



# An overview of PFM reforms in Ghana

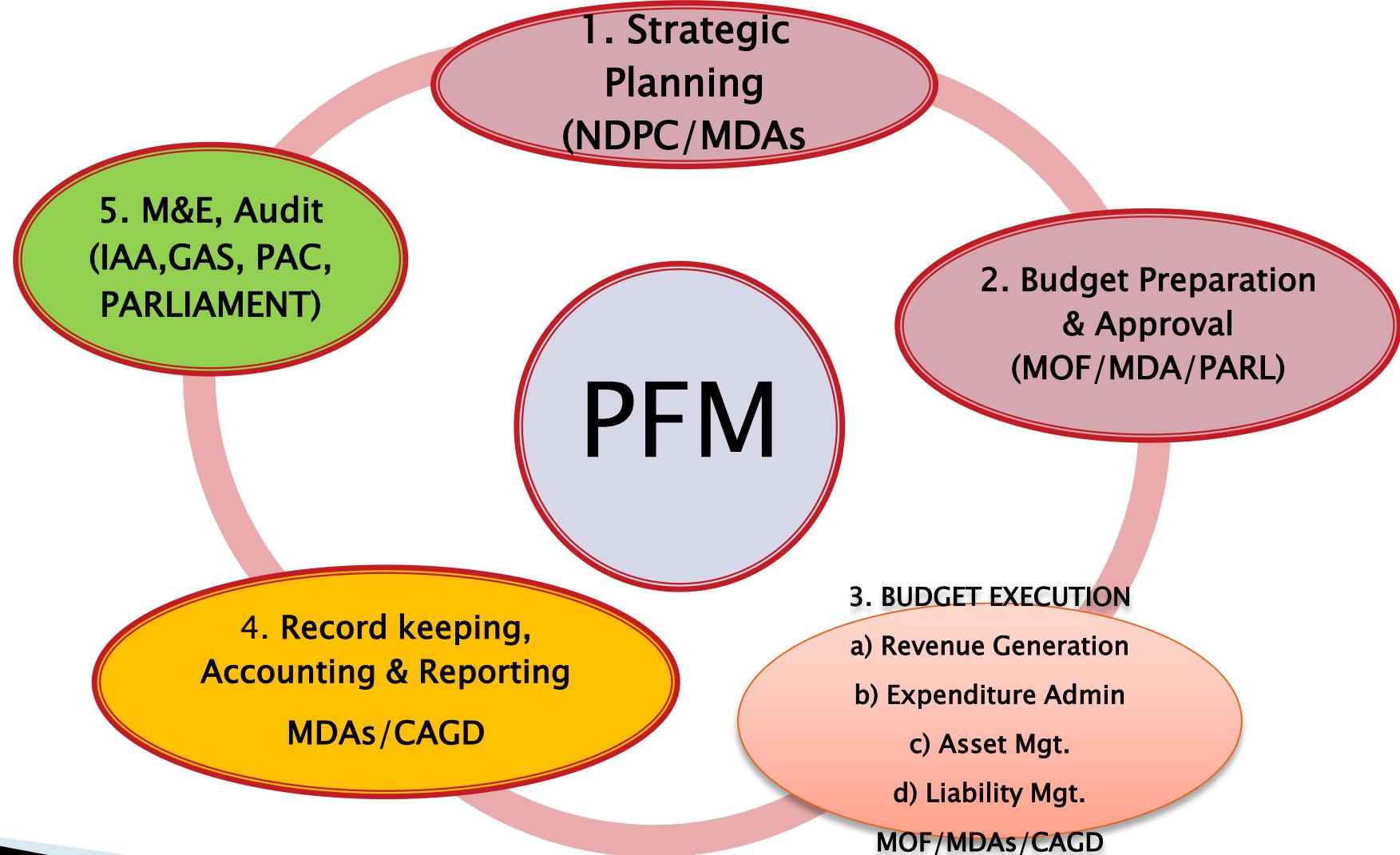
**Presented by: Grace Adzroe  
Controller and Accountant-General**

**At the Labadi Beach Hotel during the IFAC round table discussion on IPSAS  
from 21st-22<sup>nd</sup> May 2015**

# Outline

1. Introduction
2. PFM Cycle in Ghana
3. Overview of PFM Reforms in Ghana
4. PFM performance reviews
5. Overview of the adoption & implementation of IPSAS
6. Progress made in PFM reforms including implementation of IPSAS
7. Challenges
8. Current developments

# The PFM Cycle in Ghana



# Public Financial Management in Ghana

## Introduction

- ❑ The goal of PFM Reform is to improve fiscal discipline and macro-economic stability.
- ❑ Various PFM reform initiatives have been implemented over the years and some are still on-going to improve PFM in Ghana
- ❑ This presentation provides overview of the PFM reforms in Ghana and highlights of key related issues

# PFM Reforms in Ghana – Historical Perspective

- A review conducted in the 1990s on PFM systems in Ghana revealed a number of weaknesses including:
  - Weak budget formulation, preparation and lack of ownership by MDAs & MMDAs
  - Weak expenditure monitoring and control
  - Lack of robust accounting and monitoring system
  - Inadequate flow of information between key players (BoG, MoF and CAGD)
  - Lack of quality and timely data on Government resources
  - Outmoded regulatory framework.

# PFM Reforms in Ghana – Historical Perspective -cont'd

- ❑ This led to the launching of Public Financial Management Reform Programme (PUFMARP) which aimed at improving these weaknesses. PUFMARP consisted of a number of components including:
  - ❑ Budget reforms, such as the MTEF
  - ❑ Accounting and Financial Reforms such as BPEMS, now GIFTMIS
  - ❑ Payroll Reforms (IPPD)
  - ❑ Fiscal Decentralisation
  - ❑ Review of Financial laws (FAA, FAR, PPA, IAA, etc.)

# PFM performance review

- One of the key tools used to assess performance of PFM in Ghana is the Public Expenditure and Financial Accountability (PEFA).
- PEFA is an independent review assessment which has been set up with support from Development Partners (DPs).
- The objective of the PEFA assessments is to determine the status and track progress in PFM reform. It measures accomplishment in six core dimensions of PFM namely;
  - i) Credibility of the budget
  - ii) Comprehensiveness and transparency
  - iii) Policy-based budgeting
  - iv) Predictability and control in budget execution
  - v) Accounting, recording and reporting and
  - vi) External scrutiny and audit

# PFM performance review – cont'd

- It assesses the extent to which this performance may impact upon the achievement of the three main objectives/outputs of a sound PFM namely aggregate fiscal discipline, strategic allocation of resources and efficient service delivery.
- The latest PEFA assessment was in 2012 which concluded that
  - – fiscal discipline is weak and remains a concern
  - – the allocation of resources to strategic priorities is undermined by the fragmented nature of the budget and lack of an effective M&E mechanism
  - – efficiency in service delivery has been adversely affected by these issues

# Key PFM Achievements (cont.)

- ▶ Aid & debt strategy has been developed
- ▶ MOU signed with ICA to collaborate in building capacity for Public Sector Accounting

# Overview of adoption & progress on implementation of IPSAS

- ▶ **Background**
- ▶ Historically, most Public Sector Organizations in Ghana have maintained their accounting records on cash basis
- ▶ The public accounts prepared by the CAGD has progressed from the use of the cash basis to the use of modified accrual basis of accounting.
- ▶ The adoption of IPSAS by ICA provided a good basis for adoption of the standards as the framework for preparation of government accounts in Ghana
  
- ▶ The Minister of Finance announced the adoption of IPSAS and this was reinforced in the 2015 budget statement presented to Parliament in November 2014
- ▶ The CAG as the Chief Accounting Officer is responsible for compilation of financial statement on the Public Accounts (Consolidated Fund) of Ghana and setting of accounting policies

# Overview of adoption & progress on implementation of IPSAS- cont'd

- ▶ The adoption of IPSAS is a way to maintain and enhance the credibility, transparency and accountability of the use of financial resources in the Public Sector of Ghana.
- ▶ The (GIFMIS) has brought in its wake significant improvements in the quality and timeliness of financial reporting as required by the Financial Administration Act 2003, Act 654 (FAA),the Financial Administration Regulations 2004 ( LI 1802)
- ▶ Conditions present in GIFMIS will facilitate IPSAS accrual accounting

# Progress made so far

- ▶ In 2012 the Ministry of Finance adopted the IMF Government Finance Statistics (GFS) and this formed the basis of the harmonised chart of accounts of government
- ▶ The GFS is an economic and accounting policy of the IMF
- ▶ The GFS manual represents an introduction to accrual accounting and a complete coverage of government economic and financial activities.

# Progress made so far

- ▶ We have subjected our Public Financial statements for the year 2011 to a comparative analysis against the International Consortium on Governmental Financial Management (ICGFM) Compilation Guide .
- ▶ The International Consortium on Governmental Financial Management is dedicated to improving financial management, so governments may better serve their citizens
- ▶ The ICGFM Compilation Guide provides a practical, step by step guide towards adoption of the IPSAS and other international good practice
- ▶ The results of the ICGFM assessment against the first four stages of the ICGFM Compilation Guide were as follows:

# Scores of ICGFM assessment

ICGFM Requirements	General Considerations	Stage One	Stage Two	Stage Three
Green (met)	11	2	9	6
Yellow (partially met)	5	0	3	4
Red (not met)	0	0	9	5
	Largely achieved	Fully achieved	Partially achieved	Partially achieved

# Key PFM Achievements

Ghana has made some progress with PFM Reforms in the last decades.

**Key achievements include the following:**

1. Legislative reviews in early 2000 to support the various reform components ;
  - Financial and Accounting Reforms (Financial Administration Act 2003- Act 654 and Financial Administration Regulation 2004- LI 1802 )
  - Revenue Management (Ghana Revenue Authority Act 2009)
  - Audit Reform (Ghana Audit Service Act -2000 and the Internal Audit Agency Act 2003)
  - Procurement Reform (Public Procurement Act 2003, ACT 663)

# Key PFM Achievements (cont.)

2. The introduction of the Medium Term Expenditure Framework (MTEF)
3. The integration of the erstwhile revenue agencies into the Ghana Revenue Authority (GRA) and its modernization
4. Fiscal Decentralization (MMDAs empowerment)
5. Payroll reform initiatives
6. Budget and Public Expenditure Management System (BPEMS) from 2003 – 2007 which was re-launched into the GIFMIS
7. Implementation of (GIFMIS) project from 2009 – to date

# Key PFM Achievements (cont.)

8. Adoption of the IMF Government Finance Statistics (GFS-2001).
9. Production of a harmonized Chart of Accounts for MDAs and MMDAs
10. Improved systems for HR and Payroll Management
11. The migration from Activity Based Budgeting to Programme Based Budgeting for MDAs
12. Aid and Debt Management strategy developed

# Some Challenges

**Challenges faced in implementing PFM reforms include;**

- Absence of an overarching and coordinated PFM strategy
- Legislative limitations– Changing business processes occasioned by the PFM reforms require revision of laws to support the processes.
- Capacity and skill gaps in Human Resources especially in the area of ICT and analytical skills
- Inadequate ICT infrastructure in the public sector to support rollout of computerized platforms for effective PFM

# CURRENT DEVELOPMENTS IN PFM REFORM

- Implementation of PFM strategy
- Implementation of next phase of GIFMIS to cover other funds and MMDAs
- Implementation of Programme based budgeting
- Implementation of Human resource management and Payroll reforms
- Adoption and implementation of IPSAS
- Aid and debt management strategy being implemented
- Legislative review of all the PFM laws is currently in progress

# SUPPORT FOR IPSAS IMPLEMENTATION

- ▶ A mapping exercise is an essential starting point for IPSAS implementation
- ▶ A gap analysis will be conducted
- ▶ A vigorous implementation of the GIFMIS programme will continue
- ▶ The Local Government Accounting function will continue to be strengthened to offer an improved financial management within the District Assemblies through GIFMIS
- ▶ There will be a commitment to an improvement in staff service delivery skills and knowledge through capacity building. (Re MOU with ICA)

# SUPPORT FOR IPSAS IMPLEMENTATION- cont'd

- ▶ The CAGD will be empowered by law to have oversight responsibility on all Public Funds and prepare a comprehensive Public Accounts.
- ▶ There will be a rationalisation of submission date of Public Accounts by CAGD and MDAs/MMDAs

# CONCLUSION

- ▶ The increasing demand for accountability by the people of Ghana shall no doubt be served with a system that increases transparency and accountability and this aspiration of the people will be better served by the full implementation of IPSAS.

► THANK YOU FOR YOUR ATTENTION