) Goods and services required for Subprojects	3,000,000	0	Maximum of 90% or such percentage as may be determined based on projected subproject costs as specified in the PIM and in the subproject agreements
(3) Staff Costs for Components 1, 2 and 3 of the Project	980,000	0	100%
(4) Works for Components 1.F and 2.F of the Project (other than Subprojects, and Components 1.D and 3.B)	0	6,200,000	100%
(5) Goods, consultants' services, Training and Operating Costs for Component 4 of the Project	0	28,440,000	Such percentage as the Association shall determine and communicate to the Recipient in its Annual Confirmation for the relevant Agreed Annual Work Plan
(6) Refund of Preparation Advance	800,000	0	Amount payable pursuant to Section 2.07 of the General Conditions
TOTAL AMOUNT	26,900,000	29,600,000	

*Note: Additional Financing amounts have been expressed in USD

IV. APPRAISAL SUMMARY (restructured or scaled-up activities)

30. **Economic and Financial Analyses:** The analysis carried out for the original eGhana project components remains valid and is not affected by the scaled up activities which continue to accrue additional positive benefits from the renewed implementation of the restructured project. In particular, the deployment of Community Information Centers will extend ICT

applications and services to unserved and underserved communities in Ghana, while the development of a BPO Center will serve as a Mini ICT part and address some critical infrastructure challenges of the IT/ITES sector (real estate, electricity, bandwidth etc). The BPO center is expected to create a total of approximately 10,000 direct jobs. For every 1 direct job created, an estimated 4 additional indirect jobs are expected to be created in ancillary services such as housing, transportation, food production/supply etc. The rural Community Information Centers will be connected to the national e-government network and will ensure rural citizens have effective and low cost access to applications and services being introduced in the urban areas such as tax forms, passports, pension benefits etc. Appropriate and community-oriented ICT applications will expand knowledge and know-how, ease access to relevant national and global information, and curb the urban drift.

31. Carrying out rigorous cost-benefit analyses for a GIFMIS-based PFM improvement project is not a straightforward exercise. Such an exercise can be more qualitative at the outset but could be a derivative of the actual implementation successes realized upon the completion of the project. While the outcomes can be identified, quantification of the direct and indirect financial, economic, and social benefits and attributing outcomes to interventions, is generally not feasible, based on the experiences of the World Bank in supporting a number of IFMIS-type of operations. The Bank's recent experience in similar interventions in public financial management reform and institutional and capacity development indicates that benefits come from several sources: (i) efficient, transparent, and accountable fiscal and budget management contribute to economic growth and poverty reduction; (ii) better program implementation and service delivery, and additional benefits such as lower supplier prices as a result of improved credibility and predictability; and (iii) direct pecuniary benefits resulting from improved probity and transparency in the use of public resources.

32. The benefits of the GIFMIS component as designed, however, are expected to accrue from potential significant improvements in the following key PFM areas: improved budget credibility; better internal controls across MDAs and MMDAs; enhanced oversight of and increased transparency in fiscal and budget management; reduced public sector borrowing requirements of, and hence interest costs to, government upon adoption and implementation of a more robust Treasury Single Account³; improved predictability of budget releases; reduction of expenditure arrears through improved commitment controls; service delivery efficiency and effectiveness resulting from improved resource allocation and budget execution (including systems-embedded better procurement practices) in line with GPRSPII priorities; and reduced discretion as well as corruption incidences as a result of greater systems-based management of public finances. GIFMIS will also support the development of sustainable human resource capacity in the MoFEP, MDAs, MMDAs, and control agencies, thereby ensuring that the benefits will be sustained over time. Available evidence, therefore, suggests that the economic and financial benefits from the project should exceed project costs and a positive net present value (NPV) will be realized. For example, the implementation of IFMIS in a Bank-financed project in one of the Bank's partner countries has contributed directly to incremental cash recoveries, in a single year, of over twice the cost of the investment in the life of the GIFMIS

³ Implementation of IFMIS in a Bank-partner country has contributed significantly to the overall reduction (about 40%) in the financing costs of the budget deficit - a factor that alone pays for a year-on-year cost (capital and recurrent) of IFMIS implementation.

implementation as a result of improved detection arising from enhanced revenue and expenditure controls.

33. **Technical:** A key technical feature of the additional financing for the original eGhana components is the further consolidation of the initiative of implementing an IT architecture and interoperability framework for e-government transactions with a comprehensive framework that covers business transformation, technical standards, semantics, and organizational interoperability, with an emphasis on flexibility, modular design, functionality, and support. In respect of the newly introduced component – GIFMIS - a key technical consideration was to design the component using a form of platform approach that prioritizes and sequences the activities in a manner supportive of a viable and sound PFM system across the whole country. The basic functional and architectural specifications of the GIFMIS have already been drawn and they include the adoption of an Oracles Financial applications platform (not significantly dissimilar with the version that is already well known and understood in Ghana) that has most of the improved versions of good practice PFM standards. Full integration of systems to generate outputs that facilitate decision making at MDAs, MMDAs, and Districts is a key feature of the design – one that limits the potentials of fragmentation of applications. The special commitment and ownership of the GoG, combined with the strategy to bring in international experience from technical experts with strong background in implementing IFMIS will facilitate a viable technical outcome from the project’s implementation. In addition, the PEFA, ERPFM, and other diagnostic work carried out in conjunction with DPs, as well as the IMF FAD’s technical reports on fiscal management and supportive PFM reform priorities, all point to the need for a focused intervention through the GIFMIS project as a key thrust of PFM improvement in Ghana. Diverse technical support of the DPs in guiding the implementation outcomes through regular and robust implementation reviews will equally lend credence to the technical viability of the project as a vehicle for enhancing public sector accountability and transparency.

34. **Safeguards (Environmental and Social):** As the project involves either the construction of or rehabilitation of existing buildings for the CICs and the BPO, two safeguard policies (OP 4.01 and 4.12) are triggered by the additional financing. The Environmental category assessed for this project will therefore change from a ‘C’ to a ‘B’.

Safeguard Policies Triggered by the Project	Yes	No
Environmental Assessment (OP/BP 4.01)	[x]	[]
Natural Habitats (OP/BP 4.04)	[]	[x]
Pest Management (OP 4.09)	[]	[x]
Physical Cultural Resources (OP/BP 4.11)	[]	[x]
Involuntary Resettlement (OP/BP 4.12)	[x]	[]
Indigenous Peoples (OP/BP 4.10)	[]	[x]
Forests (OP/BP 4.36)	[]	[x]
Safety of Dams (OP/BP 4.37)	[]	[x]
Projects in Disputed Areas (OP/BP 7.60)*	[]	[x]
Projects on International Waterways (OP/BP 7.50)	[]	[x]

35. Under components 1 and 2, the Ministry of Communication (MOC) is to embark on the construction of ten (10) Regional Innovative Centers (RICs) for disseminating e-government applications, and the refurbishment of government facilities to be used for Business Process Offshoring (BPO). The Innovation Centers are aimed at facilitating information flow towards the social and economic development of the beneficiary areas in which the facilities are to be provided. In both cases, the Government is aiming to use sites and infrastructure which are Government –owned and is actively looking for such locations. Some tentative sites have been located for the BPO but discussions are still on-going. The same situation applies to the Innovation Centers where the Ministry of Communication has held preliminary discussions with Regional Coordinating Directors to identify potential government buildings/sites for the Centers. It is likely, however that Centers in particular may involve the construction of new buildings. For the BPO, the agreement with the Private Sector (based on recommendation of an International Investment Promotion Company hired by the Government) is for refurbishment of an old building as a fast track solution to meet urgent real estate needs.

36. The types of works to be undertaken in both cases may have direct and indirect environmental and social impacts in the affected areas. The Environmental Protection Agency (EPA) in accordance with its mandate specified in the EPA Act 490 (1994) which is further elaborated in the LI 1652 requires that the planning and execution of development projects are undertaken in compliance with laid down environmental and social impact mitigation procedures.

37. The proposed activities trigger the World Bank policy on environmental assessment OP 4.01 and O.P 4.12 which requires that the project prepares an Environment and Social Management Framework (ESMF) and Resettlement Policy Framework (RPF) to address potential impacts. The ESMF provides a corporate environmental and social safeguard policy framework, institutional arrangements for the identification and mitigation of potential safeguard issues and impacts of the project. The RPF (which is part of the ESMF) consists of land tenure and ownership, procedures for valuation, entitlements and compensation and grievance redress mechanisms and provides mitigation measures for any land acquisition that may take place during project implementation. The ESMF has been disclosed at the Infoshop and in country and consultations on the RICs and BPO have taken place in local communities. If the RICs and BPO Center involve construction or location in new buildings outside government premises, then location selection and construction will be subject to a no objection from the World Bank and confirmation that safeguards policies are satisfactorily addressed (e.g. environmental impacts, involuntary resettlement due to the possible acquisition of land for the construction activities, restriction of access and impacts on livelihood should these lands be pre-occupied for other uses). No construction or civil works would proceed until the safeguards instruments required under OP 4.01 (e.g., an Environmental Management Program - EMP) and OP 4.12 (e.g. Resettlement Action Plan - RAP) have been prepared by the borrower, disclosed, consulted upon, and approved by the Bank.

38. MoC has significant capacity and will implement the ESMF and RPF, as well as playing a lead role under the guidance of a consultant in ensuring that the appropriate environmental assessment and social and mitigation plans are integrated into the project framework. MoC will conduct the initial sub-project environmental and social impact assessment and develop

management plans, as well as ensure that environmental impact assessment and management plans are developed to meet the specific requirements at each project site.

39. **Procurement** The overall implementation of the original eGhana project components has been slow since the Credit became effective in November 2006. Given that a relatively large contract of about US\$59.9 million, out of which US\$20 million will be disbursed from project funds, for the e-Govt PPP for electronic applications for revenue agencies in Ghana is finalized, disbursement is expected to be around 80 percent of original credit (or US\$34 million) within the next 18 months. Readiness of the activities funded by the additional financing is supported by the state of the procurement processes and articulated in the procurement plans.

40. In addition to the inclusion of a new component to cover the GIFMIS (component 4), the original components 1 and 2, have been restructured to include the establishment of Community Information Centers (CICs) and a BPO Center respectively under this additional financing. In line with Bank policy, all procurement under the original project that are yet to be initiated, including contracts under the restructured paper, and contracts under the new component, following effectiveness of the additional financing will be governed by the Bank's May 2004 Procurement Guidelines and Consultant Guidelines as revised in October 2006. Due diligence will be carried out on the original project to identify contracts in the approved procurement plan yet to be initiated.

41. **Financial Management:** The arrangements for financial management for the original three components of the eGhana project, which have always been satisfactory, will remain the same and will apply for the additional financing. However, the financial management of the newly introduced component (GIFMIS) at the GIFMIS Secretariat of the CAGD will provide for complete use of government systems in budgeting, accounting, financial reporting and external audit. The financial statements will be prepared by the CAGD as part of the Department's entity financial reports. The proceeds of the credit allocated to this component will be disbursed into a 'pooled fund' with financing from other contributing Development Partners (DFID and EU). The project does however make provision for accommodating parallel financing, from new donor partners besides the Participating Partners, of new GIFMIS related PFM reform activities outside the scope of the existing set of activities, or where a financing gap exists. The 'pooled fund' will form part of the consolidated fund of the GoG held with the Bank of Ghana and will be denominated as a sub-consolidated fund account that the CAGD, through the GIFMIS Secretariat, will operate. A single disbursement category will be applied to support the simplification of the disbursement process under the GIFMIS component. The Auditor General of Ghana will carry out the annual audit of the activities of the project component and the audited financial statements and report shall be submitted to the IDA and other development partners within 6 months of the end of the GoG fiscal year. The original eGhana components (1, 2, & 3) will continue to be audited by private auditors and the audited financial statements will also be submitted to IDA within 6 months of the end of the GoG fiscal year.

42. **Institutional Arrangements:** Under the original eGhana Project, an ICT Sub-Committee was expected to be established under an existing Private Sector Oversight Committee (PSOC) which had been established as an Advisory committee for the implementation of the medium-term national Private Sector Development Strategy. The PSOC was meant to be the

oversight committee for both the eGhana Project and the IDA/IFC-financed MSME Project. As the PSOC has not been very operational, the Ministry of Communications at MTR made a decision to form a Ministerial Oversight Committee consisting of selected Ministers, Policy Makers and Private Sector to perform the same functions as the PSOC which will be responsible for oversight of components 1, 2 and 3.

43. **Benefits and Risks:** Key summary project risks and mitigating measures are presented in the table below. The project risk is, overall, rated Moderate. A detailed presentation of the risks is reflected in the Risk Identification Worksheet – Operational Risk Assessment Framework - (Annex 3).

<i>Risk factors</i>	<i>Description of risk</i>	<i>Mitigation measures</i>
Technical/design	The complexity of the project (hitherto implemented solely by MoC) can be compounded by the introduction of a completely new component – GIFMIS – that will be implemented under the auspices of a different entity – MoFEP.	The establishment by the GoG of a single and joint revenue and expenditure Steering Committee, chaired by the Minister of Finance and Economic Planning, will facilitate better coordination of project activities under a unified platform. The new GIFMIS component will build on the minor gains from the BPEMS project where 8 pilots have been implemented. The design includes a well sequenced and prioritized set of activities that allow for full integration of PFM reforms in the implementation of the PFM-based ICT tools.
Implementation capacity and sustainability	ICT capacity, while improving across government entities, can be weakened by the lack of retention of qualified personnel to manage the systems provided under the project and thus impair implementation progress and sustainability of outcomes.	The introduction of BPEMS has strengthened the capacity of key MDAs in ICT. This will be further consolidated by major capacity building activities included in the project component – GIFMIS. On the other areas related to original eGhana components, the PPP approach will reinforce capacity development and sustainability for revenue administration entities.
Cultural Change Management	As new systems require significant change in operating cultures and induce resistances to change, government-wide acceptance of new practices can undermine project success, particularly for the GIFMIS component.	The project, within the GIFMIS component, has a high focus on implementation of cultural change initiatives factored in the design and based on lessons learned.
Replication of the failed	The weaknesses in the	Improved readiness of GIFMIS and the

BPEMS experience in implementing GIFMIS (component 4)	BPEMS implementation and the bottlenecks to achieving expected results may roll into the implementation of the GIFMIS component.	integration of PFM reforms, coupled with elements of cultural and change management initiatives have the potential to mitigate the carry-over of the BPEMS risks.
Financial management	The use of country PFM systems could result to delays in producing the interim reports and the annual financial statements.	Current practice of the GoG at the level of the CAGD provides for submission of monthly financial reports on the consolidated fund within 15 days of month end; and annual financial statements (AFSs) within 3 months of year end. These are being complied with. The inclusion of the eGhana component in such statements will be facilitated by the Bank FM team through implementation support, in order that the audit can be completed within 3 months for the audit reports to be submitted on the AFS by 6 months after FY end.
Procurement	While procurement capacity of the original eGhana's 3 components is now strong, the capacity to initiate and process procurement actions for component 4 – GIFMIS – is very weak and can delay project implementation progress.	Technical assistance by way of assigning procurement specialist consultants is underway to strengthen the CAGD procurement team that will support the GIFMIS. The Bank procurement team will provide implementation support at all stages of the procurement cycle.
Partnership arrangements, including pooling	The funds pooling arrangement for GIFMIS (Component 4) as well as the potentials for delayed disbursement of funds by DPs can impact project delivery and outcomes	A Memorandum of understanding between the DPs and with the GoG will specify the specific commitments and responsibilities of each of the funding parties and will provide for disbursement acceleration and eventual deceleration, as the case may be, in the event of delay in disbursements from one or the other DPs.

44. **Financial terms and Conditions:** The World Bank would lend to the Government of Ghana, represented by the Ministry of Finance and Economic Planning, on terms and conditions of the International Development Association – 35 years maturity, 10 year grace period, and 0.75 per cent service fee.

45. **Conditions of Effectiveness:** The following shall constitute the conditions of effectiveness of the additional financing:

- (a) an addendum to the Project Implementation Manual, in form and substance satisfactory to the Association, setting forth, *inter alia*, the arrangements for implementation of Component 4 of the Project;

- (b) instructions satisfactory to the Association issued by the GoG to all the MDAs that:
 - (i) all MDAs commence using from FY 2011 onward a new harmonized chart of accounts; and
 - (ii) the new budget classification structure for preparation of the budgets of the MDAs that are included in the FY 2011 pilot program budgeting;
- (c) a legal opinion acceptable to the Association from counsel acceptable to the Association, on behalf of the GoG, showing that the Amended Financing Agreement has been duly authorized and ratified by, and executed and delivered on behalf of the GoG and is legally binding upon the GoG in accordance with its terms; and
- (d) evidence satisfactory to the Association that the Co-financing Agreements have been executed and delivered and all conditions precedent to their respective effectiveness or to the right of the GoG to make withdrawals under said Co-financing Agreements (other than the effectiveness of this Amended Financing Agreement) have been fulfilled.

46. Additional Covenants for Component 4 of the Project

(a) The GoG shall, for the purpose of Component 4 of the Project, and commencing with the preparation of its budget for the FY 2012, roll-out the program budgeting structure to all remaining MDAs, in form and substance satisfactory to the Association.

(b). The GoG shall, for the purpose of Component 4 of the Project, not later than 12 months after the Effective Date, review and adopt, in form and substance satisfactory to the Association, comprehensive revised and updated business processes, and thereafter, introduce functional specifications and upgrade such systems, all in form and substance satisfactory to the Association.

(3). The GoG shall, not later 12 months after the Effective Date, reorganize, in a manner satisfactory to the Association, the accounting organization, operations, roles and responsibilities of the head office of its Controller and Accountant's General Department to ensure sustained effective management and operation of its integrated financial management information system.

47. Withdrawal Conditions

1. No withdrawal shall be made out of the proceeds of the Original Credit for:

- (a) payments made prior to the date of the Financing Agreement;
- (b) any Subproject under Category (2), unless the Recipient has: (i) contracted the Matching Grants Manager with qualifications and terms of reference satisfactory to the Association,

in accordance with the provisions of Section III of Schedule 2 to this Agreement; and (ii) furnished , in form and substance satisfactory to the Association, an addendum to the Project Implementation Manual, setting forth the eligibility criteria, approval, disbursement, administration and monitoring arrangements, and terms and conditions for financing of Subprojects including a model form of Matching Grant Agreement; and

(c) payments made for any Staff Costs under Category (3), unless such payments conform to parameters laid down by the Recipient and acceptable to the Association.

2. No withdrawal shall be made out the proceeds of the Additional Credit for payments made prior to the date of this Agreement, except that withdrawals up to an aggregate amount not to exceed \$8,500,000 equivalent may be made for payments made prior to this date but on or after January 1, 2010, for Eligible Expenditures under Categories (4) and (5)

48. **Compliance with Bank Policies (OP 13.20):** The proposed additional financing is in compliance with the requirements of OP 13.20 and other applicable policies. The additional financing will be completed within three years of the closing date of the principal project, eGhana, as required under OP/BP 13.20.

**Results Framework and Monitoring
eGhana Additional Financing Project
Results Framework**

PDO		Project Outcome Indicators		Use of Project Outcome Information	
Current	Proposed	Current	Proposed	Current	Proposed
To assist the Republic of Ghana to generate growth and employment by leveraging ICT and public-private partnerships to: i) develop the IT Enabled Services industry, and ii) contribute to improved efficiency and transparency of selected government functions through e-government applications	No Change	1. IT/ITES Employment (number of people) –CORE 2. New jobs created in the ICT/ITES sector are held by women (number). 3. % increase in ITES contribution to GDP. 4. Increase in export led revenues generated by ICT/ITES industry (USD) - CORE 5. Increase in number of ICT SMEs reporting increased revenues. 6. Increase	1. Reformulated to CORE INDICATOR - otherwise no change 2. No Change 3. Removed 4. No Change 5. Removed 6. Increase over	➤ Show the expansion of ICT industry. ➤ Show direct linkages between ICT industry and economic growth. ➤ Further shows the attribution of ICT sector and economic growth. ➤ Indicate successful roll out of e-government services. ➤ Shows quality	<i>No Changes</i>

		<p>over the baseline in satisfaction of users with government services taken up for electronic delivery (specific services will identify as the result of e-govt. study).</p> <p>7. Increase in number of PPPs in e-government infrastructure and applications.</p> <p>8. <i>[New]</i></p> <p>9. <i>[New]</i></p>	<p>the baseline in satisfaction of users with government services taken up for electronic delivery (specific services will identify as the result of e-govt. study) (%) / User perception of quality of public services (%) - CORE</p> <p>7. Removed</p> <p>8. MDAs applying commitment controls using GIFMIS (number)⁴</p> <p>9. Production through GIFMIS of systems-based quarterly GoG GFS-compliant Ghana Fiscal Operations Report by MoFEP within one month of quarter-end⁵</p>	<p>improvement of e-government Services.</p> <p>➤ Level of success of project's interventions aimed at fostering PPPs.</p> <p><i>[New]</i></p> <p><i>[New]</i></p>	<p>The GIFMIS indicators will be critical to ensuring an appropriate balance between (a) the information system sub-component to establish the functional platform, and (b) the business process sub-component. Coordination of these efforts should ensure that ICT-based functionality is directed to achieve key PFM outcomes.</p>
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⁴ Registering expenditure commitments once Oracle is operational. Data will be relevant to improvement of PEFA indicators PI-4 and PI-20(i) - a measure of control and transparency.

⁵ Data will be relevant to improvement of PEFA PI-5 and PI-24 indicators. Both are indicators of fiscal transparency.

		10. <i>[New]</i>	10. Production of IPSAS-compliant GoG annual financial statements by CAGD for the CFA ⁶ .	<i>[New]</i>	
		11. <i>[New]</i>	11. Number of manpower trained (number of people)-CORE	<i>[New]</i>	
		12. <i>[New]</i>	12. Number of direct project beneficiaries (of which females)	<i>[New]</i>	Measures the number of people directly benefitting from the activities of the project
Intermediate Outcomes		Intermediate Outcome Indicators		Use of Intermediate Outcome Monitoring	
Current	Proposed	Current	Proposed	Current	Proposed
Component 1: ENABLING ENVIRONMENT					
1. An agile and visionary management at MoC (eMT, ITES Division, GICTED) capable of setting policy goals and strategic vision and implementation of these.	1. <i>No Change.</i>	1. % increase of ICT/ITES companies and MDA expressing satisfaction with the level of coordination and management by MoC.	1. Increase in MDAs expressing satisfaction with the level of coordination and management by MoC. (%)	<ul style="list-style-type: none"> ➤ Show level effectiveness and efficiency of MoC interventions. ➤ Indicate level of success with PPP Approach. 	<i>[No Change]</i>
2. Environment conducive to investment in ICT/ITES.	2. <i>No Change.</i>	2. Decrease price of bandwidth.	2. Decrease price of band-width for ITES industry (USD) / Reduced retail price of internet services (per Mbit/s per Month, in USD (CORE)		
3. Environment	3. <i>No Change.</i>	3.1. Increased	3.1. <i>Removed.</i>		

⁶ Data will be relevant to improvement of PEFA PI-24 and PI-25. Both are indicators of fiscal transparency

conducive to Public Private Partnerships		protection against cyber crime.			
4. Improved delivery of government information to citizens through Regional Innovation Centers	4. <i>No Change</i>	3.2. Increased protection of Intellectual Property. 3.3. Level of investment attracted by PPPs per annum. 4. Regional Innovation Centers established and deliver content	3.2. Increased protection of Intellectual Property. IP protection policy developed. 3.3. <i>Removed</i> 4. <i>No Change</i>		
Component 2: SUPPORT TO ITES AND ICT SMEs					
2.1. Opportunities for women in ICT/ITES sector.	2.1. <i>No Change.</i>	2.1. % growth in positions held by women in ICT/ITES private sector on (i) non-managerial, (ii) managerial level.	2.1. <i>No Change.</i>	➤ Shows if project's interventions were successful in promoting women in ICT labor force.	<i>[No Change]</i>
2.2. Improved HR capacity in ICT/ITES sector.	2.2. <i>No Change.</i>	2.2. % of people trained and successfully employed.	2.2. People trained and successfully employed in IT/ITES industry (%)	➤ Indicates level of success of project's interventions aimed at creating an HR capacity to support BPO.	
2.3. Capacity of GoG to support ITES.	2.3. <i>No Change.</i>	2.3. Increase in ICT/ITES industry satisfaction with GoGs support	2.3. Increase in ICT/ITES industry satisfaction with ITES Secretariat's support (%)	➤ Indicates success of ITES Division in supporting BPO.	
2.4. Entrepreneurial capacity within the ICT/ITES	2.4. <i>No Change.</i>	2.4. Increase in number of new companies	2.4. Increase in new companies <i>incubated</i> each year	➤ iITES	

cluster		created each year	(number)	industry shows success of interventions in business incubation	
2.5. [New]	2.5. Improved physical infrastructure for BPO industry	2.5. [New]	2.5. BPO Center established	<ul style="list-style-type: none"> ➤ Shows availability of physical infrastructure 	
Component 3: EGOVERNMENT					
3.1. Government Portal successfully implemented	3.1. No Change	3.1. Number of transactions.	3.1 Transactions on e-government applications (number) / Electronic transactions of public services (%) - CORE.	<ul style="list-style-type: none"> ➤ Level of demand for e-government Services. indicating successful implementation of e-government. 	
3.2. GovNet established	3.2. No Change	3.2. Degree of satisfaction of citizens and businesses with Government Portal.	3.2. Removed	<ul style="list-style-type: none"> ➤ Measure of quality of service ➤ Measure of success of adherence to Standards. 	
3.3. IT Architecture and Interoperability	3.3. No Change	3.3. GovNet Uptime	3.3. Removed.	<ul style="list-style-type: none"> ➤ Indicates success of training interventions under the project. 	
3.4. Improved capacity for planning and implementing e-government applications within GoG	3.4. No Change	3.4. All applications developed under the scope of e-Ghana adhere to the IT architecture and interoperability standards.	3.4. No Change.	<ul style="list-style-type: none"> ➤ Quality improvement of electronic government services over paper based transactions 	
3.5. Number of government Services established	3.5. No Change	3.5. Number of CIOs trained.	3.5. No Change.		
		3.6. Number of technical staff trained.	3.6. No Change.		

		3.7. Increase in the ratio of electronic to manual transactions (application-specific) between government and recipients by application (limited to population with connectivity) (%)	3.7. <i>No Change.</i>		
Component 4: GIFMIS [New]	4.1. Improved macro-fiscal discipline and management	4.1. [New]	4.1. Budget ceilings linked to outer year forecasts for all MDA spending (% of total budget) ⁷	[New]	Output and outcome data will be collected by relevant GoG departments and maintained by GIFMIS M&E Cell in component 4 management and used for half-yearly and annual internal review and DP monitoring of performance of each sub-component
	4.2. Improved MDA and sectoral management.	4.2. [New]	4.2. MDAs that implement annual classification of program, sub-program and activity classification (number)		
	4.3. Improved financial management, control and efficiency	4.3. [New]	4.3. (a) Completion of review and update of FM legislative and operational framework 4.3 (b) Reduction of domestic payment arrears ⁸ 4.3 (c) Internal Audit Staff trained in Computer		

⁷ Important criteria for the extent of linkage between outer year forecasts, ceilings, and budget allocations will be a comparison between forecast and ceilings and the extent to which any variation is explained by specific price or policy changes in the preparation process—as well as the extent to which the explanation is available in the budget documents

⁸⁸⁸ Of relevance to improvement of PEFA PI-4, contributing to macro-fiscal management, control and efficiency.

			<p>Aided Audit Techniques (CAATs) (number)⁹</p> <p>4.3 (d) Treasury sites connected to GIFMIS (number)</p> <p>4.4 (e) MDAs preparing budgets on Oracle platform (number)</p>		
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⁹ Data will be relevant to improvement in PEFA PI-21(all dimensions should benefit from greater use of ICT)

Arrangements for Results Monitoring¹⁰

Project Outcome Indicators		Baselines		Target Values				Data Collection and Reporting		
		Original	YRx ¹¹ (At AF Apprsl)	2011	2012	2013	2014	Frequency and Reports	Data Collection Instruments	Responsibility for Data Collection
Current	Proposed									
1. IT/ITES Employment (number of people) – CORE	1. Reformulated to CORE INDICATOR - otherwise no change	2200	3050	4000	5000	6000	7000	Annual	Survey of ICT companies	ITES Division/M&E Firm
2. At least half of the new jobs created in the ICT/ITES sector are held by women.	2. <i>No Change</i>	50%	61%	>66%	>66%	>66%	>66%	Annual	Survey of ICT companies	ITES Division/M&E Firm
3. % increase in ITES contribution to GDP.	3. <i>Removed</i>	0.5%	0.8%							
4. Increase in export led revenues generated by ICT/ITES industry.	4. <i>No Change</i>	N/a	USD32.5m	USD40M	USD 50M	USD 60m	USD70m	Annual	Survey of ICT companies	ITES Division/M&E Firm
5. Increase in number of ICT SMEs reporting increased	5. <i>Removed</i>	N/a	55% of 18 ICT companies surveyed reported							

¹⁰ Although some baseline indicators are zero, it is noteworthy that the GoG has taken steps and deployed its own resources outside the proposed GIFMIS component to cater to the reforms, therefore a swift progress towards achieving the 2014 milestones is expected.

¹¹ Target value at time of additional financing appraisal becomes the revised baseline.

revenues.			increases revenues							
6. Increase over the baseline in satisfaction of users with government services taken up for electronic delivery (specific services will identify as the result of e-govt. study).	6. Increase over the baseline in access use and satisfaction of users with government services taken up for electronic delivery (specific services will identify as the result of e-govt. study)	Govt services for electronic delivery yet to be deployed under eGhana	Govt services for electronic delivery yet to be deployed under eGhana	10% increase over baseline	15% increase over baseline	20% increase over baseline	25% increase over baseline	Annual	Client satisfaction survey	M&E Firm
7. [New]	7. Impact on IT/ITES sector of World Bank technical assistance (composite score: 1 –low impact to 5 – high impact) – CORE	New	3	4	5	5	5	Annual	Survey of ICT companies and GASSCOM	M&E Firm
	8. MDAs applying commitment controls using GIFMIS (number)		0 ¹²	28 ¹³	28 ¹⁴	Full central MDA commitment functionality	Full Central GIFMIS functionality; Phased MMDA rollout ¹⁵	Annual	Periodic survey ¹⁶	CAGD

¹² BPEMS functions are used by few ministries; limited/no commitment control

¹³ By Jan1, 2011, all MDA CFA/sub-CFA register commitments for items 3 & 4 at the 28 Treasuries.

¹⁴ CFA and MDA IGFs use commitment functionality.

¹⁵ Details will depend on decentralization strategy: GIFMIS will support centralized controls through CAGD or decentralized controls through MMDAs.

	9. Production of systems-based quarterly GoG GFS-compliant Ghana Fiscal Operations Report by MoFEP (within one month of quarter-end)	<i>[New]</i>	No GFS-compliant reports ¹⁷	Report format [designed by Nov. 30, 2010] and approved by Jan. 2011.	Regular GFO reporting and publication	Regular GFO reporting and publication	Regular GFO reporting and publication	Annual	GFO report	Budget Directorate/ CAGD
	10. Production through GIFMIS of IPSAS-compliant GoG annual financial statements by CAGD for the CFA by March 31, 2012 each year	New	Non-compliance ¹⁸	IPSAS format agreed. ¹⁹	IPSAS-compliant for CFA by March 31, 2012 accounts	IPSAS-compliant including IGFs by March 31, 2013	IPSAS-compliant - include all Funds by March 31, 2014	Annual	Annual Financial Statement	CAGD

¹⁶ The M&E Unit of the GIFMIS Management will coordinate all data collection and reporting on indicators; agencies as designated will be responsible for providing reliable data.

¹⁷ GFSM mapping near complete, but no GFS-compliant system reports

¹⁸ Accounting manual consistent with IPSAS, but limited implementation on financial statements

¹⁹ Including strengthening policy statements and disclosure notes on current statements.

	11. Number of manpower trained (number of people)- CORE	[New]	Additional training: ²⁰ Trainees (cumulative): Foreign Local	34	30 1915	80 4341	509 5509	Annual	Periodic survey	M&E Unit
	12. Number of direct project beneficiaries (of which females %)	[New]	0	2,000	4,000	8,000	10,000	Annual	Periodic survey	M&E Unit
Intermediate Outcome Indicators										
Current	Proposed									
1. % increase of ICT/ITES companies and MDA expressing satisfaction with the level of coordination and management by MoC.	1. % increase in MDAs expressing satisfaction with the level of coordination and management by MoC.	N/A	32%	40%	50%	60%	75%	Annual	Survey of MDAs	M&E Firm
2. Decrease price of bandwidth.	2. Decrease price of band-width for ITES industry.	US\$10000 per full circuit E1 line for non GISPA members & US\$7000 for GISPA members	US\$7000 per full circuit E1 line for non GISPA members & US\$4500 for GISPA members and BPO companies	US\$6500 per full circuit E1 for non GISPA members & US\$ 4000 for GISPA members and BPO companies	US\$6000 per full circuit E1 for non GISPA members and US\$ 3000 for GISPA members and BPO companies	US\$5000 per full circuit E1 line for non GISPA members & US\$ 2500 for GISPA members and BPO companies	US\$4000 per full circuit E1 line for non GISPA members & US\$ 2000 for GISPA members and BPO companies	Annual	Survey of GASSCOM companies; Key informant interviews with Telcom Providers	M&E Firm/ITES Division

²⁰ Core staff are trained in BPEMS, but intensive retraining and additional staff training required for GIFMIS

3.1. Increased protection against cyber crime.	3.1. <i>Removed.</i>									
3.2. Increased protection of Intellectual Property.	3.2. Increased protection of Intellectual Property.	No	4 electronic legislations	2 additional laws passed	2 additional laws passed	-	-	Annual	Records review of AG-s Dept	MoC Legal Desk
3.3. Level of investment attracted by PPPs per annum.	3.3. <i>Removed</i>	0 (no PPPs in existence under e-Ghana)	USD 60 m							
2.1. % growth in positions held by women in ICT/ITES private sector on (i) non-managerial, (ii) managerial level.	2.1. <i>No Change.</i>	1540	1773 women in non-managerial positions 93 women in managerial positions	10%	15%	20%	20%	Annual	Survey of ICT companies	M&E Firm/ITES Division
2.2. % of people trained and successfully employed.	2.2. % of people trained and successfully employed <i>in ITES industry.</i>	N/a	4320 trained; 65% successfully employed	100%	100%	100%	100%	Annual	Tracer study	M&E firm/ITES Division
2.3. Increase in ICT/ITES industry satisfaction with GoGs support	2.3. Increase in ICT/ITES industry satisfaction with <i>ITES Secretariat's support.</i>	30%	31%	50%	70%	80%	80%	Annual	Survey of ICT companies	M&E firm/ITES Division

2.4. Increase in number of new companies created each year	2.4. Increase in number of new companies <i>incubated</i> each year	6	9	15	21	30	30	Annual	Recording and documentation review	ITES Division
3.1. Number of transactions.	3.1 Number of transactions on e-government applications.	Egov. applications yet to be deployed	Egov. applications yet to be deployed	10% increase over baseline	20% increase over baseline	30% increase over baseline	40% increase over baseline	Quarterly	EGovernment statistics	GICTED
3.2. Degree of satisfaction of citizens and businesses with Government Portal.	3.2. <i>Removed</i>	Portal yet to go live	Portal yet to go live							
3.3. GovNet Uptime	3.3. <i>Removed.</i>	Nil	GovNet yet to go live							
3.4. All applications developed under the scope of e-Ghana adhere to the IT architecture and interoperability standards.	3.4. <i>No Change</i>	0	Nil applications under eGhana are yet to go live)	100%	100%	100%	100%	Annual	Egovernment statistics	GICTED
3.5. Number of CIOs trained	3.5. <i>No Change</i>	0	2	25	50	75	100	Annual	Recording and collating training information	GICTED
3.6. Number of technical staff trained.	3.6. <i>No Change.</i>	0	8	25	50	75	100	Annual	Training statistics	GICTED

3.8 % increase in the ratio of electronic to manual transactions (application-specific) between government and recipients by application (limited to population with connectivity)	3.8. <i>No Change</i>	Nil - eGov. Applications non-existent under eGhana)	Nil - eGov. Applications yet to go live)	10% electronic	20 % electronic	30% electronic	40% electronic	Annual	Egovernment statistics	GICTED
4.1.[New]	4.1 Budget ceilings linked to outer year forecasts for all MDA spending (% of total budget)	[New]	5 ²¹	5 ²²	40%	100%	100%	Annual	Budget call circular and budget estimates document	Budget Directorate
4.2. [New]	4.2 Cumulative MDAs that implement annual program, sub-program and activity classifications (number)	[New]	0 ²³	0	20	55	92	Annual	Budget call circular and budget estimates document	Budget Directorate
4.3. [New]	4.3. (a) Completion of review and update of FM legislative and operational framework	New	Formal review needed ²⁴	Initiate	Complete review by June 2011 with action plan	Implement action plan	Implement action plan	Annual	Draft laws and regulations	Budget Directorate and CAGD

²¹ Ceilings are issued but not applied beyond a fair estimate of 5%.

²² Ceilings mandatory; outer year negotiated as base for 2012 budget.

²³ Classification by objective/ output/ activity applies only to items 2 and 3 and is not integrated with allocative process.

²⁴ Legislation not updated to allow for business process change to conform with ICT

	4.3.(b) Elimination of domestic payment arrears (% GDP)	New	IMF estimate 4 % of GDP end-2008	< 3% ²⁵	< 2% ²⁶	< 1.5%	<1%	Annual	Accounts and audit reports/Budget Dept.	CAGD/ Budget Directorate
	4.3.(c) Internal Audit Staff trained in Computer Aided Audit Techniques (CAATs) (number) ²⁷	[New]	Training needed: ²⁸ Foreign: Local:	5 30	10 60	5 60	30	Annual	Periodic survey	IAA
	4.3.(d) Treasury sites connected to GIFMIS (number)	[New]	0	14	28 ²⁹	Full central connectivity	Phased MMDA rollout ³⁰	Annual	Periodic survey	CAGD
	4.3.(e) MDAs preparing budgets on Oracle platform (number)	[New]	0	0 ³¹	28	28	28 ³²	Annual	Periodic survey	Budget Directorate
5. [New]	5. Regional Innovation Centers established and deliver content	[New]	0	0	0	5	10	Annual starting with 2013	Site inspection	MoC
5. [New]	6. BPO Center established.	[New]	0	0	0	0	10,000 seats	End of Project	Site inspection	ITES

²⁵ Methodology for estimation of arrears to be strengthened alongside establishment of commitment controls via system.

²⁶ CFA—excluding IGFs.

²⁷ Data will be relevant to improvement in PEFA PI-21(all dimensions should benefit from greater use of ICT)

²⁸ Very limited exposure of IAU staff to CAATs (around 45 with some training)

²⁹ Interim district MDA/ MMDA stand alone systems will enable district treasuries to process commitments-through-payments functionality to district MDA units

³⁰ As for 9 above, details will depend on decentralization strategy: GIFMIS will support centralized connectivity/controls through CAGD or decentralized controls through MMDAs.

³¹ Preliminary testing/configurartion of Oracle budget module

³² As for 4.3 (c) above

Detailed Description of Modified or New Project Activities

Components 1, 2, and 3 of Original eGhana project (IDA - US\$16.26)

The proposed changes resulting to additional financing are detailed below. The impact of the changes have given rise to an aggregate additional financing for components 1, 2, and 3 of the original eGhana project in the total of US\$ 16.26 million, allocated to the three components as follows: Component 1 – a reduction of US\$0.28 million due to a net re-allocation; Component 2 – an increase of US\$5.14 million; and Component 3 – an increase of US\$11.40 million. The specific details of the changes related to each of these original components are also highlighted below.

Component 1 – Enabling Environment: All sub-components under this component remain unchanged with the exception of:

2) *B.3.1.4. (Technical Assistance for Re-privatization of Incumbent Telecom Companies):* This activity was meant to finance transaction advisory support (with partial retainer fee) for the re-privatization of incumbent telecom companies. As the government made an earlier decision to use its own funds for the two privatization transactions, prompted by the perceived potential delays in World Bank procurement processes, the funds previously allocated for the two transactions (US\$2.25 million) will need to be re-allocated to address projected financing gaps.

3) *B.3.1.6. Technical Assistance to Provide Options for Developing Sustainable Community Information Centers:* As part of the initial Project Appraisal Document, World Bank and Government agreed to re-evaluate the potential for financing of CICs at the project mid-term review to ensure that there is a demand driven sustainable CICs model in place. The Government now requests funding in the amount of \$1.2 million for pilot Community Information Centers in all 10 Regional Capitals which would serve as the focal points for delivery of e-Govt activities. The funding will support activities including Communication Facilities, computers and other IT equipment.

Component 2 – Support to Local ICT Businesses and ITES in Ghana: All sub-components of this component remain unchanged with the exception of:

4) *C.1.3 Universities IT Capacity Improvement Program:* This sub-component was initially designed to expose professors of tertiary institutions teaching in the field of IT and management to operational/industry experience. The PAD made a provision to further articulate this sub-component during the MTR. The revised sub-component places emphasis on establishing capacity at selected universities to deliver cutting edge IT management and software development courses that would contribute towards building local IT skilled labor force in the latest technologies. Training activities will be linked to industry and market requirements as well as contribute towards assessment of graduates' readiness for employment. Specifically, this activity will support the establishment of at least two training and certification facilities in IT/knowledge-intensive industry. A

modified program will now finance development of a facility for training and certification; and delivery of a training program at a participating university to train trainers and an initial group of trainees. A sum of US\$600,000 million has been reallocated towards this activity. Selected universities will collaborate closely with GASSCOM in defining curricula, and establishing internship opportunities.

- 5) *C.3.1. Quality Assurance Program for Ghana ICT Companies:* The project was intended to finance matching grants to an eligible public or private institution selected on a competitive basis to set up a shared facility for software testing in Ghana. This facility would provide support to local ICT SMEs in obtaining international certification. The implementation of the Software Certification Center has not commenced and, given re-alignment of priorities, it was decided to cancel Testing Center activity and re-allocate to University-Business Linkage Program (C.1.3).
- 6) A new Activity – *Establishment of BPO Center* - has been included as part of the additional financing requirements under the project. Major constraints to the development of the ICT/ITES sector in Ghana identified during initial project preparation included (i) the high cost and varying quality of communications and real estate infrastructure, (ii) the limited availability of skilled manpower and entrepreneurial talent, (iii) the lack of access to finance and venture capital and (iv) a weak institutional setup for targeting investments in the sector. So far, the original eGhana Project is assisting to address some of these challenges. The government, through specialist technical advice, has however highlighted the urgency to provide some grade ‘A’ facilities in order to retain the interest of some of the investors who are keen to do business in Ghana. At MTR, the GoG requested additional resources (US\$5 million) to refurbish existing government warehouses for a BPO Center on a PPP basis.

Component Three – e-Government Program: All sub-components remain unchanged with the exception of:

- 1) *D.2. Government-wide Network (GovNet):* The sub-component was designed to support the establishment of a shared government-wide network connecting about 76 key MDAs (US\$2.5 million). This would help MDAs to better secure their databases and provide them with high speed connectivity for sharing information and applications. During the MTR, the mission was given to understand that the Government had obtained substantial funding from the Chinese government (US\$30 million initially, followed by an additional request of US\$150 million) which was proposed to be used for establishing a much more ambitious network to be executed by Huawei. The Huawei network proposes to provide connectivity to all 170 districts, municipalities and metropolitan areas in the country and will also fund a dedicated data center for GoG. In view of these various developments, the full amount provisioned for GovNet will not be utilized under the eGhana project. Bidding documents have already been prepared for GovNet using IDA funds which have been used by GICTeD to firm up the technical specifications for the Huawei network. The remaining funds will be re-allocated.

D.3 New eGovernment applications: The original eGhana Project made provision for multiple e-Govt applications. During the MTR, the government made a specific request for additional priority applications including e-Procurement and e-Justice. Both applications will provide electronic platforms for reforming improving accountability, transparency and efficiency in the respective sectors.

Component 4 – Ghana Integrated Financial Management Information Systems (GIFMIS) – US\$55.76 - (IDA-US\$28.44, DFID-US\$ 15.05, EU-US\$12.27)

This component comprises three interrelated sub-components (PFM Information Systems, PFM Business processes and Control Systems, and project Component Management).

A: Sub-component I - PFM Information Systems

Background and Current Status: The Government of Ghana began implementation of a Budget and Public Expenditure Management System (BPEMS) under the auspices of the Public Financial Management Reform Program (PUFMARP) in 1997. The government chose the Oracle Financials software package acquired through an International Competitive Bidding (ICB) process to implement the BPEMS. Initially, six (6) Oracle financials modules were purchased, customized and partially implemented in 14 pilots between 2000-2003.

Pilot Implementation has had limited success. Only 8 out of 14 pilot ministries and the office of the Controller and Accountant General (CAGD) have started with partial implementation of the modules- including the general ledger and the accounts payables module. To date, the BPEMS project has not achieved the desired results in the Central Ministries, Departments and Agencies and has not been rolled out to the government-wide decentralized Metropolitan, Municipal, and District Assemblies and only a small portion of budgeted expenditure is processed through BPEMS. In addition to BPEMS the Government of Ghana (GoG) uses a number of different application systems and different hardware /software platforms to support the functional processes in the area of budgeting and accounting. The Chart of Accounts and Budget classification structures used across different levels of government are not uniform. The use of multiple charts of accounts and a diverse set of application systems on different technology platforms that are not appropriately interfaced with BPEMS impede the integration and provision of information available across the different systems/ platforms and comprehensive reporting and monitoring of PFM and service delivery outcomes. In addition they add significantly to the Cost of operations.

Low executive and political commitment to the objectives of the project, a poor coordination and communication and change management strategy, inadequate stakeholder involvement , inadequate technical capacity, unreliable network connectivity, lack of adequate help desk facilities, inadequate training, a technology driven approach have been cited as the main reasons for failure.

In addition to the GoG's own efforts to revitalize the systems and establish a good basis for expenditure controls, several donors have made tremendous contributions to the efforts of the GoG to revitalize key reform initiatives through financial and technical assistance support. It was against this base that the proposed GIFMIS foundation is being laid.

Whilst many of the reasons cited above have been important in impeding the successful implementation of BPEMS, experience in the implementation of similar systems in other countries indicates that a set of policy actions need to precede and underpin the design of such systems.

The basic purpose of implementing these systems is to achieve:

- **Better fiscal control** : By ensuring full integration of budget and budget execution data and ensuring that expenditures are in accordance with budget appropriations, commitments and cash allocations and close monitoring of outstanding bills, cash in Government bank accounts, arrears and fiscal deficits
- **Better cash management:** by bringing all government accounts under the control of Treasury and consolidation in a Treasury Single Account (TSA), and by reducing idle balances in Government Accounts and improved planning for cash
- Provision of timely and accurate reporting for Economic management
- Assistance in preparation of financial statements and financial reports
- Improved quality of baseline data for budget preparation

The key prerequisites to achieve these objectives 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 CAGD (Treasury) and consolidate them in **a TSA at the Central Bank**
- **Defining the systems architecture** in terms of the basic functional processes involved in government budgeting and accounting. This means that the main nodes of the architecture should be designed in such a way so as to (a) provide access to the MOF Budget department and Vote Controllers in the Line Ministries and (b) **All Treasury offices** where expenditure and receipts transactions are processed in the country. Currently there are 28 Treasuries at the Central level, 10 at the regional level and 170 at the district level. The systems will need to cover the transaction processing activities at each of these levels.
- **Ensuring that all expenditure transactions are processed through the system and all receipts recorded in it.**

A recent IMF mission visited Ghana and has made similar observations vis a vis the GIFMIS.

The GIFMIS Charter: The new government that came to office in 2008 has made PFM a top priority, has unambiguously stated its ownership of and commitment to the reforms and its determination to address the issues that caused the implementation slowdown that characterized the BPEMS system. A Steering committee, the PFM Reforms – Revenue and Expenditure Steering Committee, has been established, headed by the Deputy Minister of Finance and with participation from all key stakeholders. The Steering Committee has recently approved a PFM Improvement Charter – called **the GIFMIS Charter** – that calls for implementing a country wide PFM system in which it states its commitment to develop and implement fully the Ghana

Integrated Financial Management Information System (GIFMIS), using the Oracle E-Business Suite Financial software. Supported by improved organization and business processes, GIFMIS will serve as the official system of record to meet the GoG's budget, financial accounting and reporting, disbursements, internal control, and auditing requirements. There will be two (2) major components of the GIFMIS Project under the direction and guidance of the PFM Reforms – Revenue and Expenditure Steering Committee. The Director of Budget will be in charge of planning and implementing the budget management function using the budget module of the GIFMIS and the Controller and Accountant-General will be in charge of planning and implementing the budget execution, financial accounting, financial reporting, and cash management functions.

The GIFMIS system will utilize a new harmonized chart of accounts for all financial transactions throughout the country. The Controller and Accountant-General will **enhance commitment control** through the widespread use of the Purchase Order module at all levels of government. After GIFMIS is implemented, only those POs that are entered, edited and approved in GIFMIS will be processed through to payment status by GIFMIS.

A modern technical infrastructure will be established / upgraded to implement the new system. This infrastructure includes electronic data transmission systems (WAN/LAN) as well as environments for servers and desktop computers and related storage and disaster recovery systems. Change management activities will be programmed as part of implementation.

The major areas of risk that derailed BPEMS implementation have thus been considered by the Government and adequate steps are being taken to address these issues

Systems Functionality / Architecture: Salient features of the systems functionality and architecture are given below.

Budget Preparation: The GIFMIS would cover the Budget Preparation phase of the PFM cycle which inter-alia includes calculation of program and project costs; compilation of budget proposals from spending agencies; and printing Budget Documents. In Ghana, the budgeting process is centered at the office of the Director Budget (MOF), who receives budget submissions from Line ministries in response to the budget circular sent out to them. The offices of the main vote controllers, who are responsible for distribution of the budget to their subordinate units would be provided access.

On finalization of the budget and after approval by Parliament it will be loaded on to the budget execution system (if it has been prepared outside of the Oracle financials software suite by a separate package e.g. ACTIVATE (as may have to be case for the initial years until a choice has been made of the specific Oracle budgeting module and its implementation), or will be moved to production status in the GIFMIS system (if it has been prepared by one of the GIFMIS modules.

Budget Execution: The Budget execution processes supported by the GIFMIS would include:

- Budget Management –including, Budget Apportionment, Budget Allotment, Budget Releases, and Budget Transfers
- Commitment Management – Recording all commitments relating to intended government expenditures
- Payments management- Processing all government expenditures relating to: Procurement of goods and services, Salary Payments, Debt servicing
- Receipts Management - Recording revenues and receipts
- Accounting (posting all transactions as they occur)
- Cash Management, and
- Fiscal Reporting

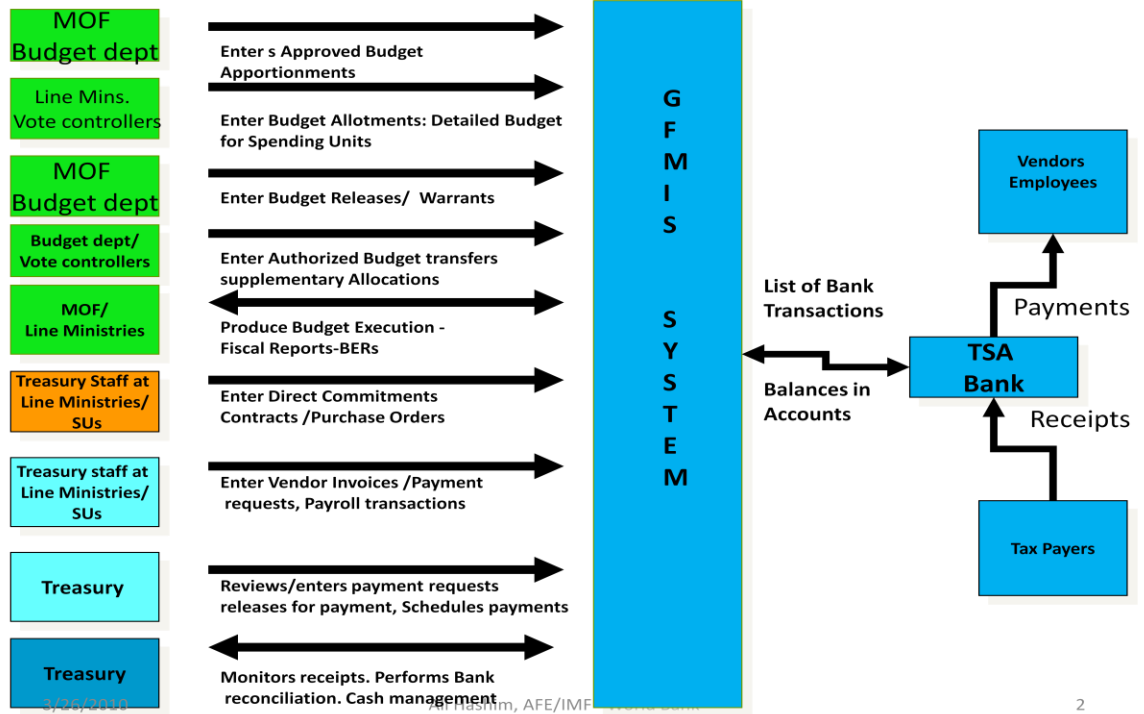
Systems functionality would cover the following areas:

- Recording of transactions related to, Initial budgets, budget revisions, budget releases, Commitments, Purchase orders, Contract details, Receipt of goods and services, Vendor Invoices
- Authorizing payments after checking for controls, Giving payment instructions to Bank, Recording revenues and other receipts, Reconciling with bank records, Enable monitoring of balances in Government accounts, Enabling posting of all transactions, enforcement of controls, accounting and comprehensive reporting
- Ensuring that all these functions are performed by authorized staff only

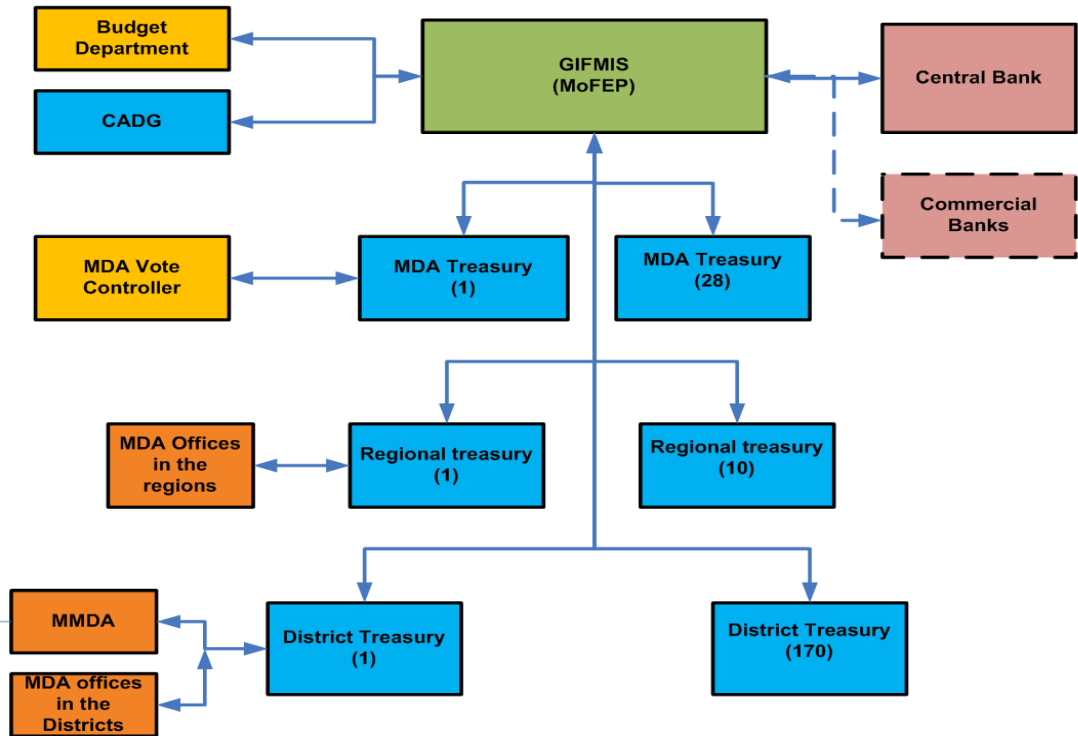
Systems Deployment: To ensure that all government payment and receipt transactions are processed through the system, the main nodes of the systems architecture will be designed in such a way so as to (a) provide access to the MOF Budget department and Vote Controllers in the Line Ministries and (b) All Treasury offices where expenditure and receipts transactions are processed in the country.

In Ghana, government payment transactions are processed by the CAGD, 28 treasuries located in line Ministries and some MDAs, who service these units, 10 regional treasuries located in the regions who are responsible for servicing the regional branches of the MDAs and 170 district treasuries who are responsible for processing transactions generated by the district level branches of the MDAs and the MMDAs. The system will accordingly be implemented in a centralized architecture at a central site in Accra at the MoFEP and will be connected via a WAN to each of the 28 Treasury offices located in the line ministries and some agencies that are responsible for processing transactions at the MDAs. In addition the 10 regional treasuries servicing regional branches of the MDAs will also be connected to the central site. In view of the fact of the fact that connectivity to the districts is not currently adequate, and also since administrative reforms being planned envisage the district level branches of the MDAs to become responsible to the MMDAs, separate stand alone instances of the system are initially envisaged for the district level at the 170 or so district Treasuries, servicing district branches of the MDAs and the MMDAs. As the connectivity at the district level improves as is planned then this tier of the system could also revert to a centralized architecture with all district treasuries connected to the server at the central site. In this the districts could continue to operate separate instances of the system but these instances will be implemented at the central server. The basic information flows of the system and the systems deployment architecture are shown schematically below.

GFMIS System: Core Functional Processes and Information flows



GHANA - GIFMIS SYSTEMS DEPLOYMENT ARCHITECTURE



Banking Arrangements: At present the Government maintains two hundred and fifteen Treasury Bank Accounts in BoG (32 MDA bank accounts, 10 regional bank accounts (sub-consolidated bank account for MDAs within the region) and 173 district sub-consolidated bank accounts. Deposit only bank accounts are also held in various commercial bank accounts which act as transit banks for revenue collection. In addition, Bank accounts for Internally Generated Funds (IGFs) are also maintained in commercial banks.

Cash is moved from the Treasury Main Account to MDA sub-consolidated bank accounts from where cheques are signed by the MDA Vote Controller and Director of Accounts. A decision to adopt the operation of the Treasury Single Account has been taken in principle in agreement with the Bank of Ghana. A Treasury Single Account (TSA) Implementation Framework has been adopted to be implemented in three phases: (i) consolidation of government banks accounts held in BoG Accra branch; (ii) other regional branches; and (iii) commercial banks and IGFs.

The Government has decided that cheque printing for payments to be made out of the consolidated fund by the MDAs in Accra will be centralized at the office of the CAGD and will be paid out of the TSA.

It is necessary that pending the consolidation of the IGFs into the TSA, payments and receipts to the IGFs will also be processed through the GIFMIS at each level of the Treasury against the respective MDA/MMDA IGF bank accounts. Eventually IGF accounts at the central and regional levels at least will be amalgamated into the TSA.

V. Implementation Strategy

The Government has developed a three phase implementation strategy for the GIFMIS. Phase I will commence in 2010, phases II and III in 2011 and 2012 respectively. Salient features of the strategy include:

- **An upgrade of the Oracle Public Sector Financials Software to its later version – v. 11.5.10 (2).** In the first phase, the upgraded software will be implemented at the Center and made available to the Treasuries at the Pilot MDAs with effect from January 1, 2011. Also in phase I, transactions from all non-connected MDAs located at the centre will be brought over manually to the Central CADG site and processed through the system and centralized payment processing would be implemented for these MDAs. The GIFMIS will be rolled out to all Treasuries serving all 92 MDAs in Phase II. A Phased Rollout of the GIFMIS will be carried out to the districts and MMDAs in Phase III.
- **Preparation of 2011 Budget using the new COA.** The budget for FY2011 will be prepared using the new chart of accounts and will use the existing system ACTIVATE. The approved budget by Parliament will be validated and loaded directly to Oracle financials. During this phase the GoG will decide on the specific Oracle module to use for budget preparation (Public sector budgeting or Hyperion) and the chosen module will be procured and implemented. A transition will be made from Activate **to the Oracle Budget Preparation Module for 2012 Budget** –in phase II
- **The payroll system IPPD2** that currently runs on an IBM platform and is used to pay about 400,000 government employees runs on an IBM platform. A technical and

functional audit of the Payroll system will be carried out in phase I to ensure its stability and robustness, followed by its migration to a common platform as GIFMIS (HP) in phases II and III.

- **Development of parallel project activity for comprehensive HRMS in Phases II and III.** Improvement in the integrity of the payroll system will require that Position control be implemented, to ensure that only approved employees are paid and at the correct grade and other benefits. With proper position control and manpower planning, budgeting and monitoring of personnel emoluments expenditure will be improved. These features will be implemented in Phases 2 and 3.
- Implementation of Oracle Fixed Assets Module for operation from January 2013 in MDAs.

Systems Interfaces: A Number of systems interfaces will need to be implemented with the GIFMIS these include:

- Budget (Phase I) - Until the new budget module is implemented the prepared budget will be transferred from the existing Activate system and loaded and reconciled into the OPSF general ledger using the Oracle ADI utility.

Payroll (Phase I) – in this phase where the payroll is processed on the separate hardware platform, an interface for posting payroll journal entries will be established and the payroll costing of employees updated in the ippd2 to reflect the correct allocation of employee costs at least to their organizational units.

- **Electronic funds transfer.** The initial integrations will be Electronic Funds Transfer Systems (EFTS) between the Government and the Bank of Ghana and the Commercial Banks both through the OPSF Accounts Payable, Accounts Receivable and Cash Management Modules. GIFMIS will in conjunction with the Bank of Ghana and the commercial banks develop the Oracle Electronic Funds System between the MDA's and the banks.
- **Automated Cheques – As MDAs become operational,** all manual cheque books will be canceled and check production will be automated in the Oracle Accounts Payable Module.
- **Bank reconciliation with the Bank of Ghana** –G IFMIS will prepare and implement a program to automate the bank reconciliation between the Bank of Ghana and the CAGD Oracle Cash Management Module.

Ghana Revenue Authority - The purpose of this integration 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.

Debt management unit - The Debt Management System will be interfaced to the accounts payable module to capture all debt repayments as commitments and settlements.

Security, Maintenance and Support of GIFMIS

The technical maintenance and support of the GIFMIS will be the responsibility of the GIFMIS Division in the Information Technology Department. This division will have responsibility for the management, control, operation and integrity of the applications and data, namely, system administration, database administration, applications technical support, network administration, operating systems and help desk administration. With the exception of the help desk administration, all the other areas of responsibility require technical and systems development expertise. The capacity of the ICT department will be enhanced to enable it to undertake its responsibilities Vis a vis the GIFMIS so that they can possess the required capabilities to maintain the latest versions of the application, database and operating systems to be installed for GIFMIS.

Status and plans for Wide Area Networking: GoG is currently undertaking several projects through the MOF ICT department, and NITA to establish connectivity to all sites at the central, regional and district levels. If these projects are completed as planned WAN connectivity with an adequate bandwidth is likely to be available in line with the GIFMIS roll out schedule. However, this area needs to be monitored closely.

B: Sub-Component 2: PFM Business Processes and Control Systems (US\$19.451million)

As highlighted under GIFMIS Component I, the Controller and Accountant General's Department (CAGD), and the Budget Directorate of MoFEP will work closely together to implement the business process changes required to ensure that system functionality is used effectively. Both agencies fully support the project objectives and will work together, and in conjunction with the MDAs, to ensure that these are achieved. This Annex summarizes the business process changes that will need to be implemented in sub-component 2, primarily by the CAGD and the Budget Directorate of MoFEP. It incorporates many recommendations drawn from recent reviews of PFM.³³ These have been broadly agreed but are subject to further decisions on details. Monitoring of systems and business process change implementation through the M&E framework should ensure that all units of government work effectively to achieve the component's objectives.

2.1 . Budget Planning Tools

The activities corresponding to this core activity are described as hereunder:

2.1.1.: Improving MTEF Macro-fiscal Framework

Poor fiscal management and ineffective fiscal discipline have been highlighted in both the 2009 PEFA and ERPFM reports and the IMF Aide-memoire of 2010. The project activities that address these concerns include the following:

- **Establish realistic resource ceilings for all MDAs in the 2011 Budget Call Circular.** Current practice is to set resource ceilings for the budget year and outer years, but these have not been observed in practice. As the IMF recommends, it should be mandatory to prepare estimates within the prescribed ceiling—and budget preparation software should

³³ These include the *Public Expenditure and Financial Accountability* (PEFA), Volume1, assessment of 2009, the UK Department for International Development (DfID) GIFMIS review of December 2009, and the March 2010 IMF Aide-Memoire, *PFM Framework, Key Challenges and Way Forward*.

be modified to ensure compliance. Separate *additional spending proposals* could be prepared and considered in the light of revised estimates of the overall resource envelope.

- **Outer year expenditure forecasts in the 2011 budget will be used as a basis for budget ceilings in the 2012 budget.** Outer year forecasts are not at present used to establish a true rolling-budget framework. In the preparation of the 2011 budget, however, emphasis will be given to establishing a clear price and policy basis to the outer year forecasts and MDAs will be required to include the outer years in their budget documents. In the 2012 budget preparation, these forecasts can be re-examined at MDA policy hearings in the light of price changes and any new approved policies and ceilings would be issued on this basis and in relation to the forecast resource envelope. Ceilings should be specifically linked to the previous outer year forecast with differences explained.
- **A Budget Strategy Paper (BSP) will be established as an integral part of the budget preparation calendar.** A key weakness in Ghana's present fiscal management process is the absence of either an overarching law to restrain spending or an effective vehicle to present fully researched major fiscal issues to Cabinet and Parliament as part of the budget decision-making process. The budget calendar will be revised by MoFEP to give much greater emphasis to macro-fiscal expenditure and policy issues. *Effective control at the policy level is essential to give space for business process change.* Work will start in phase 1 of the project to develop analyses and policies on major fiscal issues that need to be addressed to achieve long-term fiscal consolidation.
- **GIFMIS will be used to generate GFSM 2001-based Ghana Fiscal Operations (GFO) reports that will be published regularly.** As described under activity 2.2.2, the CoA has been harmonized and revised to be GFSM-compliant. Based on the GFS mapping that has been done, the GIFMIS will be configured to produce GFO reports that should be able to be fully reconciled with the financing data from the Bank of Ghana and external sources.

2.1.2.: Improving MDA and Sectoral Budget Management

This sub-component activity will improve the framework for MDAs to plan and manage resources and strengthen sectoral planning and implementation. The key activities will be:

- **MTEF planning and reporting will be based on a program/subprogram/activity classification** (see 2.2.2 below). Once the basic classification is approved, detailed program, subprogram, and activity structures will be developed for each MDA. Significant remodeling of the current structure will be required to eliminate inconsistencies and establish, at the lowest level, an activity structure whose outputs can be linked to the MDA's objectives and desired outcomes.
- **MTEF planning process documentation and staff training will develop capacity in the MoFEP and MDAs.** After a training needs analysis, manuals and other training documents will be prepared to consolidate the current state of development of the MTEF process. These documents will be used as a basis for training local staff. In addition, provision will be made for staff to take selected overseas training courses.

2.1.3.: Integration of Procurement Planning with Budget Formulation

Wherever possible, the preparation of procurement plans as part of budget preparation will be encouraged. This policy should greatly facilitate the implementation of investment projects. To achieve the objectives of this activity of the project component, courses on integrated budget planning and procurement will be developed and given to trainees. A needs analysis will be conducted to establish the total number of trainees to be covered.

2.2 . PFM Regulations, Rules, and Business Processes

This has three key interrelated sub-activities as follows:

2.2.1 Review of Legislation and Regulations

The PEFA 2009 summarizes the present legal framework for PFM in Ghana. While some of the laws are relatively recent, they do not fully reflect the changes in the legal framework that will be required to make the GIFMIS and the MTEF fully operational. Questions that need to be addressed in the near future include: the proper role of the Internal Audit service (and the relationship between the Agency and MDA internal auditors); the impact of recent classification changes on sections of the law or regulations relating to virement and reporting; and the partial exclusion of MDA's internally generated funds (IGFs) from public fund reporting.

The implications of the Local Government (Commencement) Instruments 2009 – L.I. 1961 – for overall financial reporting and control will need to be reviewed to maintain consistency across the entire government. Since GPRSP expenditures will cover all jurisdictions, it would be highly advantageous for all levels of government to use the GIFMIS architecture and information systems (as highlighted in Sub-component 1 – Annex-2). These systems will be suitably adjusted to meet MMDA requirements. In addition, the CAGD, in consultation with the Auditor General, would necessarily have to decide the basis of the accounting policies as well as the form and content of the accounts at the MMDA level, notwithstanding the decentralization arrangement put in place.

The main activities under this sub-component will be, first, to carry out a comprehensive review of existing and pending PFM laws, regulations, and rules; second, to examine the implications of changed business process as a result of GIFMIS/MTEF requirements; and, third, do a needs analysis of legislative/regulatory change requirements.

To entrench and balance PFM policy improvements within the context of the GIFMIS implementation and thus support the integration of PFM reforms as part of the ICT-based GIFMIS tools, the MoFEP would need to, as a routine, release new rules and regulations (Administrative Order), consistent with the delegated responsibilities under the Financial Administration Act and Financial Administration Regulations.

2.2.2 Chart of Accounts/Budget Classification

The MoFEP/CAGD have nearly completed their work on harmonizing different CoAs to produce a single budget and accounting CoA. The CoA has also been modified to enable GFSM 2001-compliant reporting in line with IMF recommendations. This subcomponent of the project will establish the system capacity to generate and reconcile Ghana Fiscal Operations (GFO) reports directly. Further action to ensure that GFO reports are produced operationally and government

fiscal accounts are fully reconciled at the aggregate level with government bank account balances will be undertaken under project sub-component 2.1.1, as described above.

Migrating to ‘Results-based budgeting’, based on a program/sub-program/activity classification (segments 5, 6, and 7) rather than the former strategic objective/output/activity classification, is being considered by the GoG, in line with the recommendation of the IMF. The GoG would need to take a decision to move in this direction and allow for its inclusion as a key implementation activity under the GIFMIS. The GIFMIS will be able to generate fully consistent budget/accounts reports by natural, functional, organizational, and program views. Actions to implement the new program classification in MDAs are described above under sub-component 2.1.1.

2.2.3 Strengthening internal expenditure control practices

The PEFA report records considerable weaknesses in internal controls in both payroll and non-salary expenditures. In particular the lack of direct linkage of the establishment database to the personnel and payroll system is one that gives rise to the key weakness in this area. Under GIFMIS, an HRMIS module will be activated; however the project does not anticipate a full implementation of the HRMIS module but will initiate implementation actions across major fronts. As a prerequisite for an orderly implementation of this module, however, adequate consultations with, and agreement of, the Public Service Commission as well as the Office of the Head of the Civil Service would be necessary within the wider civil service sector reforms. In addition, a range of policies that are severely weakening controls on public service growth need to be addressed as a matter of urgency. The main areas of concern are listed in the PEFA report. As noted above in sub-component 2.1.1, the proposed BSP will provide a vehicle to raise the relevant issues in Cabinet.

The PEFA report also highlights weaknesses in non-salary expenditure control particularly with respect to commitments control and expenditure arrears—noting that commitment controls are routinely violated and the Auditor General’s reports highlight a very significant number and value of cash irregularities. Addressing these issues is critical both to the success of the GIFMIS and to achieving Ghana’s fiscal consolidation goals. Improved cash management practices (see subcomponent 2.3 below) will be put in place and will provide a better basis for managing budget releases and, in turn, enforcing compliance with the commitment controls that can be applied effectively through the GIFMIS once all transactions are channeled directly through it.

Based on a comprehensive review, as recommended by the IMF, this sub-component will complement the cash management and commitment control measures taken in the project. It will update documentation such as the Internal Control Manual, the Public Expenditure Manual, and other relevant documents. Training and accreditation courses will be run for up to 700 staff. These courses will give particular attention to training on commitment control, recording, and reporting.

2.3 . Treasury and Cash Management

This activity supports the reinforcement of the cash management function in government, with the objective of reducing public sector borrowing costs and improving the predictability of expenditure commitments to enhance service delivery.

2.3.1. Treasury and cash management development and training

The GoG has already 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. As described in the 2009 PEFA report, government bank accounts are of four main kinds: the central Consolidated Fund Account (CFA) held at the BoG's head office in Accra; sub-CFAs held with the BoG regional branch offices; MDA IGF accounts held in commercial bank accounts or BoG sub-CFAs; and special funds set up to handle donor funds used for implementation of donor-financed projects.

The first three of these accounts are clearly government accounts and should be considered as logical components of a government cash management strategy. While IGFs must be treated within current policy, the TSA should be designed to use all public fund balances in the first three categories of fund as efficiently as possible to finance GoG programs. Once the TSA has been initiated and becomes operational even if only for CFA and sub-CFAs, the question of including donor funds within the TSA should be examined. Inclusion of such funds would not only increase the available funds for management, but would facilitate the integration of GoG and donor reporting.

This sub-component of the GIFMIS project is designed to provide needed support, particularly to Public Expenditure Monitoring Unit (PEMU) of MoFEP, for the implementation of all of the activities of cash planning and management recommended by the IMF. An important starting point will be an inventory of all public accounts that are, or should be, part of the TSA. A baseline estimate of the average monthly balances held in each of these accounts from the BoG will be required to give an estimate of the current cost of holding balances, to gauge progress in reducing balances, and to estimate the financial returns from adoption of the TSA.

GIFMIS/BPEMS already has the functionality to implement commitment and cash controls substantially along the lines suggested by the IMF. The main problem up to this point has not been system functionality, but the failure to use this functionality by MDAs. The proposed centralized treasury-centered approach that is being taken in this project, as outlined under component 1, will ensure that commitments must be entered before payments can be made; that commitments cannot exceed the expenditure ceiling entered by MoFEP in the system based on approved cash ceilings agreed with MDAs, and subsequently by MDAs for their spending units; and that payments cannot exceed the cash ceilings set in the system. It is critical that the CAGD and MoFEP ensure that no transaction takes place outside the system.

In addition to the technical planning and forecasting role, the GIFMIS can provide functionality that assists in ensuring that control processes are monitored and being used effectively. Two important areas are: (1) tracking the process of bill payment from receipt of invoice to issuance of cheque; and (2) cheque issuance. As well as providing the functionality to perform these tasks,

the system can provide regular reports on which agency is using the functionality and the time taken for processing, During the project it is planned that CAGD/MoFEP establish regular reports to track payment of bills and cheque issuance and deploy training/sanctions to rectify problems in these processes as they arise.

2.4 Strengthening MDA Internal Management

Strengthening the internal management of MDAs is critical to efficient and effective service delivery. The two key sub-activities under this activity are as follows:

2.4.1 Strengthening the internal audit function of MDAs

This sub-component of the project is aimed at increasing the capacity and effectiveness of the Internal Audit Units (IAUs) of MDAs and encouraging greater use of risk-based and systems and performance-oriented audit techniques, which will be essential when the GIFMIS becomes fully operational. The IAA has had some limited exposure to modern audit management tools such as TEAMMATE and Computer Aided Audit Techniques (CAATs) such as IDEA and Audit Command Language (ACL). The project will provide computers for each IAU, access to CAATs tools, and training in their application. Key staff will be identified as candidates to become Certified Information Systems Auditors (CISA). The project will also review linkages between the IAA, the Auditor General, parliamentary committees, and the ARICS to help ensure that adequate measures are taken to ensure follow-up of audit findings.

2.4.2 Strengthening the PFM functions of MDAs

Successful implementation of the reforms to be executed through the GIFMIS will eventually be determined by the development of strong financial management capacity in the MDAs. As recommended by the IMF mission, the MoFEP will play a key role in promoting a decentralized and effective PFM function through this component of the project. In particular, it will encourage the appointment of professional MDA finance directors, and review PFM operations to establish a clear reform pathway. A key aim, which in the long run will help fiscal control, will be to empower MDAs to make economic choices between investment in new assets and staffing and maintenance of these assets. This project component will aim only to make an effective start toward this long-term goal.

C: Sub-Component 3 – Project Component Management

The Project Directorate would be headed by a Project Director who will be supported by 8 specialist teams to manage the overall coordination of implementation: Cultural change and process management, Budget, Finance and Accounting, Treasury and Cash Management, Payroll, Technical, M&E, and Legal. Seven of the teams have already been set up but the M&E team is yet to be set up. In addition, there will be a back-office team responsible for procurements under the project as well as financial management of project funds. The essence for such an elaborate structure is to allow for a seamless management of all the project implementation suites and establish the foundation for a well sequenced and resourced project management that can cater for a hands-on support to the stakeholders. At the other operational end of the project implementation, there will be ‘advocates and project implementation coordinators’ who will provide on-time implementation support at MDA and MMDA levels. The core project team will be provided reasonable project allowances – that would need to be

performance-based - to help minimize the risks of delayed implementation and establish the potentials for their retention during the life of the project. The GoG will need to take a policy decision in this area before consideration of financing can be given. As a precondition to maintaining a strong project management (otherwise called component management under eGhana), the GoG will undertake to retain as many as 80 per cent of the assigned officials to the project during the four year implementation period. Implementation during phases 1 and 2 are critical and failure to achieve implementation break-through during these phases and on schedule will have wider implications for the ultimate outcome of the project.

Training and continuous capacity building is an integral part of the overall project implementation. The conduct of a comprehensive training needs assessment and the coordination of the training arrangements will also fall part of the core responsibilities of the project directorate.

During the life of the project, the project component management will be supported by an outsourced team of technical and PFM specific consultants, on contractual basis, as provided for in the project costs. The development partners shall also provide complementary non-pooled financial support by assigning suitable long-term Resident Advisors in the areas GIFMIS functional implementation, CAGD accounting and reporting, and MoFEP Budget planning and implementation.

Financial Management and Disbursement Arrangements eGhana Additional Financing Project

Introduction

1. The financial management arrangements designed for the original eGhana project components will apply to the project's original components 1, 2, and 3. These components will continue to be implemented under the auspices of the Ministry of Communications.
2. In line with the guidelines as stated in the Financial Management Manual issued by the Financial Management Sector Board on March 1, 2010, a financial management assessment was conducted on the Controller and Accountant General's Department (CAGD) of the Ministry of Finance and Economic Planning (MoFEP) – the implementing agency for the newly introduced Component 4 - GIFMIS. The objective of the assessment was to determine: (a) whether the CAGD (including the GIFMIS Directorate) has adequate financial management arrangements to ensure project component funds will be used for purposes intended in an efficient and economical way; (b) the project component's financial reports will be prepared in an accurate, reliable and timely manner; and (c) the project component assets will be safeguarded.
3. The assessment of the financial management arrangements at the CAGD concludes that there are adequate systems in place that satisfy the Bank's minimum requirements under OP/BP10.02. Consequently, the financial management risk rating is assessed as **Moderate** due to the mitigating measures listed in the risk rating table below.
4. It is conceived that this will be one project that will jump-start the effective use of government systems – accounting, internal control, financial reporting, and external audit. The project allocation will be budgeted as part of the GoG's annual budget, and the periodic disbursements from the IDA will flow directly into the **dedicated sub-account** of the consolidated fund of the 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 be integrated as part of the wider audit of the CAGD, although these financial statements will show separately and in adequate detail the sources and uses of funds under the GIFMIS together with accompanying notes.
5. The financial statements and audit report shall be submitted to the IDA within 6 months of the end of the GoG's fiscal year. A single disbursement category shall be established for the proposed project for reasons of flexibility and simplification. In summary, the existing state of PFM systems and the direction and pace of improvements have fostered confidence and would enable significant reliance on country systems in the areas of budgeting, budget execution (including accounting and internal controls), financial reporting, and external auditing.

Overview of the Project Component

6. The Ministry of Finance in conjunction with the Controller and Accountant General's Dept (CAGD) has initiated the process of developing a Public Finance Management System with the objective of ensuring prudent and efficient expenditure management and reducing domestic borrowing. This is part of Government plans to improve budget implementation and to ensure availability and timely release of funds to MDAs for the implementation of their programmed activities. Towards this end the Government has sought funding from IDA, EU and DFID.

7. The proposed project would build on the lessons learned in the implementation of the BPEMS and support the GoG in implementing a renewed IFMIS through the application of modern best practices in budget preparation, financial accounting and financial/fiscal reporting – all with a view to enhancing public sector accountability and transparency. The project would aspire to bring all the key government applications together under a unified platform.

8. The project responds to the GoG GIFMIS Charter project that seeks results in improved PFM through three broad project activity areas: (a) PFM Information Systems, entailing the use of information technology to integrate the whole of government budgeting, accounting and reporting processes for 92 MDAs, 10 Districts, and 170 MMDAs; (ii) PFM Business processes and financial control – entailing the application of improved PFM practices through revision of regulations, procedures, and processes in government expenditure management arrangements; and (iii) Project Component Management – serving the institutional and management arrangements for orderly and focused implementation of the project activities towards the common goal of enhancing the country-wide PFM.

Country Issues

9. Ghana's fiduciary environment for utilizing both budgetary funds and donor funds is considered adequate. The 2009, ERPfM noted that the government continues to make encouraging progress in implementing its wide ranging program of strengthening public financial management (PFM) through adoption of the Short-Term and Medium-Term Action Plan (ST/MT AP). Budget formulation has been improved by revising the budget timetable to enable earlier tabling of the Estimates and thus the passage of the Appropriations Bill prior to the start of the new financial year, with a view of allowing a more orderly implementation of spending plans. There is now increased consultation with stakeholders in budget formulation, more comprehensive information in budget documents, and encouragement of Ministries, Departments and Agencies (MDAs) to undertake procurement planning for use as basis for financial planning and budgeting.

10. Recent PFM reviews notes the government's continuing efforts to improve the commitment control system, to strengthen cash management, and to facilitate payments through decentralized treasuries. These actions aim at leading eventually to a Treasury Single Account (TSA), and to the further implementation of the Budget and Public Expenditure Management System (BPEMS). Key challenges do remain in the predictability of flows to Metropolitan, Municipal, and District Assemblies (MMDAs) and releases by the CAGD and these impacts on the pace of budget execution. Financial statements of the Consolidated Fund and of MDAs are current and audited, but delays continue with regard to public enterprises and other statutory

bodies, as well as that of other statutory funds. The Internal Audit Agency (IAA) was established by the Internal Audit Agency Act, 2003 with the objective to co-ordinate facilitate and provide quality assurance for internal audit activities within MDAs and MMDAs.

11. Concerning external audit, the Ghana Audit Service (GAS) continues to show progress in clearing the backlog of audits and submitting the audited annual accounts prior to the statutory deadline of 30 June, with the final 2006 Consolidated Fund accounts completed on time.

12. In sum, as part of the overall public sector reforms, the Government of Ghana (GOG) aims at strengthening central government structures and institution by introducing programs to make them more efficient and effective through legislation and other reforms. Recent PFM laws, including Financial Administration Act of 2003, the Internal Audit Agency Act of 2003 and the Public Procurement Act of 2003, have been enacted and enforce to help regulate the management and control of public funds. GOG has also demonstrated its commitment to continue its PFM reforms by developing more efficient public financial management systems and ensuring transparency by strengthening state oversight institutions including the Public Accounts Committee of Parliament which has recently been holding public hearings on instances of financial irregularities and allegations of fraud and corruption.

Institutional Arrangements

13. Institutional and implementation arrangements for the project build on and strengthen existing arrangements as used for the BPEMS project. The GoG has set up and notified the establishment of a PFM Reforms (Revenue and expenditure) Steering Committee (GSC) with wider stakeholder representation. The role of Steering Committee is to provide strategic and policy direction on the implementation of the GIFMIS project. The Committee will have general powers to oversee project policies, reviewing of proposals for GIFMIS roll-out, capacity building and reform sustainability arrangements, and post-completion activities.

14. Specifically for the GFMIS, there will also be a Project Component Director who will head the GIFMIS component implementation at the CAGD. He will have adequate devolved powers to ensure that project implementation runs smoothly and is coordinated (between components; between MDAs, MMDAs and Districts) and implementation is well sequenced and not held up by administrative bottlenecks. In coordination with the Director of Budget and the CAG, the Project Director will lead eight thematic implementation teams. As part of teams directly supporting the project director in his overall coordination of the project's implementation, the project will draw upon independent consultants, along with a CAGD team of experienced technical advisors who will be providing advice.

15. Institutional and implementation arrangements for components 1, 2, and 3 will remain the same as for the original eGhana project.

Project Financial Management Arrangements

16. While the financial management arrangements for components 1, 2, and 3, which have always been satisfactory, will remain the same as for the original eGhana project, the **Controller**

and Accountant General’s Department (CAGD), through the GIFMIS project component director, will be the primary executing agency for the GIFMIS component 4 of the restructured eGhana project and tasked with ensuring that the component’s development outcomes are achieved. The financial management responsibility will be handled by the Project Component Accountant of the GIFMIS Secretariat. 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 component funds. 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 (IFRs), maintaining internal controls over project expenditure, and engaging external auditors.

Project Risk Assessment and Mitigation

17. This section presents the results of the risk assessment and identifies the key FM risks that the project management may face in achieving project objectives together with the related risk mitigating measures.

Table 1: Risk Rating Summary Table

Risk	Risk Rating	Risk Mitigating Measures/Remarks	Conditions for Effectiveness/ Negotiations	Residual Risk Rating
Inherent Risk				
Country Level Weaknesses in the effective use of public funds, weak oversight regarding transparency and accountability. Poor linkages between strategic planning and long term budgeting at the sector levels.	M	Strengthening the role of the MMDAs in FM capacity building through ongoing reforms in the public financial management	No	L
Entity Level (CAGD) The ability of CAGD to effectively coordinate implementation and get key stakeholders approval.	S	The implementation arrangements include the establishment of a Steering Committee and an Executive Committee. These committees will provide ongoing strategic guidance and monitor the results of implementation progress towards outcomes.	No	M
Project Level Coordination during implementation amongst the different stakeholders and MMDA. Lack of knowledge about IDA policies and procedures can hamper smooth	S	TA and capacity building is a key component of the component implementation. Staff members to be trained on IDA policies and procedures. Intensive IDA supervision to help identify and address weaknesses. Donor coordinating will be addressed through the periodic meetings of the MDDBS forum	No	M

Risk	Risk Rating	Risk Mitigating Measures/Remarks	Conditions for Effectiveness/ Negotiations	Residual Risk Rating
implementation. Potential challenges in harmonizing donor coordinating and support. Being the first project to use the full extent of country systems poses an inherent risk on how effectively the systems can be utilized.				
Overall Inherent Risk	S			M
Control Risk				
Budgeting Challenge in translating the allocated into realistic time bound budgets with specific activities and outputs. Risk of cost overruns and adverse variations in expenditure due to potential slow implementation.	H	Implementations challenges are expected to be addressed through the various institutional hierarchies established for the project component. The project director is a qualified accountant who has over 20 years' public sector experience and will guide the process. Budget execution to be monitored through quarterly reports and IFRs by IDA.	No	S
Accounting CAGD uses manual and EXCEL based systems and these have weaknesses in tracking funding and expenditures from various sources as well as in allocating expenditure.	S	Excel will be used initially, followed by migration to the interim solution (using Oracle system installed for BPEMS) but full migration to the GIFMIS will be enabled as soon as the new system becomes operational within 6 months of effectiveness. All transactions will then be processed through the system.	No	M
Internal Controls Risk of non compliance with internal control processes. Possibility of weaknesses in GAC (transparency in processes) particularly in procurement and contract awarding/execution.	M	The CAGD has a functioning Internal Audit Unit to help minimize risk. The GoG financial regulations and manuals, while requiring updating, are adequate for operational control under the project. These manuals document clearly the approval and authorization hierarchies applicable for processing financial transactions. Regular IDA supervision missions and reviews will help ascertain level of compliance.	No	L
Funds Flow Compliance with the different DP requirements and procedures can pose a challenge to smooth funds flow arrangements, thus undermining implementation progress.	S	An MoU shall be signed between and among the DPs and the GoG that will clearly identify the associated commitments and responsibilities of DPs and the GoG in project implementation.	No	M
Financial Reporting Delays in processing and submitting IFRs and other progress reports.	S	Since the GoG currently reports on the C/F monthly – within 15-30 days, this risk would be averted with the use of country systems.	No	M

Risk	Risk Rating	Risk Mitigating Measures/Remarks	Conditions for Effectiveness/ Negotiations	Residual Risk Rating
Auditing The risk that audits will not be submitted on time to ensure compliance with covenants. CAGD is audited by the GAS and their scope of work and timing may be different and this may lead to delays in adhering to the financial covenant dates.	S	An arrangement will be reached with the GAS to complete and report on the audit of the CAGD within the defined timeframe; a fall-back possibility arises by using an alternative arrangement whereby private firms can be used to audit project specific transactions should this be necessary.	No	M
Overall Risk Rating	S			M

H – High S – Substantial M – Moderate L – Low

Strengths and weaknesses of the Financial Management System

18. The assessment concludes that there are adequate systems in place that satisfy the Bank’s minimum requirements under OP/BP10.02. The financial management risk was assessed by the Bank’s FM team, and the overall residual risk is rated as Moderate.

19. From the FM perspective the key strength of the project is that it will be implemented under the auspices of the CAGD which is technically well resourced in accounting and financial management. In addition, the department has well established procedures to ensure sound internal control environment.

20. A possible weakness could arise from the use of the component as a pilot for the full use of country systems (UCS). This risk can be mitigated by regular supervision and interactions with the client to ensure that reliable and complete reporting on funds use can be provided. The lack of adequate experience and knowledge of completing IDA withdrawal applications by staff of the CAGD and the GIFMIS Project Directorate has been identified as a potential weakness, but the Bank’s FM and Disbursement staff will work with the GIFMIS team to address this through training.

Summary Financial Management Assessment

21. As stated earlier, the GIFMIS component of the project will fully adopt the GoG’s own FM systems and will serve as the pilot project for full implementation of the Use of Country Systems (UCS) in investment operations. A summary of the key finding of the financial management assessment is presented as follows:

Budgeting Arrangements

22. The CAGD 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 Donor Partners (DP) whilst the annual budgeting will be

done in line with the Government's existing budget framework and timetable (MTEF/Budget calendar) as part of the regular budget submission of CAGD. The budget line under which the funds will be allocated for the project should be clearly identified and reported upon as part of the CAGD Budget allocations under a sub-budget category.

Accounting Arrangements

23. The Project Component Director – GFMIS - at the CAGD will be responsible for overall fiduciary aspects of the component. The director is a qualified chartered accountant with over 20 years of relevant experience, having worked at different MDAs within the government service. However daily operational accounting function will be handled by the Project Accountant of the GFMIS Secretariat who is equally a qualified accountant. Accounting and financial reporting for the proceeds of the credit as well as for the funds of the other participating donor partners 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. Initially, until such time that the GIFMIS becomes functional, the project's accounting function, will be accomplished through the use of the BPEMS already in use at the CAGD. The financial reporting for all DPs will be derived from Government accounting systems.

Internal Control and Internal Auditing

24. In line with the decision to adopt the 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) and the Financial Administration Regulation (2004), and informed by the Internal Audit Agency Act (2003). In addition the controls will follow the authorization and approval processes as per the (internal control guidelines issued by Internal Audit and Procurement Unit of the MoFEP/CAGD). The CAGD has a functioning internal audit unit which helps to ensure a sound control environment for transaction processing. Recent audit reports on the CAGD did not indicate any material weaknesses. The assessment 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 audit plans for IT systems audit.

Funds Flow and Disbursement Arrangements

25. Proceeds of the credit for component 4 will be used by the CAGD for eligible expenditures as defined in the Financing Agreement and further detailed in the respective annual work plans and budgets. This operation is designed as *pooled funding* with financing to be provided by IDA, EU, and DFID. The details of the funds flow arrangement and other agreements amongst the donor partners will also be documented in the MoU to be initialed by all funding partners and the GoG, latest upon effectiveness. Additional instructions for disbursements will be provided in a disbursement letter issued for this project. The existing funds flow arrangement for components 1, 2 & 3 of eGhana will remain as designed for the original eGhana project.

26. In respect of Component 4 – GIFMIS - the GoG shall ensure that upon the deposit of the credit into the said sub-consolidated account, an equivalent amount in local currency is automatically credited in GoG's budget management system and allocated to the **CAGD GIFMIS Budget line** in line with Ghana's established procedures. The account shall be denominated in both USD and Ghana Cedis.

27. A summary of the funding process for Component 4 is proposed to be implemented is as follows:

- The Financing Agreement between the World Bank and GoG will be signed, indicating IDA's additional financing contribution to the overall eGhana project in respect of the GIFMIS component as well as for the original components of the existing eGhana project. Equally, a co-financing agreement will be signed between GoG and each of the pooling partners for their respective contributions to the GIFMIS component. In addition, a Memorandum of Understanding (MoU) between the contributing DPs and the GoG will be signed between the contributing DPs and the GoG, indicating, inter alia, the overall financial commitments and responsibilities of the DPs and the GoG to the project, the respective contributions to the GIFMIS by IDA (51%), DFID (27%) and EU (22%) to finance the activities on non-earmarked basis. The signing of the MoU by at least two of the three Participating DPs will be carried out before effectiveness. The disbursement of IDA's contribution will be of such percentage as the Association shall determine and communicate to the Recipient in its Annual Confirmation for the relevant Agreed Annual Work Plan. It is further noted that in respect of the original eGhana project activities (components 1, 2 and 3) that are not part of the pooled arrangement, the IDA disbursement percentages will also change to 100% upon effectiveness of the additional financing, except for the matching grant sub-component which will be a maximum of 90% or such percentage as may be determined based on projected subproject costs as specified in the PIM and in the subproject agreements.
- Donor financial commitments, supported by harmonized set of customized quarterly reports, will be released in tranches, based on their respective calendars, but within the framework as defined in the disbursement schedule. It must be stressed that timing and scheduling of releases is critical to ensure smooth flow of funds. Replenishments by DFID and EU would be based on separate requests sent by Project Director to respective donors, supported by harmonized set of customized quarterly financial reports that show various sources of financing and cash forecasts.
- Under certain circumstances involving a delay in providing funding from any one of the donor partners, one or the other donor partner may accelerate its disbursements, within the limit of each DPs agreed contribution, to allow the implementation progress to remain unimpaired. Disbursements can be decelerated subsequently, where necessary.

28. The proposed processing for accessing the funds as transferred to the Bank of Ghana is summarized as follows:

- On notification by BoG of receipt of transfers by the DPs and paid into the CFA, the Project Director sends a request through the Controller requesting for funds.
- CAG requests the approval of the funds release from the Minister.
- Upon approval by the Minister, a “funds release letter” is issue to the Controller.
- Chief cashier prepares a “warrant”
- Controller or Deputy sign the warrant together with a Bank Transfer Advice (BTA) - the BTA indicates the particular account to which BoG should transfer the funds into - in this case the Sub Consolidated Fund Account.

29. Once the funds are transferred into the Sub Consolidated Fund Account (SCFA), the funds will be available for use by the Project for payment of eligible expenditures of the project component. Withdrawal applications for eligible expenditures under component 4 would be based on IFRs and would be apportioned to Donor Partners pro-rata to the agreed co-financing percentage, as will be documented in the MoU and reflected in the financing agreement. Acceleration or deceleration of disbursements shall be considered where necessary, however.

Banking Arrangements:

30. In line with using the country’s systems, all funds for the project component 4 will be transferred by the DPs to the Ministry of Finance through the BoG. On receipt of the funds, the BoG will notify the MoFEP of the funds and MoFEP will subsequently advice CAGD/GIFMIS. Original eGhana components’ current banking arrangements will remain the same.

31. In respect of the GIFMIS component 4, a separate Bank Account will be opened and operated as part of the Consolidated Fund (**sub consolidated fund account**) and managed by the GIFMIS Project Director in line with GoG processes and procedures. This account is not a traditional Designated Account but rather part of the Government consolidated fund and should be reported upon as such and rolled up to the Consolidated Fund Account being held by the CAGD Treasury. A statement of receipts and payments into the account, notwithstanding, should be made available to the project by the BoG on regular basis. The account will be non-lapsable.

32. A retroactive financing provision of US\$8.5 million equivalent will be provided to cover payments made prior to the signing date of the project related Financing Agreement (FA) but on or after January 1, 2010. The expenditures eligible for financing under the provision are for those activities described in categories 4 and 5 of the FA.

33. The signatories to the GIFMIS pooled account will be the (i) Controller/Deputy Controller (*depending on the value of transaction*), (ii) the Project Director and (iii) the Project Accountant.

Financial Reporting Arrangements

34. Financial reporting under the GIFMIS component 4 will follow the current GoG Chart of Accounts and other reporting templates and formats as in use at the 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. The Project Director will be required to prepare and submit separate quarterly Interim Unaudited Financial Reports (IFRs) to account for activities funded under the project component. In addition to the IFRs, the Project Director will report quarterly to donors on the implementation status of the project. Financial reporting under the original eGhana project components, managed through the Ministry of Communications, will remain the same under additional financing.

Auditing

35. In line with its mandate as per the Ghana Audit Service Act (Act 584) the Auditor General is solely responsible for the auditing of all funds under the Consolidated Fund and all public funds as received by government ministries, agencies and departments. In this regard, and consistent with the use of country FM systems for the GIFMIS component, the Ghana Audit Service (GAS) will conduct the audit of the project's financial statements and furnish copies to all DPs within 6 months of the end of each fiscal year of the GoG. The capacity of the GAS is considered satisfactory. As for the original eGhana components, the auditing arrangements using private sector auditors shall remain under additional financing.

Conclusion of the Assessment

36. A description of the project's overall financial management arrangements above indicates that they satisfy the Bank's minimum requirements under OP/BP10.02. As a result, the overall financial management risk is therefore assessed as **Moderate**.

Supervision Plan

37. 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 financial reports.

eGHANA Additional Financing Procurement Arrangements

A. General

1. Procurement under the original project were carried out in accordance with the World Bank's "Guidelines: Procurement under IBRD Loans and IDA Credits" dated May 2004. In line with the corrigenda of the Procurement Guidelines, approved by the Board of Directors in August, 2006 and issued in October, 2006, all procurement under the original project that are yet to be initiated, including contracts under the restructured paper, and contracts under the new component, following effectiveness of the additional financing, would be carried out in accordance with the World Bank's "Guidelines: Procurement under IBRD Loans and IDA Credits" dated May 2004, revised October 2006 and May 2010; and "Guidelines: Selection and Employment of Consultants by World Bank Borrowers" dated May 2004, revised October 2006 and May 2010, and the provisions stipulated in the Legal Agreement or any other method accepted by the Bank. The various items under different expenditure categories are described in detail below. 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 requirements, and time frame are to be 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.

2. Procurement would be carried out using the Bank's Standard Bidding Documents (SBD) for all International Competitive Bidding (ICB) for goods and works and for Standard Request for Proposal (RFP) for the selection of consultants through competitive procedures. For National Competitive Bidding (NCB) for goods and works and the selection of consultants through methods other than Quality and Cost-Based Selection (QCBS), national procedures that are governed by the Ghana Public Procurement Act 663 of 2003 may be followed, with the exceptions that are specified below.

3. **Procurement of Works:** Works contract expected to be procured under this project will be minimal and will consist mainly of site preparation and renovation of existing sites, and estimated total cost of US\$ 2.2 million. No ICB works contracts are anticipated. Contracts estimated to cost above US\$ 100,000 equivalent may be procured through NCB. Contracts estimated to cost less than US\$100,000 equivalent per contract may be procured using shopping procedures in accordance with Para. 3.5 of the Procurement Guidelines³⁴ and based on a model request for quotations satisfactory to the Bank. Direct contracting may be used in exceptional circumstances with the prior approval of the Bank, in accordance with paragraphs 3.6 and 3.7 of the Procurement Guidelines. Apart from contracts agreed between the Borrowers and the Bank as indicated in the Procurement Plan, all other contracts are subject to post review.

³⁴ Shopping consists of the comparison of at least three price quotations in response to a written request. Additional information on how to do prudent shopping is contained in the *Guidance on Shopping* available at the Bank's external web site for procurement under Procurement Policies and Procedures.

4. For all works procurement under this project, the Borrower may follow its own national procedures that are governed by the Public Procurement Act 663 of 2003, with the following exceptions for NCB: (a) foreign bidders shall be allowed to participate in National Competitive Bidding procedures; (b) 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; (c) no domestic preference shall be given for domestic bidders; and (d) in accordance with paragraph 1.14(e) of the Procurement Guidelines, each bidding document and contract financed out of the proceeds of the Credit shall provide that: (i) 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 (ii) the deliberate and material violation by the bidder, supplier, contractor or subcontractor of such provision may amount to an obstructive practice as defined in paragraph 1.14(a)(v) of the Procurement Guidelines.

5. Procurement of Goods: Goods procured under the project would include computer hardware and software, office equipments, office furniture and vehicles, at an estimated total cost of about US\$17.6 million. Contracts for goods estimated to cost US\$500,000 equivalent or more per contract shall be procured through ICB. Goods orders shall be grouped into larger contracts wherever possible to achieve greater economy. Contracts estimated to cost less than US\$500,000 but equal to or above US\$50,000 equivalent per contract may be procured through NCB. However, relevant NCB goods contracts, which are deemed complex and/or have significant risk levels, will be prior-reviewed. Such contracts will be identified in the tables and also in the procurement plans. Again, under the NCB, the project must ensure that the following exceptions to the PPA are incorporated into the bidding documents: (i) foreign bidders shall be allowed to participate in the NCB procedures; (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 for domestically manufactured goods; and (iv) in accordance with paragraph 1.14(e) of the Procurement Guidelines, each bidding document and contract financed out of the proceeds of the Financing shall provide that: (1) 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 (2) the deliberate and material violation by the bidder, supplier, contractor or subcontractor of such provision may amount to an obstructive practice as defined in paragraph 1.14(a)(v) of the Procurement Guidelines. Contracts estimated to cost less than US\$50,000 equivalent per contract may be procured using shopping procedures in accordance with Para. 3.5 of the Procurement Guidelines and based on a model request for quotations satisfactory to the Bank. Direct contracting may be used in exceptional circumstances with the prior approval of the Bank, in accordance with para. 3.6 and 3.7 of the Procurement Guidelines. Contracts for goods estimated to cost US\$500,000 equivalent or more and any other contract below this threshold but agreed between the Borrowers and the Bank as indicated in the Procurement Plan are subject to prior review by the Bank. All other contracts are subject to post review.

6. **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.

7. **Selection of Consultants:** Consultancy services valued at about US\$ 12.3 million would be provided under the project and includes the following categories: financial and public finance management specific studies and reviews, review of legislation and regulations, charts of accounts, treasury and cash management development, institutional studies, monitoring and evaluation studies and technical assistance to CAGD. Contracts for consulting services, each estimated to cost US\$100,000 equivalent or more, will be awarded following the procedure of Quality and Cost-Based Selection (QCBS). Consulting services estimated to cost less than US\$100,000 per contract under the project would be procured following the procedures of Selection Based on Consultants' Qualifications (CQ). Selections under Quality Based Selection (QBS), Fixed Budget Selection (FBS) and Least Cost Selection (LCS) methods will be applied in the circumstances as respectively described under paragraphs 3.2 to 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 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 always require the Bank's prior review regardless of the amount.

8. Assignments estimated to cost the equivalent of US\$200,000 or more would be advertised for expressions of interest (EOI) in United Nation Development Business (UNDB) and DgMarket, and in at least one newspaper of wide national circulation. In addition, EOI for specialized assignments may be advertised in an international newspaper or magazine. In the case of assignments estimated to cost less than US\$200,000, but more than US\$100,000 the assignment would be advertised nationally. The shortlist of firms for assignments estimated to cost less than US\$200,000 may be made up entirely of national consultants, if at least three qualified firms are available at competitive costs in Ghana. However, foreign consultants who wish to participate should not be excluded from consideration. Consultancy services estimated to cost above US\$200,000 per contract for firms, and contracts for individuals for assignments estimated to cost above US\$100,000 and single source selection of consultants (firms and individuals) will be subject to prior review by the Bank.

9. **Capacity Building and Training Programs, Conferences, Workshops, etc.** A total amount of US\$16.6 million would be provided for these activities, which will be geared towards building capacity and improving management and staff skills within the implementing agencies 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 *inter alia*, 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.

10. **Operating Costs:** Operating Costs financed by the project and estimated at US\$ 6.9 million are incremental expenses related to the implementation of the project, including staff incremental 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 Borrower's own administrative procedures, acceptable to the Bank.

B. Assessment of the agency's capacity to implement procurement

11. In respect of Component 4 – GIFMIS - a procurement capacity assessment was conducted on Controller and Accountant General's Department (CAGD) of the Ministry of Finance and Economic Planning (MoFEP), which is the executing agency of the GIFMIS component of the project to determine the level of associated risk and the requirement mitigation measures, in line with the Bank's [Guidelines for Procurement](#) and [Guidelines for Selection and Employment of Consultants](#), and supplemented by [OP 11.00](#) and [BP 11.00](#) and [Annex A](#) of BP 11.00.

12. The assessment found that in response to the Ghana Public Procurement Act of 2003, ACT 663, CAGD as a procurement entity has the required structures, i.e. a procurement unit and an Entity Tender Committee. Further, ad hoc evaluation panels are set up to evaluate bids and make recommendations to the Entity Tender Committee, as required by law, whenever there is a process that involves competition. The procurement and supply management functions are clearly distinguished, and there are clear technical and administrative controls for reviews, approvals and decision making.

13. The Department has laid down policies and internal audit arrangements to guide its internal audit processes. All procurement processes are checked by internal auditors to ensure efficient and effective use of resources as required by the Internal Audit Act of Ghana. The internal audit department is headed by a qualified accountant with considerable experience. The institution is also bound by the Financial Administration Act, Act 654, to ensure accountability and transparency of its financial management functions. External procurement audits are carried out by the Auditor General at the end of each financial year.

14. The procurement unit is headed by a qualified chief accountant who has no formal training in procurement. The main procurement activities handled at the unit are divided into two broad sections based on normal procurement needs of CAGD for management purposes; one section in charge of the Printing of Values Books and the other in charge of procurement of office equipment and supplies, and consultancy services. These two sections are each manned by a qualified senior accountant and supported by a junior clerical staff. A secretary support their office support needs. The entire procurement staffs do not have any formal training in procurement but have acquired some procurement skills and experience on the job over the years. The unit makes use of procurement consultants for complex procurement that is beyond their capacity as and when necessary. Though the Procurement Unit has significant experience in procurement using Shopping, National Competitive Bidding and other procurement procedures under the Public Procurement Act, it does not have any history of implementing Bank-financed projects in the recent past and therefore the experiences of the staff in comprehensive use of the World Bank guidelines for procurement of goods, works and services are very limited.

15. The assessment concludes that even though the Department is in compliance with the national procurement law, i.e. having a procurement unit in the permanent organization, having

adequate internal technical and administrative controls and anti-corruption measures, and satisfactory appeal mechanisms for bidders, it lacks adequate capacity to support the entire procurement activities of GIFMIS by having to the World Bank procurement procedures. The need was identified for the proposed project component to recruit a procurement consultant to support the Project Implementation Unit in the implementation of the project throughout the project life. In addition to this, because of the very quick start and in order to meet the large number of bidding and other procurement documents to be prepared before the January 1, 2011 start up, the need to hire an additional procurement consultant for at least the first six months to support specific procurement activities has been identified, and the proposed project component management has been provided a qualified consultant, through technical assistance financed by the Danish Embassy. Again, considering the complex nature of IT procurement procedure, it was ensured that the hired procurement consultant has vast experience in IT procurement.

16. Given that procurement knowledge in the permanent organization is low, it is also recommended that this long-term procurement consultant shall provide some hands-on training and mentoring to the procurement unit by involving them in the activities of the project. In so doing, procurement capacity of CAGD would have been built enough to handle complex procurement by the end of the project. In addition, it is suggested that some budget will be set aside to provide training opportunities at the regional procurement training centers at GIMPA (Ghana), ESAMI (Tanzania), etc. to the key procurement staff to provide in-depth knowledge in public procurement and also sharpen their skills in the use of the World Bank procurement procedures and rules.

17. **The assessment shows an overall high risk for procurement:** The key risks for procurement include (i) the lack proficient skill and experience to undertake and manage complex procurement; (ii) the lack of in-house experience and familiarity with World Bank procurement guidelines and procedures; and (iii) absence of clear procurement manuals and instructions for handling procurement.

18. The key risk areas and proposed mitigation measures and/or actions are identified in the Table below:

No	Key risks	Mitigation Actions	By Whom	By When
1	Lack of capacity to implement procurement actions	Appointment of a qualified high level procurement consultant to be present throughout the life of the project and one for a short-term at project start-up.	Accountant General	Prior to project effectiveness
2	Lack of in-house experience and familiarity with World Bank procurement guidelines and procedures	Focused capacity building for existing staff specific to the areas of weakness, i.e. capacity building program to be developed to respond to specific gaps identified.	Project Coordinator through Procurement consultant	Throughout project life
3	Absence of clear procurement manuals and	Preparation of a Project Implementation Manual with a section on procurement detailing instructions for handling procurement	Project Coordinator	Prior to project effectiveness

No	Key risks	Mitigation Actions	By Whom	By When
	instructions for handling procurement			
4	Delays in Evaluation of bids and Technical Proposals.	Close monitoring of procurement plans on a monthly basis and closely monitor and exercise quality control on all aspects of the procurement process, including evaluation, selection and award.	Procurement Consultant	Throughout project life
5	Fraud and Corruption (Kick-backs)	For NCB procurement, a list of exceptions to the PPA enumerated in paragraphs 4 and 5 must be incorporated to take account of the Bank's Fraud and anti-corruption.	GIFMIS Secretariat	Throughout project life

19. As shown in the Table above, proposed Action Plan to address identified risks include: (i) an immediate need to recruit a qualified and proficient procurement consultants with adequate knowledge and experience in the use of Ghana's Public Procurement procedures and the World Bank procurement guidelines and procedures, especially with previous experience in complex IT procurement, to join and support the GIFMIS Secretariat to assist in the procurement needs of the project; (ii) preparation of a Project Implementation Manual with a section on procurement detailing instructions for handling procurement and setting of standard processing times; and (iii) a Project launch workshop for key staff of CAGD, including the tender committee. The workshop will include sessions on World Bank procurement procedures as well as the National Public Procurement Law. The focus will be to orient key staff on the principles of good public procurement planning and practice and to discuss procurement arrangements under the project. The project must also officially allow the procurement unit of CAGD to participate in the project activities in order to build their capacity. In this direction, the procurement consultant will, apart from undertaking direct procurement activities under the project, will also provide hands on training and mentoring of the procurement and other staff in the Department's Procurement Unit through procurement clinics, directly working with them, monitoring and identifying their weaknesses and drawing up capacity building programs to strengthen their capacities.

C. Procurement Plan

20. The Borrower, at appraisal, has developed a Procurement Plan for project implementation which provides basis for the procurement method and time frame of implementation. This plan has been agreed between the Borrower and the Bank and shall be published on the Bank's external website and also available in the Project's database. The Procurement Plan will be updated in agreement with the Project Team annually or as required to reflect the actual project implementation needs and improvements in institutional capacity.

D. Frequency of Procurement Supervision.

21. In addition to the prior review supervision which will be carried out by the Bank, the procurement capacity assessment recommends 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 20 percent of contracts, in value, subject to post-review.

22. **Contract management and Expenditure Reports.** As part of Procurement Management Report (PMR), CAGD will submit contract management and expenditure information in quarterly reports to IDA. The procurement management report will consist of information on procurement of goods, works and consultants’ services and compliance with agreed procurement methods. 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.

23. **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 under IBRD Loans and IDA Credits” dated May 2004 and revised in October 2006; the “Guidelines: Selection and Employment of Consultants by World Bank Borrowers” dated May 2004 and revised in October 2006. 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

24. **Fraud and Corruption.** All procurement entities as well as bidders and service providers, i.e. 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 1.14 of the Procurement Guidelines and paragraph 1.22 of the Consultants Guidelines, in addition to the relevant Articles of the Ghana Public Procurement Act which refers to corrupt practices.

E. Details of the Procurement Arrangements Involving International Competition

(1) Goods, Works, and Non-Consulting Services

25. List of contract packages to be procured following ICB and direct contracting:

Table 1: Works

1	2	3	4	5	6	7	8
No.	Contract (Description)	Estimated Cost (US\$ million)	Procurement Method	P-Q	Domestic Preference (Yes/No)	Review by Bank (Prior/Post)	Expected Bid Opening Date
	None						

26. ICB contracts estimated to cost above US\$5.0 million per contract and all direct contracting will be subject to prior review by the Bank.

Table 2: Goods

1	2	3	4	5	6	7	8
No.	Contract (Description)	Estimated Cost (US\$ million)	Procurement Method	P-Q	Domestic Preference (Yes/No)	Review by Bank (Prior/Post)	Expected Bid Opening Date
	Procurement of Computers and Accessories and Printers for MDAs	0.5	ICB	No	No	Prior	Sept. 10
	Procurement of Oracle Software (Upgrading Oracle ERP to Release 11.5.10 DB 10g: Oracle Financials part I, 120 units oracle financials part II, 250 units Oracle Purchase Order, 10 units Oracle)	2.25	Sole source	N/A	N/A	Prior	Sept. 10
	Provision of UPS per recommendation of MDA power stability assessment: 11 no. 1.5kva UPS (switches for each) 200 no 1100 VA UPS for pcs, 10 no. 24 port 3 com	0.2	NCB	No	No	Prior	Sept. 10
	Procurement of Vehicles	0.35	NCB	No	No	Prior	Oct. 10
	510 computers, 340 printers, 510 no 1100VA UPS, 170no LAN - phase 2 and 3	2.3	ICB	No	No	Prior	Aug. 11
	30 sets of computers and printers for regional offices - phase 3	0.6	ICB	No	No	Prior	June 12
	Special Software license & annual maintenance for 170 MMDA sites	2.2	ICB	No	No	Prior	July 12
	Microsoft Tools licences	1.0	ICB	No	No	Prior	Sept. 10

27. ICB contracts estimated to cost above US\$500,000 for goods per contract and all direct contracting will be subject to prior review by the Bank.

(2) Consulting Services.

28. List of consulting assignments with short-list of international firms.

Table 3: Consulting Services

1	2	3	4	5	6
No.	Description of Services	Estimated Cost (US\$ million)	Selection Method	Review by Bank (Prior/Post)	Expected Proposals Submission Date
	Development of public accounts reporting system - phase 2	0.2	QCBS	Prior	July 11
	Oracle Technology Support Services for 4 years	3.1	SS	Prior	July 10
	Implementation support services - phase 2	0.22	QCBS	Prior	July 10
	Consultancy services for phased roll out of Oracle system to MMDAs - PHASE 2	0.54	QCBS	Prior	Aug. 11
	Implementation Support - phase 3 for Financial Accounting, Budgeting and Reporting Systems for 170 MMDAs	0.34	QCBS	Prior	Aug. 11
	Policy development for HRMIS - phases 2 and 3	0.54	QCBS	Prior	Aug. 10
	Consultancy services for systems configuration and business processes - phase 2	0.2	IC	Prior	Aug. 11
	Consultancy services for interfacing/integration of payroll and pensions - phase 2	0.34	QCBS	Prior	Aug. 11
	Consultancy services for Master data creation and data migration from IPPD2- phase 2	0.22	IC	Prior	Aug. 11
	Identification of current status on Asset Management System- phase 2	0.3	IC	Prior	Aug. 11
	Business process for Asset Management System implementation - phase 3	0.45	QCBS	Prior	Aug.12
	Asset Management System implementation support - phase 3	0.5	QCBS	Prior	Aug. 12
	Consultancy services for MTEF planning process and documentation support to MDAs	0.5	QCBS	Prior	Aug. 12
	Technical Assistance for Integration of Procurement Planning as part of Budget Formulation (GPRS) - phases 2 and 3	0.9	QCBS	Prior	Aug. 10
	Integration of Procurement Planning as part of Budget Formulation (GPRS)	0.522	QCBS	Prior	Aug. 11
	Review of Budget Frameworks - phase 1	0.216	QCBS	Prior	Aug. 10
	Review of existing legislation and	0.4	QCBS	Prior	Aug 10

	identification of gaps -phase 1, 2, 3				
	Needs assessment and drafting amendments and regulations - phase 1, 2, 3	0.639	QCBS	Prior	Aug. 10
	Update of Chart of Accounts	0.396	QCBS	Prior	Aug. 10
	Preparation of Guidelines for Chart of Accounts /Budget Classification - phase 2	0.4	QCBS	Prior	Aug. 11
	Cash management implementation support - phases 2, 3	0.612	QCBS	Prior	Aug. 11
	Strategy development for improved budget execution and reporting - phase 2	0.4	QCBS	Prior	Aug. 10

29. Consulting services estimated to cost US\$200,000 equivalent or more per contract and single source selection of consultants will be subject to prior review by the Bank.

30. Short lists of consultants for services estimated to cost less than US\$200,000 equivalent per contract may be composed entirely of national consultants in accordance with the provisions of paragraph 2.7 of the Consultant Guidelines.

Table 4: Thresholds for Procurement Methods and Prior Review

No	Expenditure Category	Contract Value Threshold* (US\$)	Procurement Method	Contracts Subject to Prior Review (US\$)
1	Works	C \geq 5,000,000	ICB	All Contracts.
		100,000 = <C < 5,000,000	NCB	Specified contracts as wld be indicated in the Procurement Plans.
		C < 100,000	Shopping	None.
		All values	Direct Contracting	All Contracts.
2	Goods and Services (other than Consulting Services)	C \geq 500,000	ICB	All Contracts.
		50,000 = <C < 500,000	NCB	Specified contracts as would be indicated in the Procurement Plans.
		C < 50,000	Shopping	None.
		All values	Direct Contracting	All Contracts.
3	Consulting Services	C \geq 200,000 firms	QCBS, QBS (International)	All Contracts.
		100,000 = <C < 200,000 firms	QCBS, QBS (National)	All Contracts.
		C < 100,000	CQS	Only TORs.

		C >= 50,000 individuals	IC	All contracts.
		C < 50,000 individuals	IC	TORs.
		All Values	Single Source Selection.	All Contracts.
4	Training, Workshops, Study Tours	All Values	To be based on Annual Work Plan and Budgets	Annual Training Plans to be approved by TTL

*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.

**eGhana Additional Financing
Risk Identification Worksheet (Operational Risk Assessment Framework)**

<i>Risk factors</i>	<i>Description of risk</i>	<i>Rating^a of risk</i>	<i>Mitigation measures</i>	<i>Rating^a of residual risk</i>
I. Country and/or Sub-National Level Risks				
Macroeconomic framework	Uncertainty in the macro-economic environment,, arising from risks associated with macroeconomic instability, stems mostly from Government's inability to further reduce its fiscal deficit through structural reforms (public sector and energy) as well as its potential inability to manage the volatility which will come from the management of forthcoming oil revenue. Budget management is also hampered by the structural rigidity induced by the existence of several earmarked funds and the absence of an effective Integrated Financial Management and Information System.	H Likelihood/ Impact: L/H	Through successive general budget support operations, investment projects and AAA, the World Bank has been supporting, in collaboration with Development Partners and the IMF, Government efforts to bring the fiscal stance on a sound and sustainable track. Particular attention is paid to support reforms in the public sector, energy, PFM and the development of the necessary institutions and capacity for a sound and pro-developmental use of oil resources.	M Likelihood/ Impact: L/H
Country Engagement with World Bank	The government's engagement with the Bank on PFM, while strong, risks being weakened if the current political drive and commitment changes.	M Likelihood/ Impact: L/H	The prominence given to cultural change management is likely to build champions across the executive as well as among the parliamentarians. Prior to the next political cycle (elections), substantial and very visible improvements in country's PFM are planned to be achieved to ensure no roll-back of the positive results.	L
Governance	Democratic political governance is strong but financial governance and transparency remains a challenge.	M Likelihood/ Impact: L/H	The project embeds clear milestones for assuring transparency and accountability across government.	L Likelihood/ Impact: L/H

Systemic corruption	Access to Information by the public is a challenge as public officials tend to hide behind the Official Secrecy Act to frustrate citizens who seek information from public offices. Even though there is an Asset Disclosure Law, the law currently does not allow the contents of disclosed assets to be made public.		The Bank has been providing support to (a) the Coalition of Civil Society groups to better engaged Government on the review of the Freedom of Information Bill, (b) Government to review the public procurement law to ensure more transparency and fairness in the public procurement process. A Public Information Center has been re-launched as the Knowledge Space where data is provided to the public.	
Other (for example security risks, political/election risks, country engagement with other MDBs/donors, social and environmental risks at the country level)	<u>Donor Partnership</u> The funds pooling arrangement for GIFMIS (Component 4) as well as the potentials for delayed disbursement of funds by DPs can impact project delivery and outcomes	M Likelihood/ Impact: L/M	A Memorandum of understanding between the DPs and with the GoG will specify the specific commitments and responsibilities of each of the funding parties and will provide for disbursement acceleration and eventual deceleration, as the case may be, in the event of delay in disbursements from one or the other DPs.	L Likelihood/ Impact: M/S
II. Sector Governance, Policies and Institutions	<u>Public Finance Management</u> Although there is a three-year rolling medium term expenditure framework (MTEF) in place that is updated yearly, the links between the MTEF and the annual budget are weakened by the lower comprehensiveness of the former. Strategic focus on the MTEF is undermined by poor payroll planning and management, weak cash management in the absence of a comprehensive Treasury Single Account, weak analytical capacities at the level of the central and sectoral ministries. Full comprehensiveness of budget documentation is suppressed by the lack of inclusion of a statement on financial assets, prior year budget outturn, summarized data on revenues and expenditures, as well as inconsistencies of presentation.	S Likelihood/ Impact: M/H	<u>Public Finance Management</u> Under the proposed GIFMIS project (to be funded by the Bank and other development partners), Ghana is gearing itself up to embark on a comprehensive PFM reform that caters for, among others, (a) systems-based good practice treasury management premised on a renewed set of in-built re-engineered business processes; (b) adoption of a harmonized chart of account and budget classification across the whole government, consistent with Government Finance Statistics 2001; (c) refining the MTEF approach using a program-based budgeting approach rather than an activity based-line item one; (d) revision of PFM related laws and regulations for full conformance with international standards; (e) adoption of a Treasury Single Account for improved cash management; (f) maintenance of system-based hard-budget constraints to avoid over spending and reinforce budget discipline; (g) improvement in resource allocation and budget release predictability; (h) management of internally generated funds within a single treasury account model; and (i) strategies to introducing a human resources management information systems, with in-built establishment control, to manage	M Likelihood/ Impact: M/S

	<p>Budget credibility as measured by the expenditure outturn has been weak due largely to weak forecasting capacities. Recurring annual expenditure arrears, absence of an effective establishment and commitment control undermine budget discipline.</p> <p>Lack of adequate predictability of financial flows to MDAs for budget execution undermines service delivery efforts.</p> <p>Proliferation of Bank accounts maintained by MDAs largely as a result of ‘internally generated funds’ has weakened the maintenance of a Treasury Single Account as well as the transparency of and consolidation reporting on public finances.</p> <p style="text-align: center;"><u>Information and Communications</u></p> <p>Human resource issues are widely acknowledged as a serious bottleneck to ICT development, as a skilled-based workforce is a critical input to the development of an offshoring sector,</p>	<p style="text-align: center;">S Likelihood/ Impact: M/M</p>	<p>personnel costs.</p> <p>Meanwhile a number of activities (revision of rules, business processes, and centralization of treasury activities under the overall control of the Controller and Accountant General) will continue to be carried out to soften the impact of the more serious PFM weaknesses before the full mitigation effects are achieved.</p> <p>Use of Country PFM systems will remain the default for Bank operations but full readiness is expected upon the completion of the GIFMIS project. Selectivity will, in the meantime, prevail where it is considered that an entity within the government has developed adequate PFM capacity to implement the project without ring-fencing.</p> <p>As regards public procurement, Ghana is a pilot country that is planned to be tested for transition to use of country systems in the medium term.</p> <p><u>Information and Communications</u> Existing eGhana project supports the development of public private partnerships for the provision of training programs in ITES, with an emphasis on training of women. In government, the project will address the following elements of IT skills development: (a) training of CIOs in MDAs; (b) training of technical personnel providing IT support; (c) training of legislators and judicial officers.</p> <p>The existing and scaled-up eGhana project components includes support to finalize or develop the relevant policies, legislation, regulations and procedures (telecommunications/ broadcasting/ postal e-legislation, freedom of Information, ITES policy).</p>	<p style="text-align: center;">M Likelihood/ Impact: M/H</p>
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	<p>and as many businesses and government departments are experiencing serious difficulties in attracting and retaining skilled IT professionals.</p> <p>Inadequacy of telecommunications infrastructure (bandwidth, extension of network), and e-legislation issues can be barrier to wider diffusion of ICT applications.</p>			
III. Operation-specific Risks				
Technical/design	The complexity of the project (hitherto implemented solely by MoC) can be compounded by the introduction of a completely new component – GIFMIS – that will be implemented under the auspices of a different entity – MoFEP	S Likelihood/ Impact: M/H	The establishment by the GoG of a single and joint revenue and expenditure Steering Committee, chaired by the Minister of Finance and Economic Planning, will facilitate better coordination of project activities under a unified platform. The new GIFMIS component will build on the minor gains from the BPEMS project where 8 pilots have been implemented. The design includes a well sequenced and prioritized set of activities that allow for full integration of PFM reforms in the implementation of the PFM-based ICT tools.	M
Implementation capacity and sustainability	ICT capacity, while improving across government entities, can be weakened by the lack of retention of qualified personnel to manage the systems provided under the project and thus impair implementation progress and sustainability of outcomes.	S Likelihood/ Impact: M/S	The introduction of BPEMS has strengthened the capacity of key MDAs in ICT. This will be further consolidated by major capacity building activities included in the project component – GIFMIS. A performance based incentive policy will be introduced to facilitate retention of core direct staff who will support the implementation of the component. On the other areas related to original eGhana components, the PPP approach will reinforce capacity development and sustainability for revenue administration entities.	M Likelihood/ Impact: M/H
Financial management	The use of country PFM systems could result to delays in producing the interim reports and the annual financial statements	M Likelihood/ Impact: L/S	Current practice of the GoG at the level of the CAGD provides for submission of monthly financial reports on the consolidated fund within 15 days of month end; and annual financial statements (AFSSs) within 3 months of year end. These are being complied with. The inclusion of the eGhana component in such statements will be facilitated by the Bank FM team through implementation	M Likelihood/ Impact: L/M

			support, in order that the audit can be completed within 3 months for the audit reports to be submitted on the AFS by 6 months after FY end.	
Procurement	While procurement capacity of the original eGhana's 3 components is now strong, the capacity to initiate and process procurement actions for component 4 – GIFMIS – is very weak and can delay project implementation progress.	H Likelihood/ Impact: M/S	Technical assistance by way of assigning procurement specialist consultants is underway to strengthen the CAGD procurement team that will support the GIFMIS. The Bank procurement team will provide implementation support at all stages of the procurement cycle	S Likelihood/ Impact: M/S
Social and environmental safeguards		L Likelihood/ Impact: NA		L Likelihood/ Impact: NA
Other (for example project specific corruption risks, country ownership of project/program, cost escalation, prevalence of failures in similar projects, adverse external developments affecting costs/benefits of the project)	<u>Lessons Learned in similar project</u> The weaknesses in the BPEMS implementation and the bottlenecks to achieving achieve expected results may roll into the implementation of the GIFMIS component of the project.	S Likelihood/ Impact: M/H	Improved readiness of GIFMIS and the integration of PFM reforms, coupled with elements of cultural and change management initiatives, have the potential to mitigate the carry-over of the BPEMS risks.	M Likelihood/ Impact: M/S
IV. Overall Risk (including Reputational Risks)				M Likelihood/ Impact: M/H
Memo items:				
1. CPIA ratings for IDA countries (overall and four clusters)				
2. IEG rating (% of projects rated satisfactory – HS, S, or MS – over last five years both for the country portfolio and the sector)				
3. Other governance and corruption indicators				
^a Rating of risks on a four-point scale – High, Substantial, Moderate, Low – according to the likelihood of occurrence and magnitude of potential adverse impact.				

Guiding Principles for Pool Funding Arrangements

1. Scope of the MoU – GIFMIS

An MoU will lay down the funding arrangements for channeling of external funds through a common joint pooled account mechanism in support of the implementation of the Component 4 (GIFMIS) and improved institutional capacity, and in terms of: (a) joint monitoring of progress, (b) common financial reporting using government systems, (c) common procedures for procurement, commitments and disbursements, and (d) common procedures for internal and external audits.

2. Respective Responsibilities

A project component management unit, headed by the GIFMIS Director, will be established in the CAGD under the direction and guidance of the PFM Reforms – Revenue and Expenditure Steering Committee, and charged with the day-to-day management of the implementation of the GIFMIS across all MDAs MMDAs. Related activities under the project component management will include the coordination of training in the use of the new systems, a robust monitoring and evaluation unit, and management of seven other implementation teams.

The Participating DPs will ensure the predictability of the flow of funds, by providing MoFEP with an indication of their six month commitments to the GIFMIS joint pooled account, based at least on their respective ratios of pledged or committed contributions, by June 30 each year.

To facilitate yearly integrated planning and budgeting in accordance with GoG's cycle, the Participating DPs will annually indicate their intended total financial commitment for 4 years of the GIFMIS project implementation at signature of this MoU.

Although the Participating DPs intend to establish bilateral or financing agreements that are compatible with the spirit and provisions of this MoU, the provisions of the bilateral or financing agreements will prevail in the case of any inconsistency or contradiction between the terms and conditions of this MoU and any of the bilateral or financing agreements.

3. Financial Management, Commitments and Disbursements

MoFEP will perform all financial management in accordance with established country systems in Ghana and in conformity with international standards.

The DP contributions will be deposited into a single pooled foreign currency (USD) account with the Bank of Ghana. A Pooled Cedi Account will also be opened at the Bank of Ghana. Deposits to the Cedi Account will be made only by transfers from the Dollar Account when necessary to finance Cedi denominated expenditures, and the prevailing Bank of Ghana exchange rates will be applied to such transfers.

For the purpose of disbursements, the MoFEP shall ensure that quarterly interim financial reports, the formats of which will be annexed to the MoU, will be presented to the DPs, with a

computation of their agreed respective contributions – IDA (51%), DFID (27%), and EU (22%) or such other agreed contributions towards the project component cost. This will be based on a forecast of expenditures for a period of 6 months, and replenished quarterly.

4. Coordination, Monitoring and Review

Coordination, monitoring and review will take place within the context of the PFM sector working group's participating donor partners for the GIFMIS component. Progress will be assessed on at least a semi-annual basis against the agreed Results Framework and Monitoring Results Framework.

The Participating DPs will refrain from engaging in bilateral reviews of, or dialogue on related programs, except where national or institutional requirements stipulate the need for a national or institutional audit authority to undertake their own assessment of GIFMIS project.

5. Procurement Arrangements and Procedures

All goods, works and services required for the GIFMIS project shall be included in a procurement plan and procured in accordance with:

“Guidelines for Procurement under IBRD Loans and IDA Credits” published by the World Bank in May 2004 and revised in October 2006/May 2010 (“Procurement Guidelines”), in the case of goods and works;

“Guidelines: Selection and Employment of Consultants by World Bank Borrowers” published by the World Bank in May 2004 and revised in October 2006/may 2010 (“Consultant Guidelines”) in the case of consultants' services; and

An initial Procurement Plan that defines the particular contracts for the goods, works, and/or services required for the GIFMIS Component during the initial period of 18 months. These plans shall be made public. The Bank shall ensure review, and provide required procurement clearances, for the GIFMIS contracts subject to prior review, normally within 10 working days, as indicated in the Procurement Plan.

An independent procurement audit would be undertaken annually. If it is determined that any goods, works or services have not been procured in accordance with the agreed Procurement Plan, or the agreed procurement procedures described above, the Participating DPs may cancel, proportionately from their respective financing, an amount equivalent to the contract.

Fraud and Corruption: The standard clause on fraud and corruption will be included in the MoU.

6. Reporting

MoFEP will provide all Participating DPs with relevant sector documents regarding annual planning, budgeting and monitoring as specified, but not limited to: (a) The PFM sector semi-annual and annual update reports; (b) Annual progress reports, measured against the results and development objectives frameworks; (c) Annual external audit reports with regard to all external and domestic funding under the project. Participating DPs may decide to defer their disbursements until such time 'the reports are presented'

Appraisal of the annual state of the joint pooled account will be carried out through semi-annual and annual reviews of the:

- (i) consolidated financial report from the CAGD; a comprehensive set of ‘additional information’ shall be provided in the CAGD annual financial statements on the sources and uses of project funds, with accompanying detailed notes;
- (ii) progress reports submitted by setting out the achieved implementation progress for GIFMIS, planned GIFMIS activities, the planned implementation timeframe, the planned budget for these activities, and the actual implementation cost and time frame.

A joint external / independent performance audit of the GIFMIS project, to verify with regards to actual completion of activities, sustainability and functionality of the completed activities, and value for money may, at the request of the Participating DPs, be carried out at mid-term (2 years of project implementation) or such other earlier time as may be desirable and at close of the project (after 4 years of implementation).

7. Independent Audit

The Ghana Audit Service shall carry out the financial audit as part of the audit of the CAGD. This notwithstanding, the DPs may ask for an independent external audit of the GIFMIS project by another independent auditor acceptable to the Participating DPs. An individual Participating DP calling for audits will be discouraged, unless required by national or institutional requirements.

8. Non-Compliance, Force Majeure

In the case of non-compliance with the terms of this MoU, and/or violation of the underlying principles set out in this MoU, Participating DPs may defer or suspend further disbursements to the GIFMIS project.

If a Participating DP intends to suspend new disbursements, or terminate its support, the Participating DP will call a meeting with the other Participating DPs to discuss a possible joint position on the measures, remedial or otherwise, required to ensure a process of correction, rather than disruption. Possible measures may include suspension of part of the funds or possible reimbursement by GoG of total or part of disbursed funds in case of misused and/or wrongly applied funds.

If the Participating DPs consider suspending new disbursements, they will notify MoFEP. The suspension will be lifted as soon as these circumstances have ceased to exist and/or appropriate remedial actions have been implemented by MoFEP in a reasonable time.

9. Withdrawal

Any amendment to the terms and conditions of this MoU will only take effect if agreed to in writing by MoFEP and the Participating DPs.

The Signatories may, under certain circumstances, including the presence of a financing gap, entertain the admission to this MoU by other Participating DPs who wish to support the implementation of the GIFMIS project.

Each Participating DP may withdraw/terminate its support to the GIFMIS project by giving MoFEP and the other Signatories three months written notice.

10. Dispute Settlement

If any dispute arises between Signatories as to the interpretation, application or implementation of this MoU, Signatories will consult with each other in order to reach an amicable solution. It is understood however that the provisions of the bilateral or financing agreements prevail over this MoU in case of dispute.