



The Road to Budget Transparency in Ghana

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INTRODUCTION

Background. For nations seeking sustainable development, ensuring sound public financial management (PFM) is crucial. Effective and efficient PFM can yield value for money expended and target antipoverty expenditures properly. At the same time, it can also minimize corruption. In the run up to elections in Ghana, political parties, especially those in the opposition, tend to make corruption one of the key campaign issues. However, once coming to power, they never do much to address the corruption they ran against.

Ghana's policy framework for national development states, "Due to low transparency and perhaps even lower accountability of public officials, the public sector is perceived to be corrupt. This needs to be addressed in order to ensure that the public sector can become both credible and trustworthy in the eyes of the citizenry."¹ One crucial precondition for addressing the corruption in Ghana, however, is the need to improve transparency and accountability within institutions. Over the years, Ghana has been making some efforts at improving budget transparency by making public some information and some budget documents. However, Ghana's performance on the International Budget Partnership's (IBP) Open Budget Survey (OBS) has not shown much improvement. In 2008 Ghana scored 50 out of a possible 100 on the Open Budget Index (OBI) — a comparative measure calculated from a subset of OBS questions that assesses the level to which governments around the world make publicly available timely and comprehensive budget information — with a small improvement to 54 in 2010. However, Ghana's OBI score slipped back to 50 in 2012 and remained roughly the same, at 51, in 2015. In contrast, Sierra Leone, which joined OBS in 2012, improved its score from 39 in 2012 to 52 in 2015. Meanwhile, the top OBI scores for African nations in 2015 were 62 for Uganda, 65 for Malawi, and 86 for South Africa.

Purpose and research objectives. This report examines Ghana's efforts to achieve budget transparency over the years, with special emphasis on the period 2008 to 2016. The focus is on specific initiatives and activities undertaken by governments to improve budget transparency practices and identify the key factors that shaped government transparency practices in order to help explain why they did or did not improve. The study also probes further the issue of "volatility" (i.e., the inconsistent publication of government budget information from year to year) in Ghana's performance.

Some questions the study considers are:

- How can we explain the lack of significant reforms and initiatives aimed at improving budget transparency?

¹ National Development Planning Commission, *Ghana Shared Growth and Development Agenda (GSGDA), 2014-2017 Volume I* (Accra: Government of Ghana, 2014), 154, available at <https://s3.amazonaws.com/ndpc-static/pubication/GSGDA+II+2014-2017.pdf>

- What lies behind Ghana's "volatility" problem?
- What have been the key factors driving government behavior in budget transparency reforms?

Methodology and scope. The primary source of information for the study was a series of interviews with public sector officials and civil society actors. Questionnaires were designed and administered to bring out the relevant information on the specific questions mentioned. Such secondary sources of information as reports by government on budget transparency (including budgets and budget related documents), reports by donors relating to budgets, reports by civil society organizations (CSOs) and think tanks on budget-related issues, commentaries, and websites of relevant institutions were used. While the focus of the study is on national budget documentation in the period 2008 to 2016, some of the PFM issues began to evolve more than a decade earlier, so the research delves further into the past where that is necessary.

OVERVIEW OF FISCAL TRANSPARENCY

National development policy and budget transparency. A number of national development policy frameworks that guide budgeting in Ghana have identified the need for transparency and accountability. The first Growth and Poverty Reduction Strategy (GPRS I) 2003-2005 states one of its objectives under governance as: "Ensure transparency and accountability in resource generation, allocation, and management." It continues:

Transparency and accountability are of particular importance in all financial matters. Public accounts and other financial instruments must be opened up to the public at large. Civil society must be enabled to debate budget proposals at national and local level. The identification of civil society with government policies and with nation building is, *inter alia*, a product of the openness of government.²

More recently, one of the social and economic goals of the Ghana Shared Growth and Development Agendas (GSGDA I and II), covering the period from 2010 to 2017, is improving transparency and accountability in the use of public funds and other national resources. The GSGDA recognizes that transparency is essential for efficient management of scarce financial resources at all levels of government. Because the national development frameworks on which the budgets are based stress fiscal transparency, progressive improvements in budget transparency should be expected in the coming years.

² *Growth and Poverty Reduction Strategy 2003-2005: An Agenda for Growth and Prosperity* (Accra: Government of Ghana, 2003), 122.

Legal framework for budget preparation and transparency. The 1992 Constitution is the key legal document that sets the framework for the development of budgets in Ghana. For example, Article 179 provides the framework for the national budget. Other legal documents on financial administration that were operational both before and after the Constitution took effect were amended into the Financial Administration Act (FAA) 2003 (Act 654); and Financial Administration Regulations (FAR) 2003. Other laws passed or revised around the same time were the Ghana Audit Service Act 2000 (Act 584), the Internal Audit Agency Act 2003 (Act 658), and the Public Procurement Act 2003 (Act 663). Together, the Constitution and these laws establish systems both for formulating the budget and ensuring the transparency of accounts.

Budget systems. Article 179 subsection (1) of the Constitution calls on the president to prepare and lay before parliament at least one month before the end of the fiscal year estimates of the revenues and expenditures of the government for the following year. Section 1, subsection 3 of FAA charges the finance minister with ensuring that systems are established throughout the public sector to budget for the use of resources and to approve requests for public money.

Internal and external transparency. Some sections in the FAA and FAR provide for the preparation of monthly and annual accounts with some levels of transparency. Sections 40 and 188 of the FAA and FAR, respectively, require the controller and the accountant general, *within 15 days of the end of the month*, to prepare and transmit to the auditor general and the finance minister the following public accounts:

- a balance sheet showing assets and liabilities of the Consolidated Fund as of the end of the month;
- a statement of revenue received and expenditures made by the Consolidated Fund for the month;
- a cash flow statement of the Consolidated Fund for the month; and
- notes that form a part of the accounts.

Sections 41 and 190 of the FAA and FAR, respectively, require all heads of ministries, departments, and agencies to prepare annual statements of accounts *within three months after the end of each fiscal year*. Section 191 of FAR requires the controller and accountant general to prepare and transmit to the auditor general and the finance minister the following public accounts:

- a statement of the financial assets and liabilities of the Consolidated Fund at the close of the financial year;
- a summary statement of the receipts into and payments from the Consolidated Fund in comparison with the budget summary for the fiscal year;

- a statement of revenues and expenditures for the financial year in comparison with the approved and revised estimates for the year; and
- a statement of transactions during the year and an analysis of the position at the end of the year for the public debt, deposits and trusts, securities of the government, advances, public loans, investments, a cash flow statement, and any other statements required by any other law.

Unlike the reporting requirements for monthly accounts, the law makes no provision for external transparency of the annual accounts. Rather, they are for internal purposes.

Public financial management reforms. PFM reforms in Ghana commenced as far back as the 1990s. The Public Expenditure Reviews (PERs), carried out in 1993 and 1994, brought out the following issues: weak budgetary framework; lack of proper accounting; ineffective audit; lack of reliable, accurate, and timely information for management decisions; ineffective monitoring and control of public expenditures; and lack of budget ownership. In July 1995, the government launched the Public Financial Management Reform Program (PUFMARP), which aimed to address the public financial management issues the PERs had identified. PUFMARP commenced operation in 1997 as a six-year multi-component government program with funding from some development partners.³ The transparency-related components of PUFMARP that are relevant here are the Medium Term Expenditure Framework (MTEF), which addressed the weaknesses inherent in the budget system by improving the links between policy making and planning and budgeting and the Budgeting and Public Expenditure Management System (BPEMS), which aimed to reform budget implementation, accounting, and reporting through a computerized platform that would run the entire financial management system. Other components of PUFMARP included such items as a cash management system; an information technology system for tax assessment, collection, and reporting; and the formulation of a national procurement code along with mechanisms for enforcing compliance with the code. PUFMARP was a donor-supported program aimed at improving the PFM system in Ghana, but the focus here will be on those areas that helped improve budget transparency.⁴

For the period 2006 to 2009, the government prepared a Short- and Medium-Term Action Plan for public financial management reform. That plan focused on addressing fiscal policy management,

³ The funding was from the World Bank, with co-financing provided by Department for International Development, the Canadian International Development Agency, and the European Union.

⁴ Kojo N. Oduro, "Results-Oriented Public Expenditure Management: Case Study of Ghana," *Working Paper 208* (London: Overseas Development Institute, June 2003), available at: <https://www.odi.org/sites/odi.org.uk/files/odi-assets/publications-opinion-files/2037.pdf>; and Mary Betley, Andrew Bird, and Adom Ghartey, *Evaluation of Public Financial Management Reform in Ghana, 2001–2010 Final Country Case Study Report* (Stockholm: Sida, June 2012), available at: <https://www.oecd.org/countries/ghana/ghana.pdf>

budget formulation and implementation, payroll and personnel management, aid and debt management, revenue management, and capacity building.⁵

Documentation and information reforms. The first PFM reform that relates to improving the volume of information on the budget proposal is the MTEF mentioned above. One of the areas the MTEF seeks to improve is providing useful information on planned expenditures. A PFM review observed "the very detailed MTEF documentation provides information down to the activity level."⁶ Such information is far too detailed, however, and includes such items as the purchase of vehicles. It is also lacking a strategic focus.

The Short- and Medium-Term Action Plans made use of the MTEF framework, but some aspects of these plans focused on improving the release of budget documentation. A different PFM review noted that the these action plans achieved some successes regarding budget documentation in the following areas: 1) improvement in reporting on extra-budgetary expenditure, 2) good and timely public access to key fiscal information, 3) increased comprehensiveness in the reporting on debt, 4) improved timeliness of in-year budget implementation reports and annual financial reports, and 5) greater effectiveness and timeliness of external audits.⁷

After more than a decade of implementing the MTEF, Ghana still faced some challenges. The 2012 Public Expenditure and Financial Management Assessment (PEFA) report acknowledged that documentation submitted for the legislative review was fairly comprehensive, but it charged that some important elements were missing. While information on macroeconomic assumptions, fiscal balance, debt financing, and new policy measures is important, there also needed to be an explanation and estimation of the implications these measures have on the budget. "The budget documentation as presented currently does not include summarized budget data in a consistent format and does not facilitate the comparison of the budget performance across years. [...] The available information is to a large extent technical and difficult to comprehend for non-professionals."⁸

To address the shortcomings of the MTEF, a new budgeting approach was needed. The 2010 budget guidelines issued by the Ministry of Finance and Economic Planning (MOFEP) state:

The Ministry as part of efforts to improve the entire public financial management system to deliver results in a more efficient, effective and transparent manner is planning on introducing Programme-Based Budgeting over the next five years. It has been observed

⁵ World Bank, *Ghana - Joint Review of Public Expenditure and Financial Management* (Washington, D.C.: World Bank, 2011), available at: <https://openknowledge.worldbank.org/handle/10986/2833>

⁶ Betley, Bird, and Ghartey, *Evaluation of PFM Reform*, 62.

⁷ World Bank, *Ghana - Joint Review*.

⁸ *Ghana: Public Expenditure and Financial Accountability (PEFA) Performance Review Final Report* (Accra: Government of Ghana, June 2013), 12.

that the current budgeting process is too detailed, too tedious, cumbersome, and does not lend itself easily to performance measurement due to the overemphasis on inputs and activities.

This budget reform was adopted to introduce a performance orientation, as well as flexibility and improved resource allocation into the budget system. The objectives of program-based budgeting (PBB) are:

- to ensure stronger linkage between public spending and determined results;
- to ensure improved efficiency in the allocation and utilization of resources;
- to focus on more strategic budget information in order to promote understanding and debate in parliament;
- to improve the accuracy of budget information; and
- to shift the emphasis of budget management from activities and inputs to the delivery of outputs/results.⁹

The first attempt to improve government budget reporting throughout the year was the introduction of a Budgeting and Public Expenditure Management System (BPEMS). The goals of BPEMS are to implement an integrated system covering strategic budget preparation, procurement, execution, accounting, reporting, recording, and human resources and to be rolled out to all ministries, departments, and agencies (MDAs) and metropolitan, municipal, and district assemblies (MMDAs).

After more than a decade of implementation, some weaknesses in BPEMS were identified. A PFM review found "fundamental weaknesses" in the technical design and management arrangements. BPEMS was conceived primarily as a technology-driven reform and insufficient attention was given to changes in PFM processes and procedures, to changes in management, and to the assessment of capacity issues and training requirements. Furthermore, BPEMS was initially managed through the PUFMARP project implementation unit, which had no functional or operational responsibility for the reform. This meant that the implementation of BPEMS was distanced from its two client departments, the Controller and Accountant General Department (CAGD) and the budget division. Thus there was little sense of ownership of the reform. Only following completion of PUFMARP in 2003 was the responsibility for BPEMS transferred to CAGD. However, coordination between CAGD and the budget division remained weak, particularly because, by then, the budget division had developed its own software application for budget planning and managing budget releases.¹⁰

⁹ *Program Based Budgeting* (Accra: Ghana Integrated Financial Management Information System), available at <http://cagd.gov.gh/gifmis/index.php/implementation/implementation-status?showall=1&limitstart=>

¹⁰ Betley, Bird, and Ghartey, *Evaluation of PFM Reform*, 32.

The failure of BPEMS to improve In-Year Reports led to the introduction of Ghana Integrated Financial Management Information System (GIFMIS). The government adopted GIFMIS in 2009 and started to implement its charter. The charter of GIFMIS is founded on:

- the need to capture all public finances at the center and across all local governments;
- the establishment of a uniform chart of accounts (for budgeting, accounting, and reporting) that is compliant with IMF Government Finance Statistics Manual (GFSM) 2001 and Classifications of Functions of Government (COFOG);
- developing and implementing best practices for government expenditure management;
- integration of applications, including personnel management and payroll database, on a single upgraded Oracle financial platform;
- the need to consolidate the reporting of all government finances across the five funds; and
- introducing a program-based budgeting system that supports improved fiscal management and service-delivery outcomes across all sectors.¹¹

BUDGET DOCUMENTATION AND TRANSPARENCY

Budget transparency means ensuring easy access to relevant budget-related information by the general public, along with information on its execution by the government. The OBI regularly measures the public availability of comprehensive, timely, and accessible information in eight key budget documents: a Pre-Budget Statement, an Executive's Budget Proposal, an Enacted Budget, a Citizens Budget, In-Year Reports, a Mid-Year Review, a Year-End Report, and the Audit Report.

Ghana's performance on the Open Budget Index. This section of the report considers Ghana's performance on the last four rounds of the OBI and focuses on the publication of key budget documents. The comprehensiveness of information in the documents is also briefly examined.

The publication of the eight budget documents and the comprehensiveness of the information in them are presented in Table 1. From the table, it is apparent that during the four rounds of the OBI, no Pre-Budget Statement was published, and a Citizens Budget was not published in 2010 or in 2012. In 2010 Ghana did not publish In-Year Reports, and a Mid-Year Review did not appear in 2008 or 2015. No Year-End Report was published in 2008 and 2012, while in 2008 no Audit Report saw the light of day. Only the Executive's Budget Proposal and the Enacted Budget were published in every year. Table 1 summarizes the volatility in budget documentation.¹² But it is not just about publishing the budget documents, the OBI also tracks and scores the details provided in the budget documents: the more relevant details provided, the higher the score.

¹¹ World Bank, *Ghana - Joint Review*.

¹² Volatility here is defined as repeated changes in the publication status of budget documents.

TABLE 1. OBI SCORES AND OBI SCORES BY BUDGET DOCUMENT

Year	OBI	Eight Key Budget Documents ¹³							
		<i>PBS</i>	<i>EBP</i>	<i>EB</i>	<i>CB</i>	<i>IYR</i>	<i>MYR</i>	<i>YER</i>	<i>AR</i>
2008	50	0	67	67	67	79	0	0	0
2010	54	0	68	67	0	0	84	37	67
2012	50	0	57	33	0	83	50	0	71
2015	51	0	58	50	50	63	0	57	86

Source: Babacar Sarr and Joel Friedman, *The Road to 61: Achieving Sufficient Levels of Budget Transparency* (Washington, D.C.: International Budget Partnership, 2016).

Comprehensiveness of budget documents. The comprehensive of information in the Executive's Budget Proposal and in the Year-End Report is shown in Tables 2 and 3. Overall greater detail is provided on the revenue side in the Executive's Budget Proposal; however, this score has declined consistently from 100 in 2008 to 70 in 2015. On the expenditure side, the score declined from 84 in 2008 to 69 in 2015. Scores for other subtopics have not been consistent.

TABLE 2. COMPREHENSIVENESS OF INFORMATION IN EBP

Year	EBP					
	<i>Expenditure</i>	<i>Revenue</i>	<i>Debt</i>	<i>Macro- economic</i>	<i>Policy and Performance</i>	<i>Beyond Core Budget</i>
2008	84	100	67	34	57	50
2010	70	93	78	67	57	53
2012	63	93	67	34	43	44
2015	69	70	55	67	67	42

Source: Sarr and Friedman, *The Road to 61*.

Table 3 shows comprehensiveness of information in the Year-End Report, which was not published in 2008 or in 2012. The details provided for revenue and expenditure improved between the period 2010 and 2015. No details were provided on macroeconomic indicators, while the score for policy and performance fell from 67 to 17 in the years when it was reported at all.

TABLE 3. COMPREHENSIVENESS OF INFORMATION IN YER

Year	YER				
	<i>Expenditure</i>	<i>Revenue</i>	<i>Macro-economic</i>	<i>Policy and Performance</i>	<i>Beyond Core Budget</i>
2008	0	0	0	0	0
2010	33	33	0	67	33
2012	0	0	0	0	0
2015	50	67	0	17	33

Source: Sarr and Friedman, *The Road to 61*.

DOCUMENTATION AND TRANSPARENCY ISSUES

The subsection considers some of the specific issues regarding each of the eight key documents.

¹³ A score of 0 means Ghana did not publish the document concerned, and a score of 100 means Ghana published the document concerned and the document provided the necessary details.

Pre-Budget Statement. The legal framework that makes budget transparency possible in Ghana does not make any legal provision for the preparation and publication of a Pre-Budget Statement. Nor have PFM reforms over the years focused on its preparation and publication. Thus no Pre-Budget Statement has been prepared for internal use or published during the years of the reforms. Even the new PFM bill, which was passed in August 2016, did not make provision for a Pre-Budget Statement. Neither CSOs nor donors have collaborated with government to prepare and publish this document. Nor do the stakeholders working on PFM issues believe there is any indication that a Pre-Budget Statement will be prepared in the near future unless the law is amended.

Executive's Budget Proposal. As mentioned earlier, the Financial Administration Act (FAA) broadly established the budget system within the public sector, while the Financial Administration Regulations (FAR) provide details for planning, allocation of resources, preparation, publication, implementation, monitoring, evaluation, and control of the national budget. The main focus of FAA and FAR with regard to the Executive's Budget Proposal is on internal use but not on external publication. Even though the legal framework did not clearly specify external transparency for the Executive's Budget Proposal, MOFEP has published it for a very long time. The publication of the budget document commenced years before the government embarked on the major reforms of the mid-1990s and had nothing to do with the reforms or the legal framework. Within the study period, budget documents have been made available to the public at the same time that they are tabled in parliament by the Minister of Finance. Electronic copies are posted on the MOFEP website at the same time. The media broadly discuss the budget, and some of the print media publish the budget statement in a series, while others print excerpts.

Between 2008 and 2012 some of the specific areas Ghana did not perform well on the OBI with regard to the comprehensiveness of the Executive's Budget Proposal were:

- inadequate information on the impact of different macroeconomic assumptions on the budget (including impacts on expenditures, revenues, and debt);
- inadequate information on how policy proposals, as distinct from existing policies, affect revenues and expenditures;
- inadequate information on expenditures for past years by different types of classification;
- inadequate information on a number of important items like transfers to public corporations, quasi-fiscal activities, financial and nonfinancial assets held by the government, contingent and future liabilities, and tax expenditures;

- inadequate information on tax expenditures, at least for the budget year; and
- failure to provide nonfinancial data, including indicators and targets, for expenditure programs.

Many of these issues are still not addressed as of the 2015 OBI.

The 2012 budget affirmed that all MDAs within the government had budgets that conformed to the guidance of the United Nations Classification of Government Functions (COFOG) and with the International Monetary Fund's Government Finance Statistics (GFS 2001) statistical framework for macroeconomic analysis.¹⁴ The 2013 budget statement stated that, as part of the government PFM reforms and in conformity with new statistical standards, the government was adopting the new GFS 2001 guidelines as the basis for compiling and reporting financial statistics.

The Program-Based Budgeting (PBB) reforms mentioned above were implemented on a pilot basis in some sectors in 2012. The program was expanded to all the sectors in 2014, and since then, all budgets have been based on the PBB format. These sector budgets based on the PBB format are much more comprehensive than the appendix tables attached to earlier budgets. The sector PBB budgets from 2014 to 2016 are available on MOFEP website.¹⁵

The 2014 budget mentioned that a new software package for budget preparation would be adopted to replace the Microsoft Access-based system. The new Oracle-based Hyperion system was successfully launched and used to prepare the 2015 budget (that is, the 2015-2017 budget estimates under the MTEF). Key staff members throughout the government were further trained in the use of the new budget system to enable them to better prepare their 2016 budgets (2016-2018 budget estimates).

When the comprehensiveness of the information in the Executive's Budget Proposal is improved, it is reflected in all other budget documents. MOFEP does not require PFM or legal reforms to improve areas in which Ghana did not perform well on the OBS. All that is required is expanding the coverage to include the additional information and seeing to it that the departments and agencies provide the relevant data.

Enacted Budget. The constitutional provision (Section 179) that grants parliament the power to approve the budget automatically makes the Enacted Budget externally transparent. Like any other

¹⁴ The UN COFOG allows trends in government outlays on particular functions to be examined over time. It is also used for making international comparisons to determine the extent to which governments are involved in economic and social functions.

¹⁵ The budgets are available at: <http://www.mofep.gov.gh/?q=divisions/pbb/medium-term-expenditure-framework-mtef-2016-2018-programme-based-budget-estimates>

bill passed by parliament, the appropriation bill must be formally published when it has passed. Ghana Publishing Company has been publishing the Enacted Budgets over the years, even before the introduction of the PFM reforms. And, with the introduction of PBB, MOFEP has been providing the information on its website.

When it comes to comprehensiveness of the information, though, the 2015 OBS observed that Ghana's Enacted Budget did not present:

- individual sources of revenue; and
- three estimates related to government borrowing and debt: the amount of net new borrowing required during the budget year, the total debt outstanding at the end of the budget year, and interest payments on the debt for the budget year.

The Enacted Budget has not been addressed by any specific PFM reforms, and no action has been taken to address these two shortcomings.

Citizens Budget. The legal framework for budget preparation in Ghana does not provide for the preparation and publication of a Citizens Budget. The PFM reforms carried out since the mid-1990s did not focus on the Citizens Budget. Nevertheless, the first time a Citizens Budget was produced was in 2008 when the preparation and publication of the Citizens Budget coincided with the implementation of the Short- and Medium-Term Action Plans.

According to MOFEP, the Citizens Budget was introduced to communicate the budget effectively to citizens. In 2009 and 2011, however, the Citizens Budgets were produced but not published. Starting with fiscal year 2012, the Citizens Budget was replaced by the Highlights of the Budget Statement and Economic Policy, which is published on MOFEP's website after the budget speech.¹⁶ According to MOFEP, the reason for all the volatility is that during the period from 2009 to 2013, there were some constraints in terms of time, human resources, and financial resources that affected the quality of the preparation and publication of the Citizens Budget. Once those challenges were resolved, MOFEP prepared and published a Citizens Budget from 2014 to 2016. Since 2014 the Citizens Budgets have been translated into the six main local languages and published. Comparing the 2008 Citizens Budget with the more recent ones shows how much the quality of the recent ones has improved: newer versions are handy, easy to read, less technical, and enhanced by graphical presentations.

¹⁶ *Ghana: Public Expenditure and Financial Accountability (PEFA) Performance Review Final Report*, (Accra: Government of Ghana, 2013).

In-Year Reports. Of the eight documents, the FAA and FAR made some provision for the In-Year Reports in the monthly reports mentioned above. According to CAGD, the delays that have been associated with monthly reports stem from the fact that many of the MDAs delay in preparing and submitting the monthly reports. MOFEP also uses the data from CAGD to prepare fiscal data in the budget format and put them on its website. However, the reform law applies to CAGD's monthly accounts and not to MOFEP's fiscal data. Thus MOFEP is not obliged by law to prepare and publish In-Year Reports. MOFEP began preparing its In-Year Reports around the time of the implementation of action plans. However, MOFEP says that the In-Year Reports they prepare were influenced by earlier collaborations with the IMF. Reviewers of budget documentation mainly focus on the fiscal data provided by MOFEP rather than on the monthly accounts by CAGD.

Between 2008 and 2012 the areas in which Ghana did not perform well with regard to In-Year Reports were:

- actual expenditures organized by different types of classification;
- comparisons of all actual revenues and expenditures with either the original estimates or with expenditures for the same period in the previous year;
- more extensive information on the composition of government debt.

In the 2015 OBS, about 40 percent of the questions on which Ghana scored a C or D related mainly to these areas.

The main source of information on budget execution for the public is the MOFEP website.¹⁷ The fiscal data provided there are aggregated and useful only for general fiscal analysis, not for comprehensive sector-level analysis. Some of the PFM reviews identified some challenges that hinder the comprehensiveness of information and its timely release. The weaknesses identified include the following:

- CAGD publishes monthly expenditure returns within four to six weeks of the close of the month, rather than in accordance with the legal requirement that they be published in the Government Gazette within 15 days of the close of each month. The format permits only a partial comparison of revenues and expenditures to the original budget allocations because

¹⁷ See <http://www.mofep.gov.gh/>.

expenditures of internally generated funds are reported separately by ministries, departments, and agencies, without any consolidated view.¹⁸

- There are also some concerns on data integrity since accuracy cannot be guaranteed by a full reconciliation process of all public accounts, including internally generated funds. Maintaining dual expenditure streams without a synchronized reconciliation poses a risk as to the degree of overlap that might exist between the two streams.¹⁹
- In addition, the nature of reporting by CAGD sometimes make it difficult to reconcile the data it reports with the national budget. A PFM review observed that "CAGD has adopted a rather narrow definition of Articles 40 and 41 of the FAA...This financial reporting approach has given rise to apparent discrepancies between the budget figures, which sometimes state gross amounts, and CAGD's financial reports, which state net figures offset by components not deemed to be a strict constituent of the CF."²⁰
- Limited monitoring and reporting of expenditure arrears also makes it difficult to ascertain the precise level of expenditure arrears, according to the PFM reviewers. Available evidence suggests the amounts to be sizeable and large enough to affect the current budgetary operations of a number of MDAs. For example, the long delays in processing new hires onto the personnel database leads to significant and instant expenditure arrears.²¹
- In addition, differences in accounting, recording, and reporting on actual expenditures make comparing expenditures against budgeted appropriations by activity impossible.²²
- Weaknesses also exist in the management of donor funds by some MDAs. One of the PFM reviews noted that "the structure and management of project grants and loans" places them outside the control of CAGD. This situation makes it difficult to report *accurately* on the actual expenditures.
- The issue of fiscal risks is also a problem. "While there is a system in place for monitoring of financial performance of selected State Owned Enterprises (SOEs) and SAs, there is no

¹⁸ Republic of Ghana Public Expenditure and Financial Accountability (PEFA) 2009. *Public Financial Management Performance Assessment Report. Volume I: Central Government* (Rotterdam, The Netherlands: ECORYS MACRO Group, 2010).

¹⁹ Ibid.

²⁰ Ibid.

²¹ Ibid.

²² Betley, Bird, and Gharthey, *Evaluation of PFM Reform*, 62.

mechanism for analyzing and consolidating this information into a statement on the overall fiscal risk which may have an impact on the budget.”²³

- Lastly, it is very difficult to determine the extent to which expenditures were spent on improved service delivery for women and vulnerable groups, or the degree to which expenditures in these areas are prioritized during times of fiscal consolidation. Expenditures on a defined set of “poverty-reducing” activities can be tracked, but in practice, these activities are not necessarily prioritized.²⁴

These challenges indirectly affect the quality of the In-Year Reports. Even though the law prescribes external transparency of monthly accounts, mere publication is of little relevance to CSOs or citizens in terms service delivery. The issue is not just about publishing monthly accounts, rather there is the need for a *comprehensive* reporting that will be relevant to all stakeholders. For these monthly accounts to be meaningful to citizens, MOFEP needs to recalibrate them into reports that can easily be understood by CSOs and citizens. GIFMIS, the integrated financial management system mentioned above, is addressing some of these challenges; the new budget software is designed to integrate seamlessly with the GIFMIS Oracle Financials platform. This package was successfully completed and launched for the preparation of the 2015-2017 annual budget estimates of the ministries, departments, and agencies.

Improving the comprehensiveness of the In-Year Reports is crucial to enhancing the information in other budget documents, such as the Mid-Year Review and the Year-End Report. There is a need for effective collaboration between MOFEP, CAGD, and all the ministries, departments, and agencies to address the diverse challenges presented by the In-Year Reports.

Mid-Year Review. The FAA and FAR did not make provision for preparation and publication of a Mid-Year Review. Over the years, the PFM reforms did not target the preparation and publication of Mid-Year Reviews. The preparation of Mid-Year Reviews is driven by the perception that the government will exceed its budget-authorized expenditures. When the government believes that by the end of the year it will have exceeded its authorized spending, supplementary budgets are prepared in the form of Mid-Year Reviews. In Ghana, the Mid-Year Reviews are not fiscal data like the In-Year Reports, but quite comprehensive reviews that strive to offer supplementary estimates of government spending. Mid-Year Reviews are posted on the MOFEP website around the time they are presented to parliament. But in Ghana, no Mid-Year Review is produced unless excess expenditure is anticipated. For example, in 2008 and 2013, the government did not prepare and publish Mid-Year Reviews

²³ Ghana: *Public Expenditure and Financial Accountability (PEFA) Performance Review Final Report*, (Accra: Government of Ghana, 2013).

²⁴ Betley, Bird, and Ghartey, *Evaluation of PFM Reform*.

mainly because the government did not anticipate excess expenditure.²⁵ In years like 2008, when no excess government spending is expected and no supplementary estimates are prepared, spending by the end of the year may nevertheless exceed what was budgeted. In those years, the additional spending does not get approved by parliament.

To improve budget transparency and ensure sound PFM, the government needs to separate the preparation and publication of Mid-Year Reviews from the issuance of supplementary estimates. Mid-Year Reviews should be prepared even if the government does not anticipate excess expenditures. Because Mid-Year Reviews use information from In-Year Reports, the quality of In-Year Reports determines the quality of Mid-Year Reviews. The PFM reforms designed to strengthen In-Year Reports should therefore improve the quality Mid-Year Reviews produced. This is why collaboration between MOFEP and all the MDAs that produce monthly and quarterly In-Year Reports will help improve budget transparency. Staff members at both MOFEP and CAGD highly optimistic that quarterly reporting on the budget will improve in the years ahead.

Year-End Report. The FAA and FAR make provision for the preparation of "annual accounts," but these are not for external publication. They are for internal use and so are too technical for non-professionals and not intended for public consumption. Apart from the annual accounts, there is no law requiring the Ministry of Finance to prepare and publish a Year-End Report.

The Year-End Report prepared and published by MOFEP in 2010 was not comprehensive and, like the In-Year Reports, included mainly annual fiscal data. No Year-End Report was published in 2012, but since 2014, MOFEP has been posting comprehensive Year-End Reports on its website. Two years after MOFEP commenced the publication of a Year-End Report, a new PFM bill was passed that provided a legal basis for preparing and publishing such reports. According to MOFEP, the preparation and adoption of the new PFM strategy influenced the preparation and publication of Year-End Reports in 2014 and 2015, before the law took effect. To improve its Year-End Reports, MOFEP engaged with key staff members in all MDAs to discuss key performance measures and improve the quality of information reported. This addresses one of the key gaps identified by the OBS, as Ghana scored C or D on many questions related to the Year-End Report.

Audit Reports. Section 187 of the Constitution requires the auditor-general to submit an Audit Report to parliament within six months after the end of each fiscal year. The law is not specific about whether these Audit Reports are to be published or not. According to the Ghana Audit Service (GAS), prior to 2008, there was a backlog of Audit Reports that had not been published. With funding from some development partners, by 2009 the backlog was cleared and the Audit Reports had been published. The backlogs and failure to publish Audit Reports, according to GAS staffers, was the result of

²⁵ The researcher used documents for 2013 fiscal year for the 2015 OBS. In the 2014 fiscal year the government did prepare a Mid-Year Review.

inadequate funding. A media commentary also said that the backlog was due to a variety of causes, from inadequate staff to the failure by audited agencies to submit financial statements.²⁶

The GAS website publishes external audit data from the time they are submitted to parliament. The executive branch, however, does make available to the public a report on what steps it has taken to address audit recommendations or findings that indicate a need for remedial action.

VOLATILITY

For many years there was no legal requirement for the preparation and publication of many of the key budget documents. While MOFEP has been proactive in preparing and publishing a budget document like the Executive's Budget Proposal, even without being obligated to do so, MOFEP has not been able to prepare and publish all eight documents consistently. This lack of a legal basis for preparation and publication must bear at least some of the blame for the volatility of publication of budget information. Other causes vary from document to document and range from inadequate capacity and limited preparation time for the Citizens Budget to inadequate data and limited capacity (both personnel and resources) for the In-Year Reports.

A variety of efforts have been undertaken to solve these problems. The introduction of the GIFMIS, for example, addresses some of these problems, but the way forward for MOFEP must be collaboration with the MDAs to ensure the preparation and publication of quality In-Year Reports. The data in these are essential for producing other key documents. Doing away with volatility in the Mid-Year Reviews depends on the government separating them from supplementary estimates. The new PFM bill tackles this challenge. The new PFM strategy also enabled the government to prepare comprehensive Year-End Reports in 2014 and 2015 even before the new PFM law took effect in 2016.

NEW INITIATIVES

Public Financial Management Reform Project (PFMRP). In 2016 the government prepared a comprehensive medium-term (2015-2018) PFM strategy with an accompanying action plan and results framework. The strategy is designed to enhance the efficiency, transparency, and accountability of the PFM system. The objectives are:

²⁶ Ghana News Agency, "Auditor-General's Department Has a Backlog of 27 Reports for Parliament," *Ghana News Agency* (18 September 2009), available at: <http://www.ghananewsagency.org/social/auditor-general-s-department-has-a-backlog-of-27-reports-for-parliament--8371>

- to enhance budget credibility by addressing weaknesses in policy formulation through reliable revenue forecasts and controlled expenditures;
- to improve comprehensiveness and transparency in PFM by systematic inclusion of all public funds in budgeting, accounting, and reporting frameworks;
- to improve departmental budgeting and sectorial management by developing the PBB system and establishing program appropriation and performance management in all public sector organizations as part of efforts to improve service delivery;
- to increase control and predictability and improve accounting and reporting of budget execution by strengthening the GIFMIS and deploying it throughout government;
- to strengthen treasury and cash management by consolidating the development of the Treasury Single Accounts (TSA) and using the GIFMIS cash management functions effectively; and
- to enhance auditing and risk management by strengthening internal and external audit and parliamentary review, establishing risk management review and reporting across government, and establishing risk assessment as part of the annual and medium-term budget processes.

A lot of the issues mentioned above relate to the comprehensiveness of the Executive's Budget Proposals and the In-Year Reports. The new PFM strategy is very comprehensive in scope in that it includes budgeting, cash and debt management, accounting, auditing, financial oversight, procurement, and even payroll management. It also provides a framework for guiding the prioritizing and sequencing the PFM reforms while consolidating the gains made from the implementation of the GIFMIS.

Of all the PFM reforms, this is the one that sought formal approval by the cabinet and hence is a legal document. In addition, the PFMRP is holistic and covers many areas.

New PFM law. In implementing the GIFMIS project, the government identified the need to improve the legislative framework in order to address gaps between budget intentions and performance. There needed to be a stronger way of budget planning, formulation, execution, and monitoring, and this new process needed to be properly codified in an integrated PFM Law. According to the 2016 budget statement, the government was preparing a new PFM bill that would incorporate some best practices in use since the passage of the FAA in 2003 and would adopt some internationally recognized best practices as well. The new bill was designed to achieve:

- fiscal policy formulation that is consultative and transparent;
- tighter control to reduce budget overruns and accumulation of arrears;
- predictable and timely release of funds through improved cash and treasury management;
- more sustainable debt management through tighter borrowing controls and systems; and
- improved service delivery through the effective monitoring of performance of public sector institutions.

Act 921, known as the Public Financial Management Act of 2016, became law in August of 2016. It made provision for MOFEP to prepare and publish Executive's Budget Proposals, as well as prepare and submit to parliament In-Year Reports, Mid-Year Reviews, and Year-End Reports. Going forward, MOFEP is obliged by law to prepare these documents. Some of the relevant sections of the law are presented below.

- Section 21 (subsection 7) talks about external transparency and states that the Minister of Finance is to publish appropriations in the *Gazette* on or before the 31st of December each year.
- Section 27 talks about preparing and submitting to parliament a performance report, essentially a Year-End Report. It requires that departments and agencies submit reports to the Minister of Finance within the first quarter of the year after the annual budget is submitted to parliament. These reports should cover accomplishments during the year; a work plan stating objectives, performance targets, and performance indicators; and information on staffing, auditing, and investments.
- Section 28 requires the minister to prepare and submit to parliament a Mid-Year Review by 31 July each year. This review is to include a brief review of macroeconomic developments and forecasts; an analysis of revenues, expenditures, and financing for the first part of the year; a revised budget outlook for the remainder of the year; and, when necessary, any supplementary budget requests.
- Section 34 specifically mentions "quarterly reports on budget implementation." But details in that very same section refer only to "half-yearly reports on budget implementation." Given this and other inconsistencies with regard to In-Year Reports, it is difficult to predict their future.

Overall, Act 921 represents progress toward transparency and accountability, though it does not require wide dissemination of the Mid-Year Reviews and Year-End Reports, both of which are required by the law. And even though Act 921 does not make provision for Citizens Budgets, MOFEP plans to continue issuing them.

FACTORS AFFECTING BUDGET TRANSPARENCY

Institutional factors. The main institution to be considered in this section is MOFEP and its department, CAGD. MOFEP has made some strides when it comes to budget transparency; it has released some budget documents even when not legally required to do so. Much of the information in this section comes from discussions with key stakeholders as well as a review of secondary sources.

PFM reforms and plans. The PFM reforms that began in the mid-1990s were not focused on external budget transparency. The focus was mainly on the comprehensiveness of budget information that the government produced. PBB and GIFMIS were more recent efforts to improve the comprehensiveness of information. During the implementation PFM action plans, In-Year Reports and Citizens Budgets were published, even though with some volatility. The PFMRP strategy has led to the regular publication of Citizens Budgets and Year-End Reports.

Legal framework. Over the years, the laws made limited provision for external budget transparency; more emphasis was placed on government's internal transparency. More recently, Act 921 makes better provisions for the publication of budget information, though a lot more needs to be done with regard to Pre-Budget Statements.

Political commitment. The stakeholders interviewed were skeptical of the consistency of political support for external budget transparency. However, secondary sources observed that political support for PFM reforms has varied from one period to another. Political commitments to some of the PFM reforms did affect budget transparency through the improvement in budget information. A PFM review noted that in recent years the focus of political support shifted away from the MTEF reforms and toward improving the presentation of fiscal and budget policies and strategies in the Budget Statement (the Executive's Budget Proposal). This shift in emphasis may reflect the perception that the MTEF reforms have not delivered against their original objectives. One review of PFM reforms observed that "the degree of political commitment and leadership" was directly responsible for the success of PFM reforms. The researchers summed up, "Commitment tended to be relatively strong at the beginning of reforms, which enabled legislation to be enacted and reform programs to be initiated, but commitment has tended to wane over time as other political priorities have taken precedence, thus hampering the completion of reforms under way and the implementation of the new legislation."²⁷

CSOs. The stakeholders interviewed for this report believe that CSOs have played only a minimal role in the improvement of budget transparency in Ghana. This is not to say there has not been calling on government to be transparent. Every OBS cycle ends with public engagements with various stakeholders on the OBS findings, which might have influenced the publication of some budget

²⁷ Betley, Bird, and Ghartey, *Evaluation of PFM Reform*, 10-11.

documents. The low involvement of CSOs on budget transparency has been attributed to different reasons. One report noted the problem posed by the lack of comprehensive budget execution data as a major constraint on independent budget analysis by CSOs.²⁸ When MOFEP started to put quarterly reports on budget execution on its website, the data went largely unused, possibly because of a lack of demand for and capacity to use the information. However, the type of data provided (aggregated fiscal data) have no relationship with the issues CSOs are working on. CSOs need information on actual expenditures in trying to hold the government to account for its policy objectives. Respondents at MOFEP did not put much emphasis on CSOs' role in influencing external budget transparency. According to MOFEP, one of the reasons for the volatility in In-Year Reports is the lack of interest CSOs have in the information provided.

International commitments. In 2011 Ghana joined the global Open Data Initiative, which led to the establishment of the National Information and Technology Agency (NITA) and of the Ghana Open Data Initiative (GODI). The purpose of GODI is to develop an “open data community” bringing together government, CSOs, developers, academics, journalists, and the citizenry to develop an open data portal that could help to bring about efficiency and transparency in government. The portal is a one-stop shop for government data and provides datasets that can be downloaded free of charge. As this report was being prepared, NITA was putting in place measures to improve data collection and management in four sectors: health, education, energy, and agriculture.

In 2011 Ghana also joined the Open Government Partnership (OGP), a voluntary multistakeholder international initiative that aims to secure concrete commitments from governments to promote accountability, transparency, citizens' participation, and the use of innovative technology in service delivery. The two main PFM areas the OGP commitments touched on were fiscal transparency and fiscal responsibility. The commitment on fiscal transparency seeks to ensure that budget figures are rendered more user friendly and that simplified versions of the budget are produced for wider dissemination. It also seeks to have governments collaborate with CSOs to encourage the production and dissemination of a Citizens Budget. On fiscal responsibility, the government intends to strengthen the mechanisms for fiscal discipline and to provide citizens with clear indicators to determine when the government is straying from approved expenditures in a way that threatens fiscal stability.

Development partners (i.e., donors). Many of the PFM reforms were funded by Ghana's development partners. Some of the reforms improved the PFM system while others had little impact. A PFM review noted that development partners did not appear to be key factors in achieving PFM reform. While the total resources seemed sufficient and disbursement delays were not a critical hindrance to reform, the effectiveness of development partners was undermined by specific policy constraints. In particular, there has been a tendency to focus on technological solutions rather than on

²⁸ Ibid., 36.

changes to underlying processes, and there has been little effort taken to adapt reform designs in response to implementation results. External support has thus had greater traction at the early stages of reforms, in facilitating design and the initial implementation, rather than in sustaining or deepening reform initiatives. Exceptions to this trend have occurred where there have been sustained contributions from development partners over a longer period of time.²⁹

Perceptions of respondents. Respondents to the field survey were asked for their views on the importance of five of the above-mentioned factors in achieving budget transparency. On a scale of 1 (least important) to 5 (very important), respondents gave their perception of the importance of each factor in influencing budget transparency. The results are presented in Table 4.

TABLE 4. PERCEPTION OF RESPONDENTS ON FACTORS INFLUENCING BUDGET TRANSPARENCY

Factors	Level of Importance (% of Respondents)					Total
	1 <i>(not Important)</i>	2	3	4	5 <i>(very Important)</i>	
Legal framework				62.5	37.5	100
MOFEP – Institutional factors				37.5	62.5	100
Development partners/donors		37.5	37.5	25		100
Non-state actors (CSOs, political parties, etc.)	12.5	62.5		25		100
International commitments		75	12.5		12.5	100

Source: Author’s field survey

All the respondents agreed that MOFEP and the legal framework would be important to the future of budget transparency in Ghana. For the legal framework, 37.5 percent saw its influence as very important, while the remainder saw the role of laws as important. Meanwhile, 62.5 percent of respondents saw MOFEP’s influence as very important, with the remainder seeing the institution’s role as important. The other three factors were seen as much less critical to transparency. These responses suggest that the main target for budget transparency in Ghana should be institutional buy-in by MOFEP and laws necessary to support the proposed reforms.

CONCLUSION AND RECOMMENDATIONS

The effects of various PFM reforms in Ghana are not directly related to external budget transparency. The earlier legal framework on the budget had minimal provisions for external budget transparency. Indeed, one of the underlying causes of the volatility in the publication of some of the key budget documents has been the inadequate legal framework for external budget transparency. Non-state actors, too, have been less active in pushing for external budget transparency. Thus, external budget transparency rests primarily on measures taken proactively by MOFEP and on the prevailing political

²⁹ Ibid., 11.

leadership. In such an environment, some volatility is to be expected. Other causes of the volatility are specific to the budget documents concerned, but key among them are inadequate human capacity, inadequate funding for external transparency, delays in the release of the relevant data, and inadequate collaboration and feedback on budget implementation between MOFEP and various ministries, departments, and agencies.

While some of these challenges have been addressed and the volatility regarding some of the budget documents has been reduced, more remains to be done in the years ahead. PFMRP and Act 921 are new initiatives that could improve external transparency, but these are in their early stages of implementation, and their full impact will be observed in the future.

The budget document still untouched by the legal reforms and the various PFM reforms is the Pre-Budget Statement. Based on the discussions with some of the stakeholders working on PFM issues, there is no indication that a Pre-Budget Statement will be prepared in the near future unless the new PFM law is amended to make it mandatory. However, Ghana cannot make effective progress in promoting budget transparency without publishing a Pre-Budget Statement. The government should also consider establishing an independent fiscal institution and a parliamentary budget office. The way forward for Ghana is clear enough, but the path to achieving sufficient budget transparency will still require substantial and sustained effort.

RECOMMENDATIONS

- The new PFM law should be revised to include the preparation and publication of a Pre-Budget Statement.
- The government should improve information on the Executive's Budget Proposal and In-Year Reports, especially in those areas where Ghana has not performed well on the Open Budget Survey.
- The budget division at MOFEP should work with GIFMIS to ensure full budget reporting on a timely basis.
- MOFEP could carry out monitoring and evaluation to allow for proper feedback and corrective measures.
- The government should establish an independent fiscal institution (often referred to as a "Fiscal Council") and a parliamentary budget office.

- The government should find a way to harmonize reporting on all statutory funds.
- The framework for budget reporting should ensure adequate information on primary service delivery units.