

# Public Financial Management in Ghana: A Move beyond Reforms to Consolidation and Sustainability

Mohammed Sani Abdulai

**Abstract**—Ghana’s Public Financial Management reforms have been going on for some two decades now (1997/98 to 2017/18). Given this long period of reforms, Ghana in 2019 is putting together both a Public Financial Management (PFM) strategy and a Ghana Integrated Financial Management Information System (GIFMIS) strategy for the next 5-years (2020-2024). The primary aim of these dual strategies is assisting the country in moving beyond reforms to consolidation and sustainability. In this paper we, first, examined the evolution of Ghana’s PFM reforms. We, secondly, reviewed the legal and institutional reforms undertaken to strengthen the country’s key PFM institutions. Thirdly, we summarized the strengths and weaknesses identified by the 2018 Public Expenditure and Financial Accountability (PEFA) assessment of Ghana’s PFM system relating to its macro-fiscal framework, budget preparation and approval, budget execution, accounting and fiscal reporting as well as external scrutiny and audit. We, finally, considered what the country should be doing to achieve its intended goal of PFM consolidation and sustainability. Using a qualitative method of review and analysis of existing documents, we, through this paper, brought to the fore the lessons that could be learnt by other developing countries from Ghana’s PFM reforms experiences. These lessons included the need to: (a) undergird any PFM reform with a comprehensive PFM reform strategy; (b) undertake a legal and institutional reforms of the key PFM institutions; (c) assess the strengths and weaknesses of those reforms using PFM performance evaluation tools such as PEFA framework; and (d) move beyond reforms to consolidation and sustainability.

**Keywords**—Public financial management, public expenditure and financial accountability (PEFA), reforms, consolidation, sustainability.

## I. INTRODUCTION

**P**UBLIC Financial Management (PFM), as a discipline, draws from several fields of academia. According to Lagarde, PFM is ‘the fine art of budgeting, spending, and managing public monies’ and this fine art, she further asserted, is rooted in an ‘interdisciplinary combination of economics, political science, public administration, and accounting’ [1]. PFM, as an amalgam of these disciplines, is primarily concerned with providing the tools or instruments for implementing fiscal policy and not the tools for making those policies. In this regard, PFM as a discipline deals with ‘how’ a government’s fiscal policies should be implemented and not with ‘what’ fiscal policies a government should pursue. In the generation of tax revenues, for example, the role of PFM is to provide the tools relating to ‘how’ those taxes are to be

collected and not ‘what’ tax policies a government ought to be pursuing [2].

PFM being a discipline that is concerned with ‘how’ governments are to implement their policy objectives means that as to ‘how’ the Government of Ghana raises and spends its public funds will differ from the government of another country. For this reason, PFM is not a discipline that aims for ‘best practice’ because there is no such thing as a one-size-fit-all PFM system. PFM is, instead, a subject that seeks for ‘good practice’ with which comes the possibility and opportunity for peer-to-peer learning, continues reforms and improvements. To this end, the PEFA Framework<sup>1</sup> uses a methodology that ‘draws on international standards and good practices’ but not ‘best practices’ [3]. An open and orderly PFM system provides the tools for achieving the three desirable fiscal and budgetary outcomes of (a) aggregate fiscal discipline – that is, effective control of the total budget and management of fiscal risks; (b) strategic resource allocation – that is, planning and executing the budget in line with government priorities; (c) and efficient service delivery – that is, using budgeted revenues to achieve the best levels of public services within available resources [3].

## II. THE EVOLUTION OF GHANA’S PFM REFORMS JOURNEY

In seeking to enhance the achievement of aggregate fiscal discipline, strategic resource allocation and efficient service delivery, Ghana embarked on a PFM reforms journey some two decades ago. To this end, the current wave of Ghana’s PFM reforms began in 1997-98 with the launching of the Public Financial Management Reform Programme (PUFMARP). The Programme, which was Ghana’s first significant attempt at a more comprehensive approach to PFM reforms, was aimed at the development of integrated Budget and Public Expenditure Management System (BPEMS). The BPEMS was meant to integrate for the first time Ghana’s budget preparation and implementation with its financial accounting and reporting as well as cash management. In addition to BPEMS, the PUFMARP was also aimed at reforming such, other PFM activities, as revenue management, aid and debt management, auditing, procurement, fiscal decentralization, legal and regulatory framework, as well as the development of integrated personnel and payroll database. The PUFMARP, which ended in 2002-3, was noted to have been a failure because it ‘suffered from major delays and setbacks that resulted from the lack of a coherent strategy and

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<sup>1</sup>PEFA, which stands for the Public Expenditure and Financial Accountability, is used in assessing the performance of a country’s PFM system.

ownership among the key stakeholders' [4].

The need for a coherent strategy in the implementation of its PFM reforms led Ghana into developing its 'short and medium-term PFM Action Plan (ST/MTAP)' following the 2006 PEFA assessment of the country's PFM system [5]. The short-term aspect of the action plan focused on correcting the wrongs of BPEMPS' implementation while the medium-term aspects concentrated on aligning the focal areas and key objectives of ST/MTAP with the indicators or key results of the 2006 PEFA assessment. This alignment resulted in the reformulation of the eGhana Project<sup>2</sup> to include an additional component called the GIFMIS. This GIFMIS component, which was a project in its own right, was implemented from July 1, 2010, to December 31, 2014 [6].

The GIFMIS Project which was aimed at undertaking PFM activities deemed necessary at 'improving the efficiency and transparency of government financial management functions using ICT based tools' [6]. An independent post-completion performance assessment of the eGhana Project revealed that the GIFMIS component was successful in operationalizing Integrated Financial Management Information System of Ghana in all the 33 Ministries, Departments and Agencies (MDAs) located in Accra, the capital city, and 250 Spending Units (SUs) located across the country, including 10 Regional Treasuries [6]. These MDAs and SUs are now able to process their Consolidated Fund transactions, which at the time represented almost 66% of total public expenditure, through this IT-based system [6]. The GIFMIS component had also achieved a seamless linkage of Ghana's budget preparation, accounting and reporting modules. These successes were triangulated using the 2009 and 2012 PEFA assessments results. In spite of these achievements, the implementation of the GIFMIS component could not cover other public funds such as 'the Internally Generated Funds (IGFs), Statutory Funds, Extra-Budgetary Funds and the Donor Funds' [6]. Besides, the implementation of GIFMIS was not underpinned by 'a comprehensive PFM Reforms Strategy' [4]. This lack of a comprehensive PFM Strategy and the inability of the GIFMIS to cover all the public funds as well as the transactions of sub-national government institutions led to rollover of GIFMIS activities into a new, but a separate, project called the Public Financial Management Reforms Project (PFMRP). The new project, which began in May 2015, was preceded by the development and launching of Ghana's PFM Reforms Strategy in April 2015. The PFM Strategy, which set forth Ghana's PFM Reforms agenda for the next 4-years to December 2018, had six thematic areas. The first of this has to do with achieving budget credibility. The second is that of enhancing comprehensiveness and transparency in PFM. The third is that of improving MDA and sectorial management by developing a PBB system. The fourth is about improving control, predictability, accounting and reporting of budget execution. The fifth bordered on strengthening Treasury/Cash Management by consolidating the development

of the TSA. The sixth and final thematic area dealt with enhancing auditing and risk management by strengthening internal and external audit and parliamentary scrutiny.

The PFMRP had a Project Development Objective (PDO) of 'improving the budget management, financial control and reporting of the Government of Ghana' and it seeks to do so by 'building on [the] PFM systems and tools accomplished in the GIFMIS project' [7]. The Project is aimed at contributing to Ghana's effort in 'enhancing fiscal discipline, strategic allocation of resources and service delivery efficiency' [4]. The Project is being implemented along the four main components of enhancing budget credibility, PFM systems and control, reinforcing financial oversight and accountability, and PFM reform coordination and change management. Ghana's PFM reform journey could be said to have been going on for some two decades or so now as depicted in Fig. 1.

### III. DATA COLLECTION METHODOLOGY AND THE THEORETICAL LENS/Framework

In putting this paper together, the author reviewed available and accessible documents on Ghana's PFM. The document review was guided by the budget cycle as the theoretical lens or the framework within which the data collection and analysis were undertaken. In conducting a professional related research work such as this one, Bowen argued that 'organizational and institutional documents have been a staple in qualitative research for many years' [8]. Document review, as a research method, is particularly advantageous with regards to (a) efficiency – in terms of being less time consuming; (b) availability – in terms of document being publicly available; and (c) cost-effectiveness – in the sense that 'the data (contained in documents) have already been gathered' [8]. Using document review as the research methodology of this paper, the author was of the view that these advantages outweigh the limitations that are inherent with the use of only documents as a source of data collection and analysis. These limitations include, but not limited to, (a) insufficient details as a result of the data contained in documents having been collected for other purposes; (b) irretrievability as result of the documents, not being made publically available; and (c) biased selectivity as a result of the documents being 'likely aligned with corporate policies and procedures' [8].

On the use of budget cycle as the theoretical framework within which the documents were reviewed, it is the author's belief that the circle around which the PFM systems of any country revolves is the budget cycle. The budget cycle encapsulates every aspect of the budget processes and procedures pertaining to the revenues that a government is expected to generate and the expenditures the government intends to spend those revenues on. To enhance this framework, the author further edged onto the five constituent parts of the budget cycle the scores of the respective performance indicators (PIs) from Ghana's PEFA Assessments in 2006, 2009, 2012 and 2018.

<sup>2</sup> The main eGhana Project began in November 2006 and was executed by the Ministry of Communication (MoC) whilst the GIFMIS component of the Project was implemented by the Ministry of Finance (MoF).

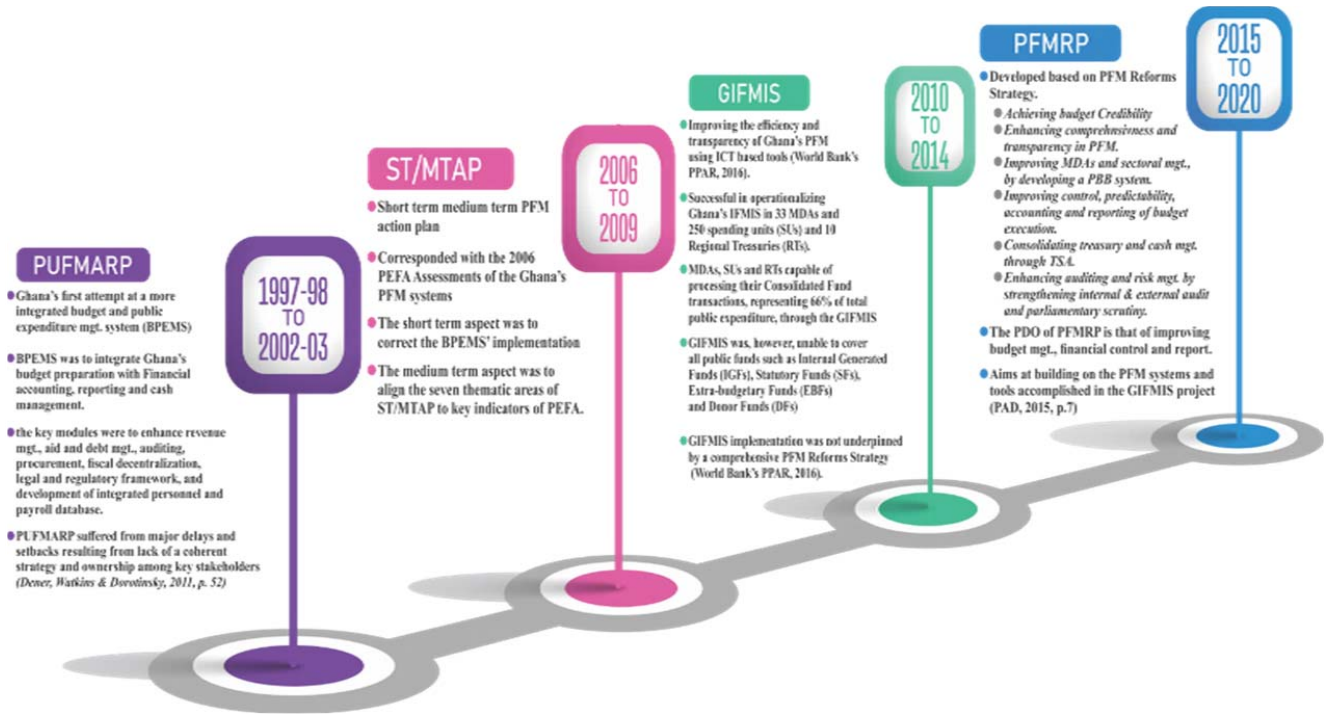


Fig. 1 Ghana's PFM reform journey: A diagrammatic representation<sup>3</sup>

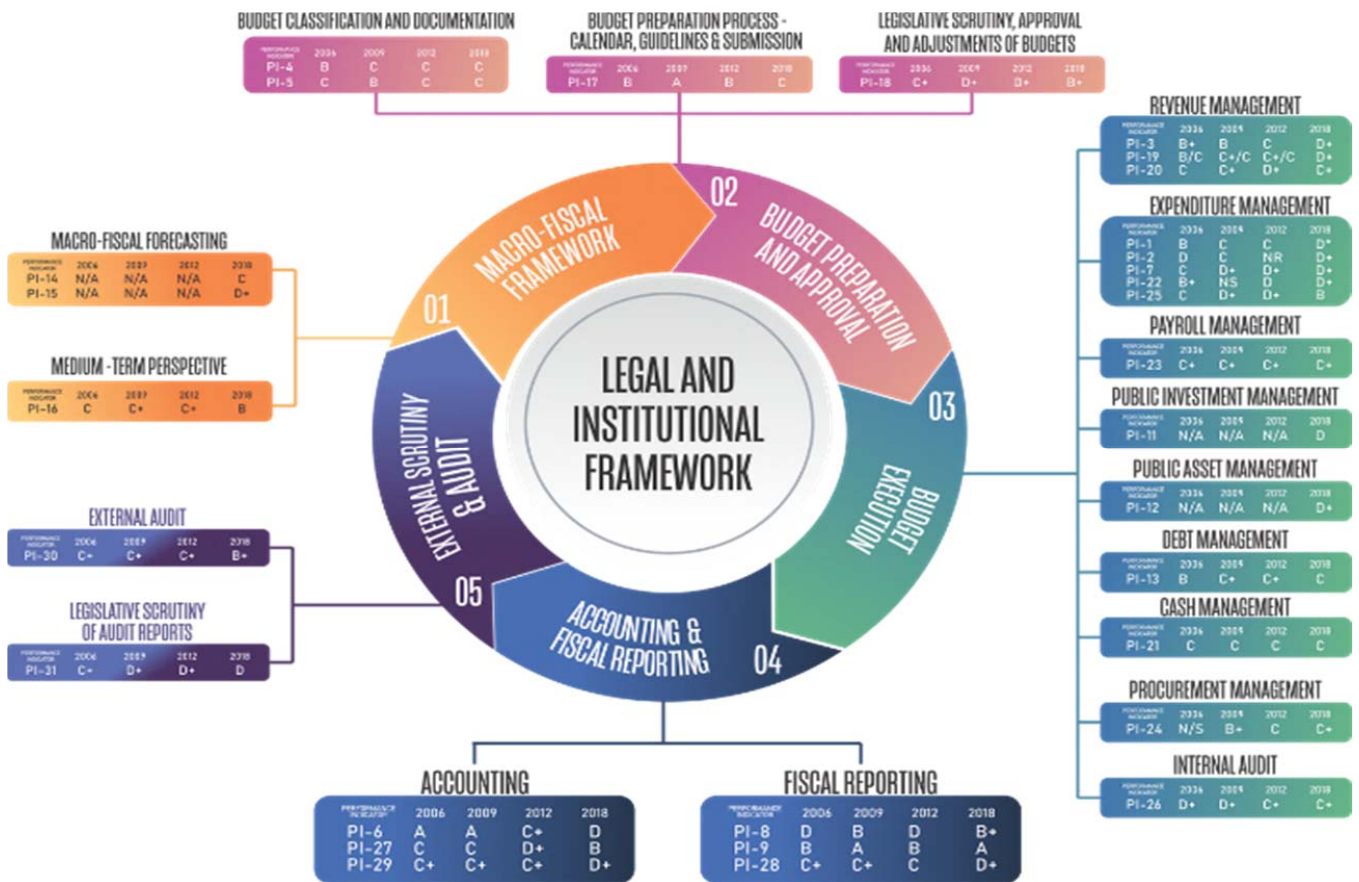


Fig. 2 The budget cycle and Ghana's PEFA assessments<sup>3</sup>

<sup>3</sup> The author first developed this diagram for a presentation he made at a PEFA Conference in Senegal in January 2019.

#### IV. LEGAL AND INSTITUTIONAL-RELATED REFORMS OF GHANA'S PFM SYSTEMS

A country's PFM system is about 'the laws, organizations, systems and procedures available to governments wanting to secure and use resources effectively, efficiently and transparently' [2]. To, therefore, strengthen a country's PFM institutions will require that such a strengthening begins with the reform of the respective laws that govern the day-to-day operations of those institutions.

In spite of its noted setbacks, one of the successes Ghana managed to achieve under its first wave of PFM reforms (i.e., PUFMARP, 1997/98-2003) was the promulgation of a plethora of primary and secondary PFM-related legislation whose aim were to strengthen the PFM provisions within the country's 1992 Constitution. The PFM related laws passed during this period were the Audit Service Act, 2000 (Act 584); the Bank of Ghana Act, 2002 (Act 612), the Financial Administration Act, 2003 (Act 654), the Internal Audit Agency Act, 2003 (Act 658), the Public Procurement Act, 2003 (Act 663) and the Financial Administration Regulation, 2004 (L.I. 1802).

Following the development of Ghana's PFM Reform Strategy in 2015, it was realized that the legal landscape of the country's PFM system consisted of 'a plethora of legal instruments, which together, do not establish an integrated legal framework' [9]. Ghana's PFM laws were, therefore, out of sync with the more modern PFM laws of its contemporaries in Africa such as 'the Kenya's 2012 Public Finance Management Act, Liberia's 2009 Public Finance Management Act, Rwanda's 2006 Organic Budget Law, South Africa's 1999 Public Finance Management Act as amended, and more recently, Uganda's 2015 Public Finance Management Act' [9]. To, therefore, modernize the Ghanaian PFM legislation, the Parliament under the sponsorship of the Ministry of Finance, passed into law the PFM Act, 2016 (Act 921) and its related regulation the PFM Regulations, 2019 (L.I. 2378). The Act, which was signed into law on August 25, 2016, repealed and replaced the Financial Administration Act, 2003 (Act 645) and its Amendment (Act 760) as well as the Loans Act of 1970.

The role of the budget execution units – that is MDAs/MMDAs – in the overall budget process cannot be overemphasized. To this end, Ghana has since 2014 enhanced the capacity of its line ministries in their budget execution processes by providing them with the four Integrated Financial Management Information Systems called GIFMIS (i.e., Ghana's IFMIS). These four systems comprise the budget preparation module (i.e., GIFMIS Hyperion), the budget execution, accounting and reporting module (i.e., GIFMIS Financials), the human resource management information system (i.e., GIFMIS HRMIS), and the payroll processing system (i.e., GIFMIS Payroll).

The MDAs/MMDAs use the GIFMIS Hyperion in preparation of their line ministries' budgets. As a result of this ICT-based system alongside the respective budget documentation such as the budget chatter, fiscal strategy document (FSD), program-based budget (PBB) manuals and

the like, the quality and timeliness of budget preparation process of these line ministries has tremendously improved over the years.

Following the usage of the GIFMIS Hyperion in the formulation of their budgets, the line ministries go into the budget execution mode using the GIFMIS Financials. Having had Parliamentary approvals of their respective allocations and the issuance of their warrants on the GIFMIS Financials, the MDAs/MMDAs are able to process their expenditure on the system. The expenditure processes include, but not limited to: (a) the purchase requisition for expenditure initiation; (b) the preparation of purchase orders when a supplier is selected; (c) the issuance of stores receive advice when goods/services are supplied; (d) the preparation of payment vouchers to aid in the payment of the supplier invoice; (e) the running of cash requirements report to establish total bills due for payment; (f) the running of the cash pooling report to establish total cash available on the bank accounts; (g) effecting payments on the system through Electronic Funds Transfer (EFT) for 3rd parties transactions and the use of system cheques for moneys required for internal payments.

In addition to the GIFMIS Hyperion and the GIFMIS Financials, MDAs/MMDAs are also able to use the GIFMIS HRMIS (i.e., Human Resource Management Information System) in the management of their human resources. The rollout of the GIFMIS HRMIS has cut down the HR business processes and enabled new employees in the MDAs/MMDAs to be paid within one month after recruitment, a payment which would otherwise have been received after 3-5 months following recruitment. The operationalization of the system in the MDAs/MMDAs has also reduced the backlog of inputs of personnel data. Following the capture of their human resources data into the GIFMIS HRMIS, the MDAs/MMDAs can run their payrolls through the GIFMIS Payroll system.

#### V. THE MACRO-FISCAL FRAMEWORK-RELATED REFORMS OF GHANA'S PFM SYSTEMS

Revenue generation and absorptions should reflect the fiscal policy objectives of the government. To this end, the budget process, and for that matter, PFM is informed first by the macro-fiscal policy framework of government. The macro-fiscal framework phase of the budget cycle sets out the medium-term fiscal plans of a country. The planning process begins with the Medium-Term Fiscal Framework (MTFF) followed by the Medium-Term Budget Framework (MTBF) and the Medium-Term Expenditure Framework (MTEF). MTFF is 'the basis for cabinet decisions on fiscal aggregates and a formal agreement on major policy initiatives' [10]. MTBF allocates expenditure across different sectors and 'reflects cabinet decision-making on aggregate and line ministry spending ceilings over the medium term' [10]. MTEF details out the ceilings in MBTF into the expenditure items in the annual budget. Following the two decades of Ghana's PFM reforms in this area, the 2018 PEFA assessment of the country's macro-fiscal framework revealed the following strengths and weaknesses as depicted in Fig. 3.



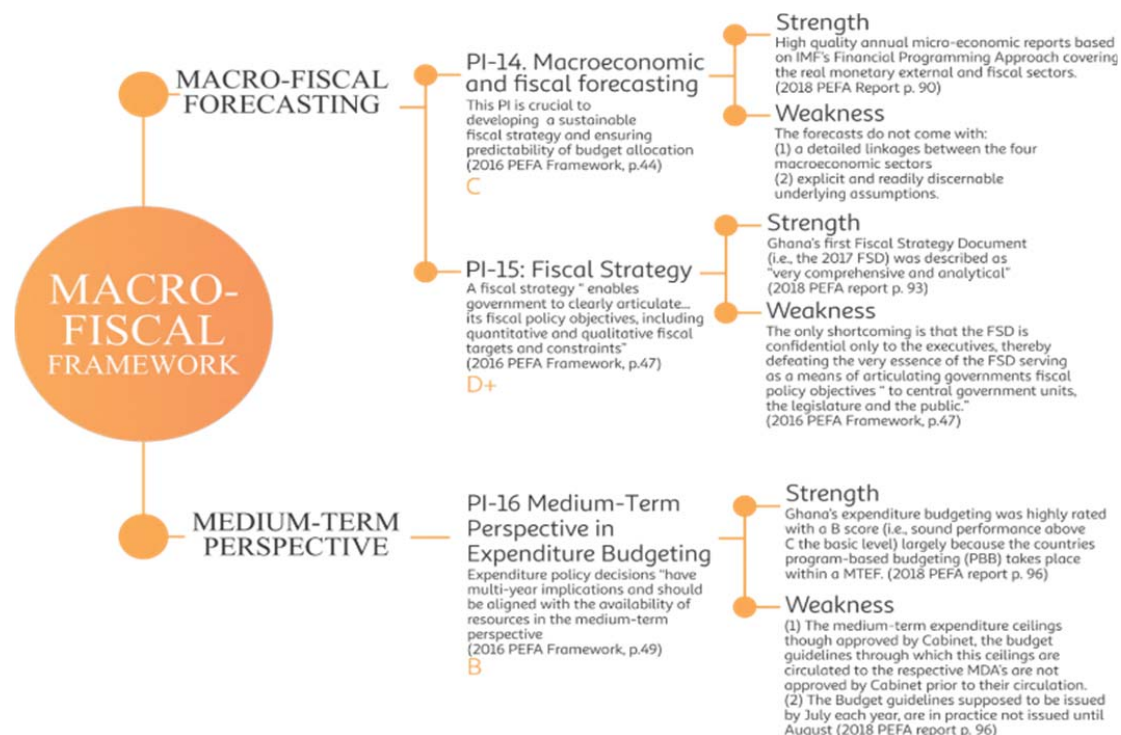


Fig. 3 Strengths and weaknesses of Ghana's macro-fiscal framework<sup>4</sup>

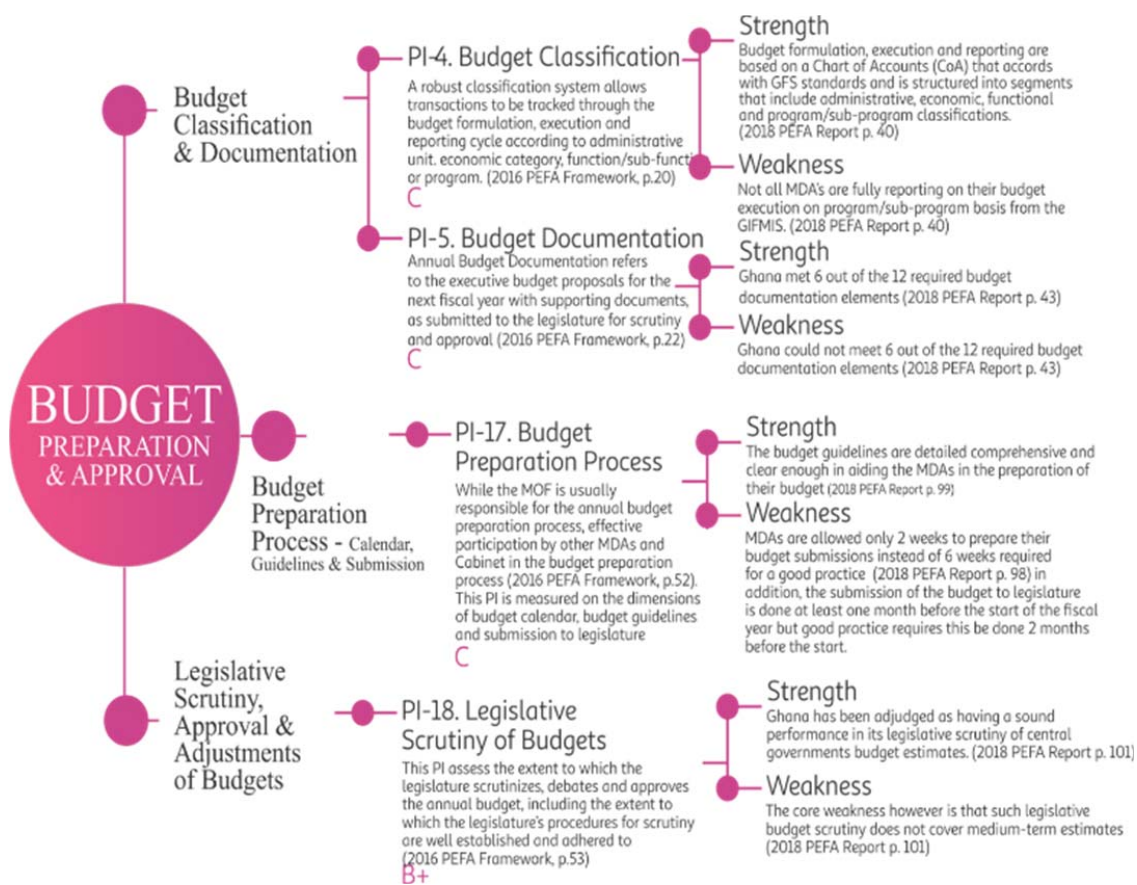


Fig. 4 Strengths and weaknesses of Ghana's budget preparation and approval processes<sup>4</sup>

<sup>4</sup> Author's diagrammatic representation of Ghana's 2018 PEFA Assessment Findings

Ghana has been successful in producing macro-fiscal forecasts, the preparation of which had been described as being of 'high quality annual macro-economic reports' [11]. The forecasts are based on the IMF's financial programming approach covering the real, monetary, external and fiscal sectors. The preparation of these forecasts is, however, weakened by the fact that they do not come with 'a consolidated macroeconomic framework for the next few years' hence they are not very detailed in showing the linkages between the four macroeconomic sectors' [11]. Another observed weakness was the lack of explicit and easily discernable assumptions that underlie the country's macroeconomic and fiscal forecast.

Fiscal strategy 'enables the government to articulate ... its fiscal policy objectives, including specific quantitative and qualitative fiscal targets and constraints' [11]. Following the passage of Ghana's PFM Act 2016, the Government of Ghana began the implementation of s.15 of that Act by the production of its first FSD in 2017, this strategy which was prepared by the Ministry of Finance was assessed, in the 2018 PEFA assessment of the country's PFM systems, to be 'very comprehensive and analytical' [11]. The only weakness identified was that the FSD tended to be a confidential document accessible to only members of the executive thereby defeating the very essence of it being a means by which the government's fiscal policy objectives are made known 'to central government units, the legislature, and the public' [11].

The expenditure budgeting of the country was highly rated as being of 'a sound performance above the basic' (i.e., a 'B' score) because the countries 'PBB, introduced in 2014, takes place within MTEF' [11]. The key weakness, however, is that the budget guidelines through which the government's approved medium-term expenditure ceilings are circulated to MDAs, are in practice not issued until August when they are supposed to be issued by July each year [11].

#### VI. BUDGET PREPARATION AND APPROVAL PROCESSES-RELATED REFORMS OF GHANA'S PFM SYSTEMS

Having had the macroeconomic and fiscal framework completed, the budget preparation process, logically and sequentially continues with 'the issue of budget instructions, preparation of budget proposals, negotiations on those proposals and finally presentation to and approval by the legislature' [12]. The strengths and weaknesses observed of the country's budget preparation and approval processes from the 2018 PEFA Assessment are as depicted in Fig. 4.

Concerning budget classification, it was noted that Ghana's budget formulation reflects internationally accepted categorizations of revenue by type and expenditures by administrative, economic, functional, and program or subprogram classifications [11]. The weaknesses in the country's budget classification bordered on the fact that not all MDAs/MMDAs are currently using the budget preparation module of GIFMIS hence the classification of their budget are done either manually or using semi-automated budget formulation tools such as Microsoft Access-based Activate [11].

On budget documentation, it was assessed that Ghana accords with six out of the 12 elements of good budget documentation. The first of these six is that the country incorporates within its budget a forecast of the fiscal deficit or surplus. Secondly, the previous year's budget outturns are presented in the same format as the current year's budget proposals. Thirdly, the format of the current fiscal year's budget also accords with the budget proposals. Fourthly, the budget also provides data on deficit financing as well as a description of its anticipated composition. Fifthly, the budget also incorporates the macroeconomic assumptions underpinning the government fiscal forecast, and these assumptions include, but not limited to estimates for GDP growth, inflation, interest rates and the exchange rate. Sixthly, the budget inculcates the documentation of the country's medium-term fiscal forecasts. The weaknesses facing Ghana's budget documentation that are submitted to the legislature for approval are, however, that the documentation do not include details of such elements as the debt stock, financial assets, fiscal risks, and the implications on revenues of the government's new policy initiatives [11].

On the budget preparation itself, it was noted that the budget guidelines are detailed and comprehensive in aiding MDAs/MMDAs in the preparations of their respective budgets. The first of the two main weaknesses, however, was that these agencies are allowed a maximum of only two weeks, instead of the internationally good accepted practice of 6 weeks, in the preparation of their budgets [11]. The second weakness is that the legislature is only giving one month to review and approve the budget which does not also accord with the internationally accepted legislative review period of two months [11]. On the legislative review itself, the identified weaknesses have to do with the concentration on the review and approval of only the current year's budget and not those of the outer years [11].

#### VII. BUDGET EXECUTION AND MANAGEMENT-RELATED REFORMS OF GHANA'S PFM SYSTEMS

##### *A. Revenue Management*

The budget execution phase of the PFM cycle 'is the phase when resources are used to implement policies incorporated in the budget' [13]. The first element of budget execution, as depicted in Fig. 2, is revenue management. The strengths and weaknesses observed in the 2018 PEFA Assessment of the country's revenue management are as depicted in Fig. 5.

The weaknesses facing Ghana in improving its revenue generation potential were examined in relation to aggregate revenue outturn, revenue administration and revenue accounting. On the revenue outturn, it was observed that the country's revenues had, on aggregate, not performed as expected and the non-performance was witnessed with respect to income, property and trade taxes [11]. The weaknesses observed with revenue administration related to the non-existence of the risk management program, compliance improvement plans, lack of comprehensive assessment of aged-analysis of tax debtors and so on [11]. Despite these

weaknesses, it was noted that the key strength of Ghana's tax administration system rests on how the country deals with the rights and obligations of the taxpayers where the country had a score of 'A'. It was observed that the Ghana Revenue Authority (GRA) provides the taxpayers with information about their rights and obligations, the processes and procedures by which those taxpayers could obtain redress to their grievances and that the GRA affords the taxpayers this information through a variety of media [11]. On revenue accounting, it was observed that the GRA has the capacity and do indeed provided information on revenue collections by preparing and sharing on a monthly basis a consolidated report on all central government revenues. Another observed strength was that almost 80% (i.e., 79.10%) of these tax revenues are transferred to the country's Treasury Single Account (TSA) 48-hours following collection. Despite these strengths, revenue accounting had been bedeviled with irreconcilable items and the inability of the country to properly manage its revenue arrears [11].

### B. Expenditure Management

The second element of budget execution, as depicted in Fig. 2, is expenditure management. This element considered issues such as aggregate expenditure, expenditure composition

outturn, central government transfers to sub-national governments (SNGs), expenditure arrears and internal controls. The 2018 PEFA Assessment revealed, per Fig. 6, the strengths and weaknesses of each of these elements.

The aggregate expenditure outturn and expenditure composition of Ghana were not capable of comparison because while the appropriated budget shows all sources of funding – that is consolidated, statutory, internally generated as well as donor funds – the main budget execution reports – that is the public account of Ghana – reports only on the consolidated fund. Although the consolidated fund, at the time of the 2018 PEFA assessment, represented almost 80% of MDAs/MMDAs sources of financing, the non-reporting of other funds such as statutory, internally generated as well as donor funds is a weakness needing a redress. On transfers from the central government to SNGs, the identified weakness was that not all the block grants are allocated using a transparent, rule-based system. The management of expenditure arrears had also faced the challenges of MDAs/MMDAs executing transactions outside the GIFMIS. As a result of these GIFMIS infractions, the internal controls surrounding these outside-the-GIFMIS expenditure transactions could not be vouched for.

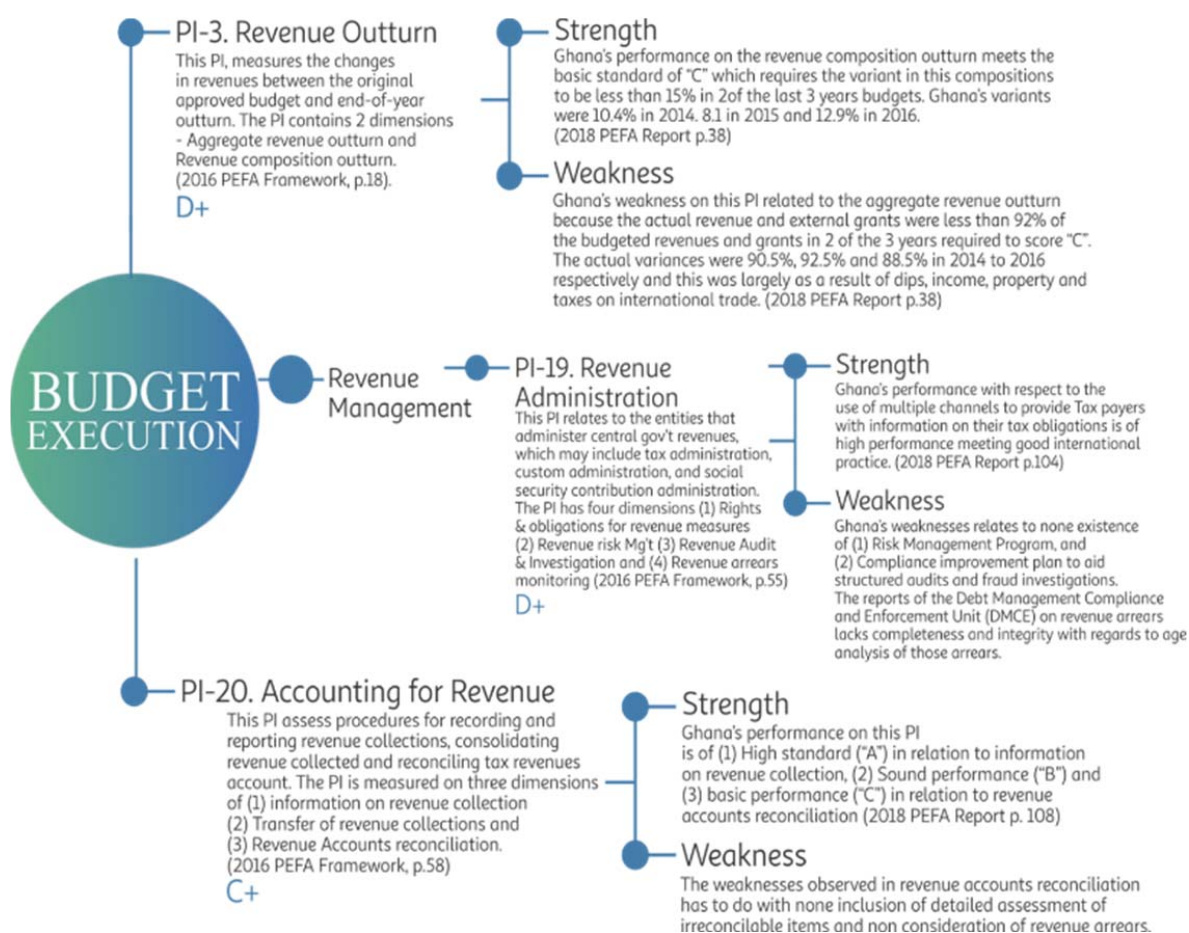


Fig. 5 Strengths and weaknesses of Ghana's revenue management<sup>5</sup>

<sup>5</sup> Author's diagrammatic representation of Ghana's 2018 PEFA Assessment Findings



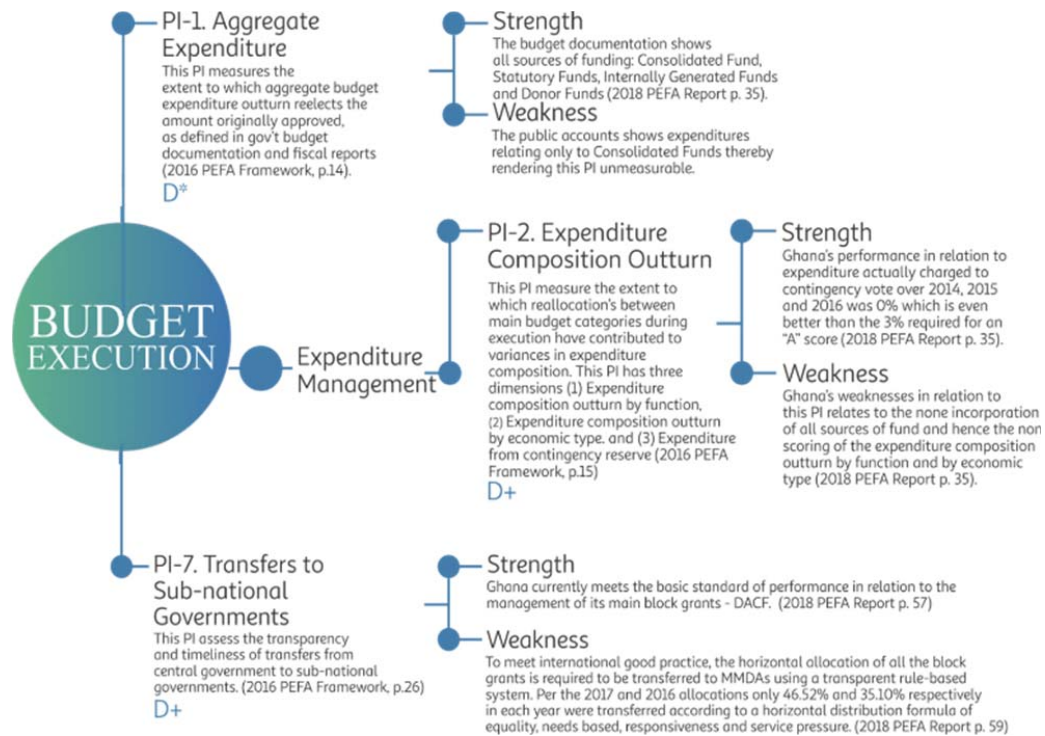


Fig. 6 Strengths and weaknesses of Ghana's expenditure management<sup>6</sup>

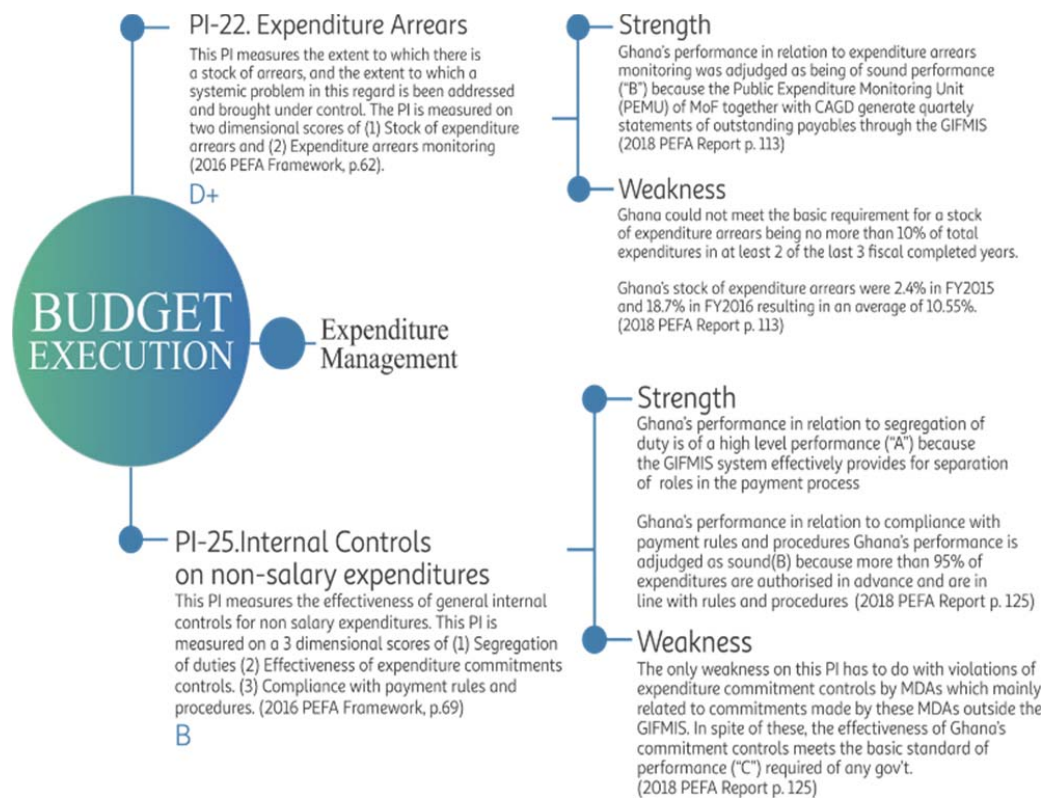


Fig. 7 Strengths and weaknesses of Ghana's expenditure management<sup>6</sup>

<sup>6</sup> Author's diagrammatic representation of Ghana's 2018 PEFA Assessment Findings



On the strengths and weaknesses of the country's expenditure management with regards to expenditure, arrears and internal controls on non-salary related expenditures were observed in the 2018 PEFA Assessment as shown in Fig. 7.

### C. Payroll, Public Investments and Assets Management

The third, fourth and fifth elements in budget execution, as depicted in Fig. 2, are payroll, public investment and public assets management, respectively. For each of these elements, the strengths and weaknesses observed are depicted in Fig. 8.

The payroll management in Ghana is done using two separate, but related, oracle-based systems of the Human Resource Management Information System (HRMIS) and the Integrated Personnel and Payroll Database (IPPD 2) system. The critical weakness observed, at the time of the 2018 PEFA assessment (and shown in Fig. 8), was that the HRMIS had only achieved a 50% coverage and hence its feed into the IPPD 2 system only covered that percentage, thereby requiring the remaining 50% feed from a non-automated manual based system.

The fourth and fifth elements in the budget execution process depicted in Fig. 2 are related to public investment management as well as public asset management. During the 2018 PEFA assessment, public investment management could not be measured because it was deemed to be at its infantile stage. This is because the Public Investment Division (PID) of the Ministry of Finance had not been sufficiently resourced to effectively undertake economic analysis, selection, costing and monitoring of investment projects. The management of public assets in Ghana had been bedeviled with the lack of a

comprehensive asset register for both financial and non-financial assets.

### D. Debt and Cash Management

The sixth and seventh elements in budget execution depicted in Fig. 2 were debt and cash management, respectively. Debt management had, over the years, witnessed tremendous improvement in that Ghana's Medium-Term Debt Management Strategy (MTDMS) had come of age. Cash management had resulted in Ghana implementing a TSA, while the success of TSA's implementation had been widely acknowledged; the persistence of cash-rationing had undermined this success.

### E. Procurement Management and Internal Control

The eighth and ninth elements of budget execution depicted in Fig. 2 are related to procurement management and internal audit. The strength of Ghana's procurement management systems had been assessed as sound and this is as a result of achieving a PEFA score of 'B'. The challenge that had, however, faced the country's procurement processes had to do with monitoring because its PI was assessed to less than the basic standard of performance (a score of 'D'). The country's performance concerning its internal audit met the basic standard (a score of C). The main obstacle to improving the efficiency and effectiveness of internal audit lies in inadequate funding of the internal audit activities within the various MDAs/MMDAs.

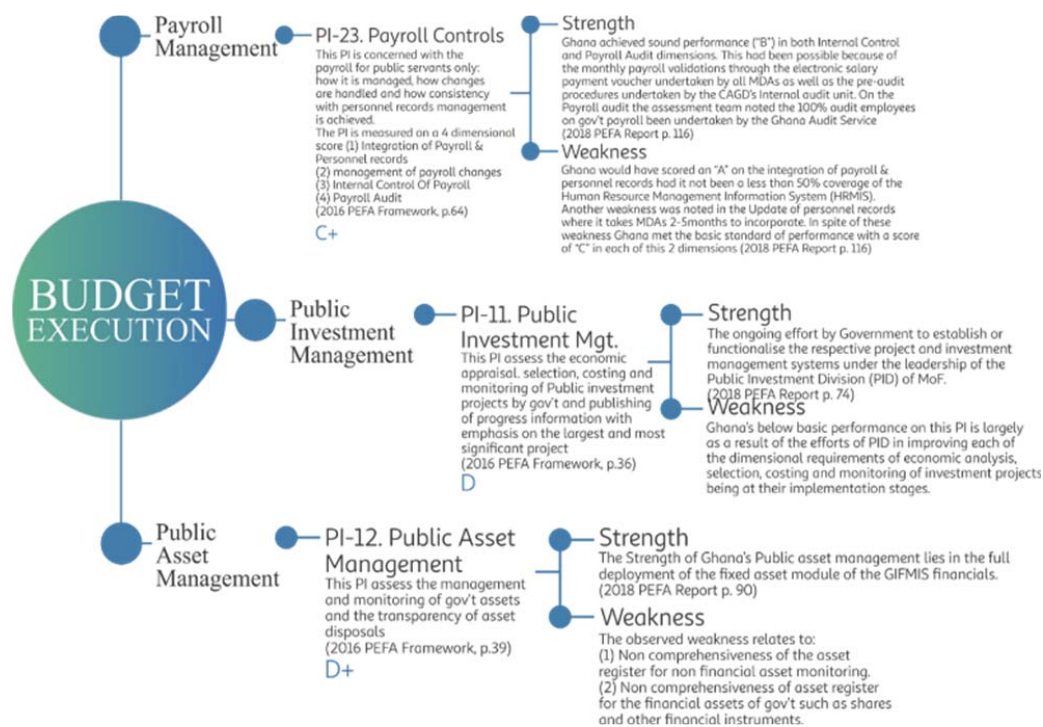


Fig. 8 Strengths and weaknesses of Ghana's payroll, public investments and assets management<sup>7</sup>

<sup>7</sup> Author's diagrammatic representation of Ghana's 2018 PEFA Assessment Findings

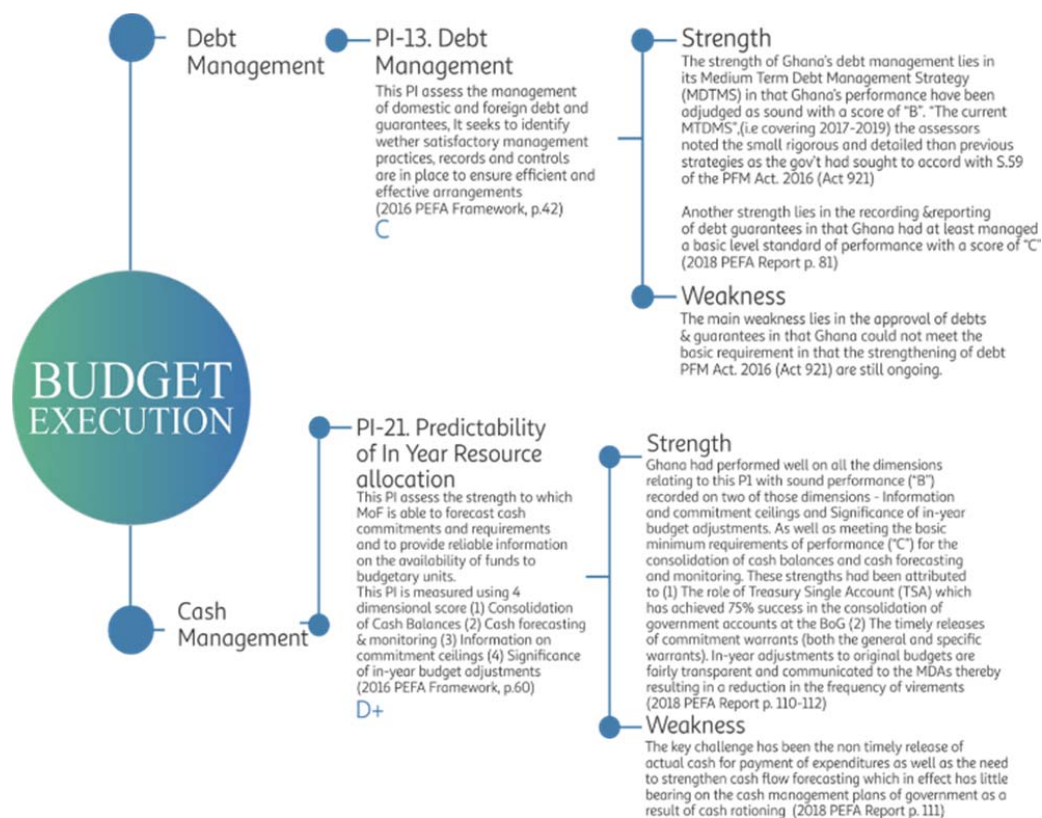


Fig. 9 Strengths and weaknesses of Ghana's debt and cash management<sup>8</sup>

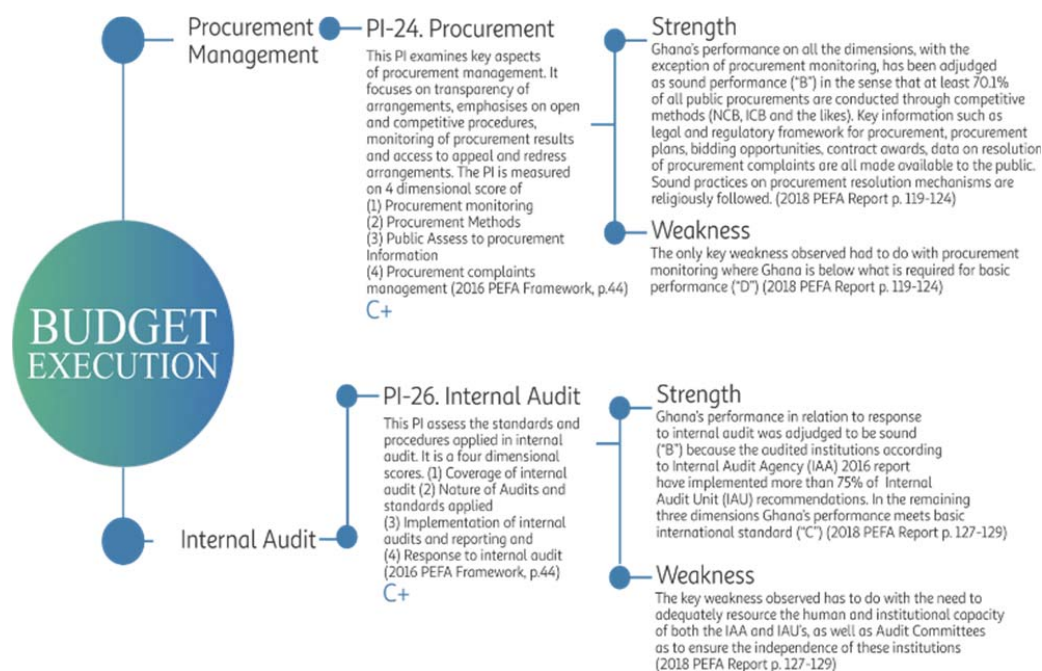


Fig. 10 Strengths and weaknesses of Ghana's procurement management and internal control<sup>8</sup>

<sup>8</sup> Author's diagrammatic representation of Ghana's 2018 PEFA Assessment Findings

VIII. ACCOUNTING AND FISCAL REPORTING-RELATED REFORMS OF GHANA'S PFM SYSTEMS

The rollout of the GIFMIS had tremendously improved accounting and financial reporting in Ghana. The principal obstacle of the system has been with its non-comprehensive coverage of other funds such as the statutory, internally generated and donor funds. The integrity of the financial data had also been challenged by the non-existence of automatic bank reconciliation (ABR) functionality within the GIFMIS. For these reasons, the resulting annual financial statements generated through the system do not meet the completeness requirement. Ghana strengths, concerning this performance dimension, lie in its ability to provide the public with information on its fiscals. The critical obstacle has, however, been with the country's in-year budget reports whose coverage is limited because they provide information on only one source of finance – that is the consolidated funds. Figs. 11 and 12 show the strengths and weaknesses that were observed with regards to accounting and fiscal reporting observed in the 2018 PEFA assessment of the country.

IX. EXTERNAL SCRUTINY AND AUDIT-RELATED REFORMS OF GHANA'S PFM SYSTEMS

One of the strengths of Ghana's PFM system is the pervasive nature of its external audit scrutiny led by its Supreme Audit Institution (SAI) called the Ghana Audit Service (GAS). The country's 1992 Constitution guarantees the independence of GAS. The independence of GAS was assessed as meeting the highest level of performance (i.e., "A") using the PEFA scoring methodology. Notwithstanding this high level of independence, the assessors were of the view that this independence could be undermined by the fact that the Ministry of Finance (MoF) has the powers of scrutinizing the budget and allocations that are made to GAS implying that the financial independence of GAS could one day be in jeopardy. Ghana had been respected for having a robust and unyielding Public Accounts Committee (PAC) of Parliament that holds the executive responsible for their stewardship. Despite this, however, the PAC had suffered from having to deal with a backlog of audit report hence their scrutiny tends to deal with audit reports that are almost three years late at any point in time. Fig. 13 shows the strengths and weaknesses that were observed with regards to accounting and fiscal reporting observed in the 2018 PEFA assessment of the country.

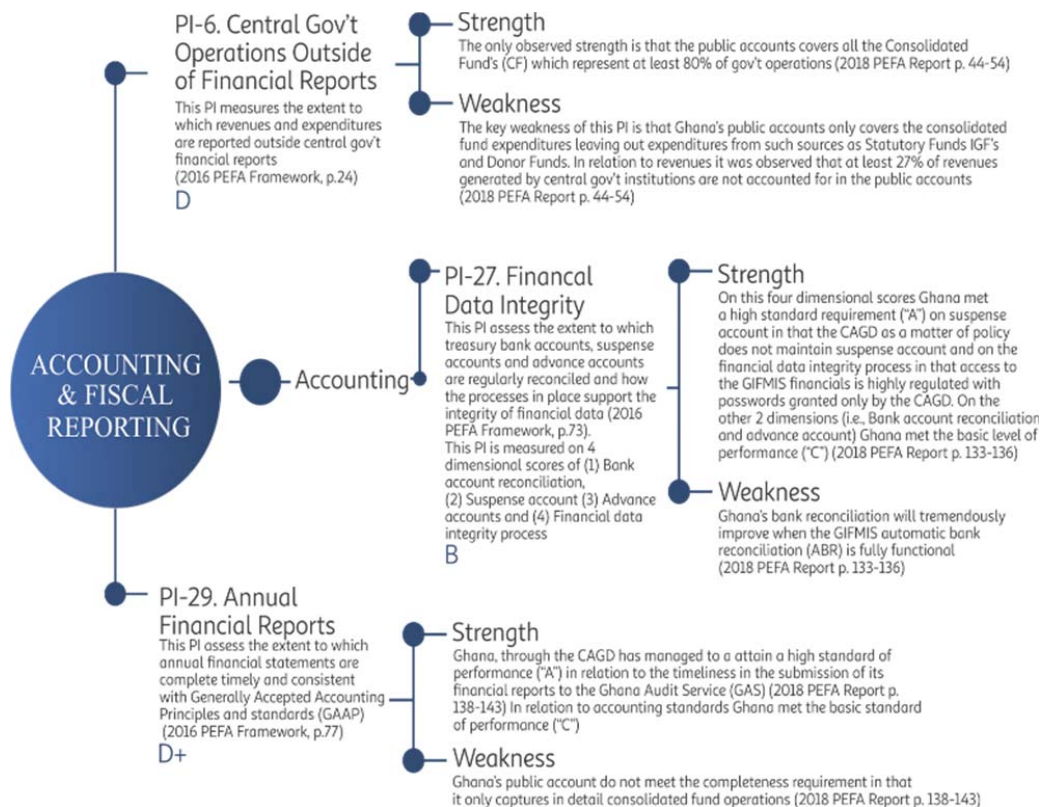


Fig. 11 Strengths and weaknesses of Ghana's accounting and fiscal reporting<sup>9</sup>

<sup>9</sup> Author's diagrammatic representation of Ghana's 2018 PEFA Assessment Findings



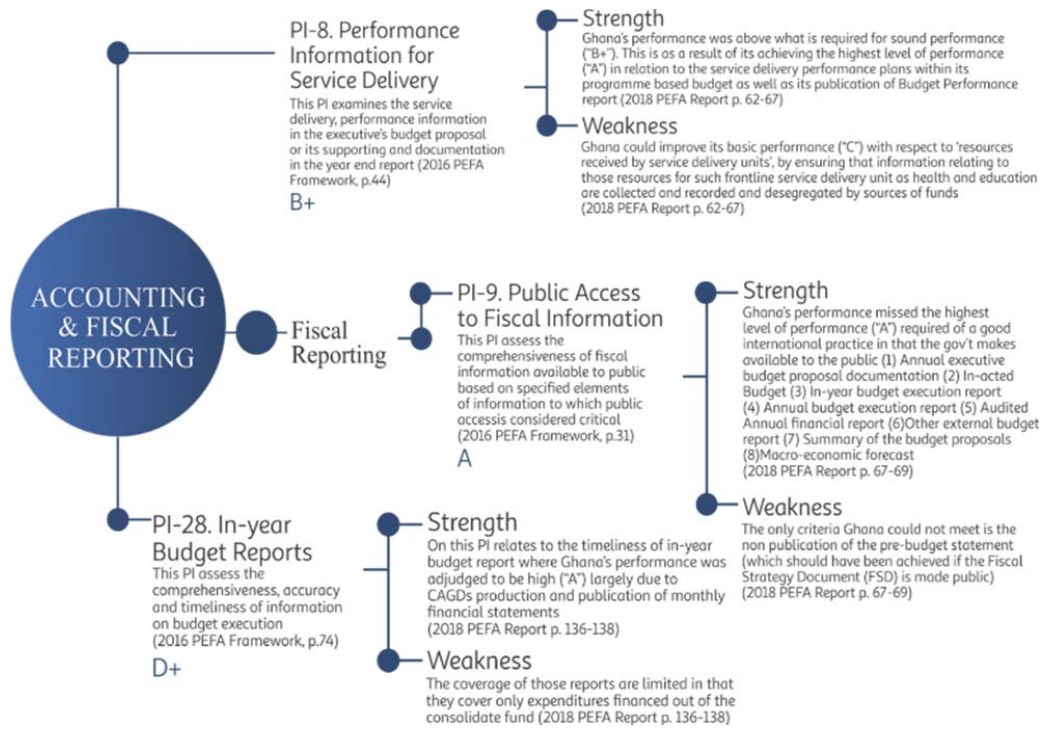


Fig. 12 Strengths and weaknesses of Ghana's accounting and fiscal reporting<sup>10</sup>

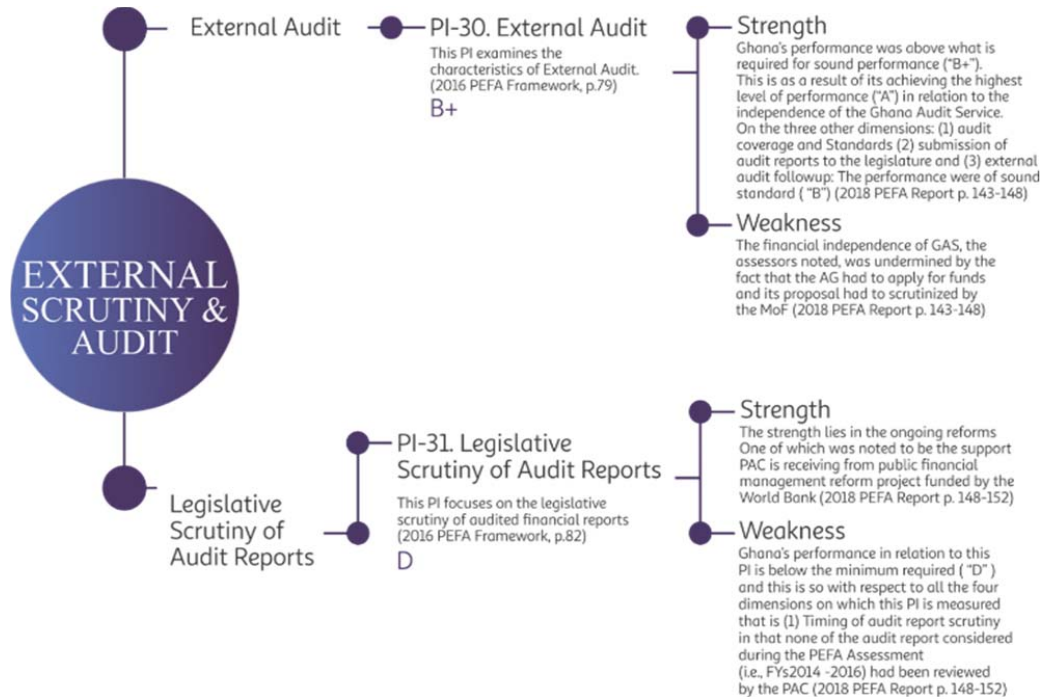


Fig. 13 Strengths and weaknesses of Ghana external scrutiny and audit<sup>10</sup>

<sup>10</sup> Author's diagrammatic representation of Ghana's 2018 PEFA Assessment Findings



X. GHANA'S PFM: A MOVE TO CONSOLIDATION AND SUSTAINABILITY [2020-2024]

From the PEFA assessment findings, it is evident that Ghana, in the two decades of its PFM reform efforts, seemed to have touched on all aspect of its budget cycle with one kind of reform or the other. To this end, the time has come for Ghana's PFM journey to move beyond reforms to

consolidation and sustainability. To do so, Ghana in developing its PFM and the accompanying GIFMIS strategies for the next 5-years (2020-2024), could benefit from according with the 7-stage process proposed by the PEFA Secretariat in transforming a PEFA assessment into a PFM Strategy as shown in Fig. 14.

Stage 1:	Stage 2:	Stage 3:	Stage 4:	Stage 5:	Stage 6:	Stage 7
<b>IDENTIFY PFM STRENGTHS AND WEAKNESSES</b>	<b>DETERMINE UNDERLYING CAUSES OF STRENGTHS AND WEAKNESSES</b>	<b>AGREE ON DESIRED PFM REFORM/CONSOLIDATION/SUSTAINABILITY OUTCOMES</b>	<b>DEVELOP AND PRIORITIZE PFM REFORM/CONSOLIDATION/SUSTAINABILITY OPTIONS</b>	<b>IDENTIFY POTENTIAL CONSTRAINTS TO REFORM/CONSOLIDATION/SUSTAINABILITY</b>	<b>IMPLEMENT REFORMS/CONSOLIDATION/SUSTAINABILITY &amp; REFORM/CONSOLIDATION/SUSTAINABILITY ACTION PLANS</b>	<b>MONITORING, EVALUATION AND ADJUSTMENT</b>
Present a list of strengths and weaknesses identified in the PEFA report	Agree if analysis to be undertaken to identify the technical and non-technical causes or contributing factors to the strengths and weaknesses	Agree on the desired PFM outcomes to come from addressing the problems and weaknesses	Develop a set of reform initiatives that address the weaknesses identified and support the achievement of the desired PFM outcomes. Agree the order of priority of the reforms/consolidation/sustainability. Review priority based on constraints identified in stage 5.	Identify constraints to successfully implementing reform and possible actions to mitigate those constraints	Implement specific actions, identify responsibilities, timelines, and capacity development needs. This could be as individual initiatives or part of a reform/consolidation/sustainability strategy or action plan.	Monitor the implementation of reforms and individual actions. Review and modify consolidation/sustainability initiatives or plans.

Fig. 14 The proposed stages of Ghana's PFM consolidation and sustainability dialogue [14]

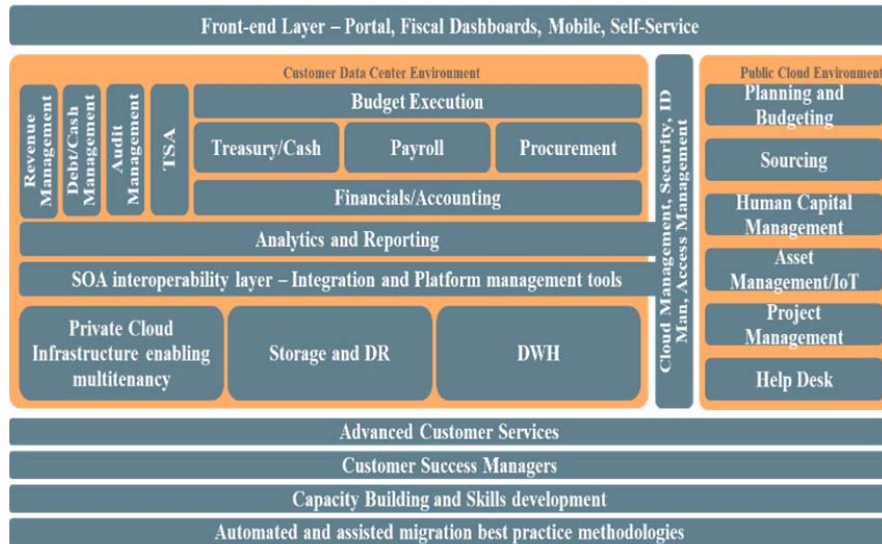


Fig. 15 The Proposed PFM Digitization Architecture for Ghana<sup>11</sup>

<sup>11</sup> Author's proposed diagrammatic representation of Ghana's PFM Digitization Architecture developed with the help of Peter Erdosi.

In putting together Ghana's PFM Strategy, the first stage requires the identification of the strength and weaknesses of the country's PFM. The intent of this stage is to answer the questions: 'what is the problem?' and 'what are the findings of the PEFA assessment?' [14]. In answering these questions, Ghana has the opportunity of assessing whether a given issue identified during the PEFA assessment could be addressed using PFM or non-PFM related interventions. Having identified an issue as requiring a PFM related intervention should lead to the second stage in the development of Ghana's PFM Consolidation and Sustainability Strategy. The stage requires Ghana to provide an answer to the question: 'what are the causes of strong and poor PFM performance identified by the PEFA assessment?' [14]. To this question, while the 2018 PEFA assessment report could be useful, there may be the need for further assessment to be undertaken by the country using other PFM diagnostic tools such as 'TADAT<sup>12</sup> for monitoring tax administration or ... PIMA<sup>13</sup> for monitoring public investment' [14]. The use of such other tools will provide Ghana with the opportunity of unearthing both the technical and non-technical causes of its PFM weaknesses. Following the identification of the underlying causes of the weaknesses in its PEFA assessment report, the third stage requires Ghana to decide as to the outcomes it wishes each aspect of its PFM consolidation and sustainability effort to achieve. The decision on the outcomes is required as an input into the fourth stage, which requires the country to prioritize and sequence the PFM initiatives that will be necessary for achieving a given PFM outcome. The fifth stage requires the country to identify the constraints that will inhibit the achievement of the desired outcomes. The sixth stage is the stage of implementation, and the seventh is about monitoring and evaluation.

In putting together its GIFMIS Strategy, Ghana could benefit from a PFM digitization architecture that is 'a data-driven, single-platform based, deployment optimized, hybrid-cloud architecture' as shown in Fig. 15.

Ghana's PFM and its enabling technological solutions and systems cannot lag behind the digital revolution the global economy is currently experiencing. To this end, Ghana needs a re-thinking with regards to its current technology platform – the current on-prem Oracle E-Business Suite (EBS) that is running on the Oracle database and IBM based operating system and server infrastructure. The call for a re-think is premised on the fact that the current mega-trends borders on such new digital technologies as machine learning, artificial intelligence, internet of things (IoT), conversational user interfaces, chatbots, mobile-enabled devices, social media, blockchain, embedded real-time analytics and so on. These new technologies are the main cloud-driven, and hence the technology behind Ghana's PFM systems cannot ignore the adoption of one-form of cloud computing or the other. The question is not whether Ghana's PFM systems should or should not be cloud-oriented, the question is rather on when

and in what form the country's PFM could related digitization agenda should take.

In putting together its GIFMIS Strategy for the next 5-years, Ghana needs to decide on which cloud-based PFM model it wishes to adopt, considering all aspects of PFM operations: from security to data residency, from (functional) compliance to control, from scalability and robustness to interoperability and openness. This is especially so because Ghana, being a sovereign nation, will need to carefully mitigate risks that are tolerable for private sector players but substantially different in PFM context of a sovereign government. To this end, there are four common cloud deployment models today that are opened to Ghana – these are public, private, hybrid, and community cloud. Leaving out a detailed elaboration on each of these four models and limiting this discussion to the proposed model and its benefits, it is important for Ghana to note that a choice of a cloud-based PFM architecture is dictated by where services are hosted, who has access to data and information, who is managing the cloud, and customization of services. The proposed hybrid cloud architecture for Ghana's PFM systems will consist of a public and private cloud within which the country can easily segment data and transfer data between clouds (i.e., private and public) as and when necessary.

## XI. CONCLUSION

In charting a way forward for Ghana's PFM systems, the author has in this paper traced the various waves of the country's PFM reforms which began some two decades ago. Having been engaged in PFM reforms for such a long period, Ghana's decision to move beyond reforms to consolidation and sustainability is an endeavor that must be encouraged. In this regard, the author has sought through this paper to encourage Ghana's PFM consolidation and sustainability efforts by pointing out the steps the country should take in getting its PFM strategy for the next 5-years prepared. In the paper, the author has further encouraged the country to ensure that its GIFMIS strategy embraces technologies of the now as well as those near future. In addition to these country-specific admonishments, the author through this paper has drawn out the lessons that could be learnt by other developing countries from the two-decades of Ghana's PFM reforms. These lessons include the need to ensure ownership of the reforms by each of the key PFM institutions. The author has also drawn attention to the need to ensure that strategies should underpin PFM reform processes to avoid muddling-through. Furthermore, the author has drawn attention to the need to have a periodic assessment of PFM reforms, consolidation or sustainability efforts using such PFM performance measurement frameworks as those of PEFA.

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<sup>12</sup> TADAT - Tax Administration Diagnostic Tool

<sup>13</sup> PIMA - Public Investment Management Assessment

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