Report Number: ICRR0023246

1. Project Data

Project ID	Project Name
P151447	GH-PFM Reform Project (FY15)
Country	**Practice Area(Lead)**
Ghana	Governance

L/C/TF Number(s)	Closing Date (Original)	Total Project Cost (USD)
IDA-56400,TF-A8960	30-Jun-2019	46,684,996.32
Bank Approval Date	**Closing Date (Actual)**	
15-May-2015	31-Dec-2021	

	IBRD/IDA (USD)	Grants (USD)
Original Commitment	45,000,000.00	2,350,000.00
Revised Commitment	46,128,010.00	1,128,010.00
Actual	46,684,996.32	1,128,010.00

Prepared by	Reviewed by	ICR Review Coordinator	Group
Alma Pekmezovic	Judyth L. Twigg	Jennifer L. Keller	IEGEC (Unit 1)

2. Project Objectives and Components

a. Objectives

The project development objective (PDO) was to improve the budget management, financial control and reporting of the Government of Ghana. For this review, the two objectives are as follows:

1) Improve the budget management and financial control of the Government of Ghana

2) Improve the financial reporting of the Government of Ghana

b. Were the project objectives/key associated outcome targets revised during implementation?

No

c. Will a split evaluation be undertaken?

No

d. Components

The project had four main components.

Component 1: Enhancing Budget Credibility (estimated cost: US$ 2.7 million; actual cost: US$ 1.2 million). This component aimed to improve budget management and strengthen the credibility of the national budget. The component originally consisted of the following sub-components: (1) Strengthening Budgetary Planning and Macro-Fiscal Management, to establish and strengthen controls on all claims on fiscal resources; (2) Strengthening Public Investment Management (PIM) Capacity, to ensure that investment projects are selected, appraised, and prioritized in accordance with available fiscal resources, (3) Strengthening the Budget Operational Framework, to implement improved management practices to enhance the performance of public spending at MDA (Ministries, Departments and Agencies) levels; and (4) Fiscal Risk Management and Reporting, to establish comprehensive systems for monitoring and review of risks to the planned budget out-turn and enable the timely mitigation of these risks. The second and fourth sub-components (Strengthening PIM Capacity, and Fiscal Risk Management and Reporting) were dropped at a 2017 restructuring and transferred to a more closely aligned but separate World Bank-supported project, the Ghana Economic Management Support Project (GEMS, P152171, 2016-2022, US$15 million), which included specific components on PIM and Fiscal Risk Management and Reporting.

Component 2: Public Financial Management Systems and Control (estimated cost: US$ 32.7 million; actual cost US$ 36.5 million). This component was to support the design, development, implementation, and coverage of the Government's public financial management (PFM) systems and controls. It comprised the following six sub-components: (1) Government Information Systems, to complete work begun by the government in 2010 on the design, development, implementation and coverage of the Ghana Integrated Financial Management Information System (GIFMIS); (2) Cash and Treasury Management, to strengthen the management of cash and debt so as to minimize net interest costs, ensure cash is available to meet commitments and obligations for service delivery, and eliminate Consolidated Fund arrears accumulation, (3) Strengthening Internal Audit Capacity, to strengthen the internal audit function at the Internal Audit Agency and across MDAs and Metropolitan, Municipal and District Assemblies (MMDAs), (4) Public Procurement Planning, Management, and Capacity, to improve procurement planning and the efficiency, transparency, and accountability of the procurement process, (5) Strengthening Payroll and Pensions Management, to enhance the integrity of payrolls; and (6) Improving Financial Reporting and Asset Management, to improve financial reporting and enhance compliance with international standards.

Component 3: Reinforcing Financial Oversight and Accountability (estimated cost: US$2 million; actual cost: US$ 3.9 million). This component was to improve external audit capacity and enhance legislative oversight over budget management. The component supported strengthening the financial oversight role of the Ghana Audit Service (GAS) to enable it to better carry out performance and systems-based audits of government financial operations. It also sought to enhance the capacity of the legislature to exercise appropriate oversight over PFM processes to ensure transparency and accountability.

Component 4: PFM Reform Coordination and Change Management (estimated cost: US$ 7.6 million; actual cost: US$ 3.9 million). This component was to provide a basis for overseeing implementation of the government's overall Public Financial Management Reform Strategy (PFMRS), as well as managing project implementation. It contained four sub-components: (1) Project Management and Reform Coordination, to provide the necessary administrative and operational structures for management and coordination of project activities; (2) Monitoring, Evaluation, and Communication, to support project management through effective tracking of project performance and strategy implementation; (3) Project Financial Management and Procurement; and (4) Just-in-time Interventions & Change Management, to provide solutions as challenges arose during implementation.

e. Comments on Project Cost, Financing, Borrower Contribution, and Dates

The project was approved on 15 May 2015 as an International Development Association (IDA) Credit of US$45 million. It became effective on 18 August 2015. Additional Financing (AF) in the form of a US$2.35 million Recipient-Executed Trust Fund Grant was provided by the State Secretariat for Economic Affairs of Switzerland in November 2018. The project closed on 31 December 2021, more than two years after its original closing date of 30 June 2019, with actual total disbursement of US$ 46.7 million (consisting of an IDA disbursement of US$ 45.5 million and a Trust Fund disbursement of US $1.1 million).

A first restructuring took place in November 2017 following the mid-term review, which led to the AF. The AF was to help the World Bank support the government in improving its financial reporting framework and allow it to transfer activities under Component One to the GEMS project. As a result, more funds were allocated to the other sub-components under Component One (Strengthening Budgetary Planning and Macro-Fiscal Management and Strengthening the Budget Operational Framework). Overall, funding for the first three project components was increased, while funding for Component Four was reduced in line with government priorities to support improvements to its financial reporting framework. The restructuring also extended the closing date of the project from June 2019 to December 2020.

A second restructuring took place in September 2020, against the backdrop of the COVID-19 pandemic and a concomitant slow-down of project activities. This restructuring further reallocated funds among project categories and extended the closing date to 31 December 2021.

3. Relevance of Objectives

Rationale

At the time of project approval, Ghana faced significant macroeconomic challenges due to a recent rapid fall in economic growth (14 percent in 2011 to 4 percent in 2014); growing government debt, inflation (17 percent in 2014), and sharp currency depreciation (ICR, p. 5). The country also faced various budget management challenges. The fiscal balance had come under pressure with expansion of the wage bill following implementation of a unified public salary structure in 2010, as well as a sharp increase in energy subsidies and transfers (ICR, p. 5). A series of earlier government PFM reforms (including the umbrella

Public Financial Management Reform Program implemented between 1997 and 2009, and the first phase of implementation of the GIFMIS from 2010-2014) had produced mixed results, with relatively modest progress in the areas of budgeting, accounting, and financial reporting, and persistent challenges in fiscal resilience and management. ·

- The initial series of reforms (1997-2009) encountered resistance from MDAs and MMDAs, resulting in a situation where, despite the reforms, budget commitment and execution behaviors in MDAs and MMDAs remained unchanged, and "fiscal transfers were neither transparent nor predictable … [lacking] a fully-fledged and credible PFM improvement program at the decentralized level" (ICR, p.5).
- The second series of reforms (2010-2014) – part of the GIFMIS project – led to the implementation of program-based budgeting to simplify budget processes, with four modules (Purchase Order, Accounts Payable, Accounts Receivable, and Cash Management and General Ledger) being rolled out to the MDAs and 10 MMDAs. Additionally, GIFMIS implementation led to the design of basic modules of a Human Resources Management Information System (HRMIS), with the aim of strengthening the recruitment process for the public service and enhancing the credibility of personnel data fed into payrolls (ICR, p. 6). Despite the implementation of these various modules, however, the reforms "could not produce the required improvements such as enhanced budget commitment and budget execution" (ICR, p. 6). PFM performance continued to stagnate due to a range of factors including poor businesses processes, lack of disciplined actions, and poor compliance with PFM laws and regulations, diminishing the effectiveness of the new information technology (IT) systems. Thus, the ICR notes, "budget holders continued to commit funds outside the GIFMIS." Moreover, the use of non-competitive procurement methods in budget execution was "very common" (ICR, p. 6).

This project was designed to build on and enhance these previous reform efforts. This project aimed to build upon previous reform efforts by strategically addressing remaining constraints and drawing from lessons learned. It focused on enhancing budget credibility, strengthening control over public financial management systems, reinforcing accountability mechanisms, and providing effective coordination for ongoing reforms. Specifically, it sought to complete the design, development, and implementation of the Government's PFM systems, including Government Information Systems (IFMIS, HRMIS, Payroll), as essential tools for improved fiscal management, budgetary control, cash and debt management, and timely, accurate reporting to support better economic management and service delivery.

The project was strategically relevant and aligned with government and Bank priorities. Its development objectives were consistent with the Country Partnership Strategy (CPS, 2013-2017) at appraisal as well as the current Country Partnership Framework (CPF, 2022-2026). A key pillar under the 2013-2017 CPS was the improvement of Ghana's economic management, through "improving budget institutions" and "strengthening public financial management and governance." The current CPF also highlights the importance of increasing the "predictability and control of budget execution" (CPF, p. 108).

Additionally, the project was consistent with the country's broad economic development objectives as outlined in the government's strategic agenda (Ghana Shared Growth and Development Agenda, GSGDA II– 2014-2017) which aimed for more transparent and accountable governance in Ghana as a key pillar for development.

The project was also in alignment with the 2018 Public Expenditure and Financial Accountability (PEFA) Performance Assessment Report for Ghana. This report drew attention to weaknesses in the country's budgeting processes and budget execution as well as accounting, recording, and financial reporting (PEFA, 2018, p. 100), further underscoring the importance and relevance of the project's objectives. In relation to budget reliability, the report relevantly noted that "the approved budget was not a reliable predictor of actual expenditure and revenue performance. Actual aggregate expenditures were much higher than budgeted amounts" (PEFA, 2018, p. 166).

Rating
High

4. Achievement of Objectives (Efficacy)

OBJECTIVE 1

Objective
Improve the budget management and financial control of the Government of Ghana

Rationale
The PAD conducted a thorough assessment and identified weaknesses in cash and treasury management. These weaknesses were attributed to deficits in internal controls and audits, along with a significant amount of central government funds being managed outside the Treasury Single Account (TSA). To address these issues, the Theory of Change (ToC) devised a comprehensive set of activities aimed at enhancing government information systems for better financial controls and reporting of public expenditures. The ToC proposed several crucial measures to achieve this objective. Firstly, it emphasized the importance of updating outdated public sector accounting standards to ensure transparency and accuracy in financial management. Additionally, improving public procurement processes was seen as essential to prevent misappropriation of funds. Furthermore, enhancing the functionality of the Government Integrated Financial Management Information System (GIFMIS) in Ministries, Departments, and Agencies (MMDAs) was identified as a key element in improving financial control. By implementing these measures, the ToC aimed to ensure that payments made through the government's financial management systems would be allocated to their intended spending categories.

Another vital aspect of the ToC was the goal of increasing the percentage of public service staff captured in the Human Resource Management Information System (HRMIS) to ensure reliable personnel expenditure records. This initiative aimed to promote accurate reporting and prevent fraudulent activities. The ToC operated on the assumption that the implementation of the HRMIS would enable the government to effectively manage the wage bill and detect and deter fraud since the public payroll was not linked to a consolidated human resource database. By enhancing the coverage of HRMIS, the government aimed to establish reliable personnel expenditure records and promote accurate reporting.

In addition to addressing cash and treasury management issues, the ToC also recognized weaknesses in budgeting policy and the operational budgeting framework. It emphasized the need to strengthen budgetary planning by promoting a multi-year perspective in budgeting. This approach aimed to improve budget management and provide more predictable funding for government programs. To track progress, the ToC identified relevant intermediate indicators, such as the percentage of budgetary spending units submitting cash forecasting plans and the number of Ministries, Departments, and Agencies (MDAs) integrating procurement planning into the budget preparation process.

Overall, the ToC presented a comprehensive strategy to overcome weaknesses in cash and treasury management, with a focus on strengthening government information systems, updating accounting standards, improving procurement processes, optimizing the GIFMIS, and enhancing the coverage of the HRMIS. These measures aimed to foster financial control, accurate reporting, and effective resource allocation within the public sector.

Outputs

Output 1: Enhanced management and credibility of the national budget. The project led to a reduction in supplementary budgets (a key indicator used in the project to measure improved budget reliability and credibility) and improvements in macro-fiscal planning. It supported reforms in the budget process, which led to a strengthening of technical linkages and information sharing between fiscal forecasting/analysis and the budget formulation and execution processes. A significant output was the adoption and roll-out of the budget module “Hyperion" (linked to the GIFMIS), including to MDAs. This software was used as a platform to build capacity of staff responsible for budget planning and preparation in MDAs and MMDAs. In this context, the ICR notes that extensive capacity building activities were undertaken for all targeted staff on the budgeting process. The project led to the training of a total of 300 staff at MDA level, and 520 budget analysts and development planning officers at MMDA level. The training sessions primarily emphasized program-based budgeting and familiarizing participants with the functionalities of the budget module software within the MDAs. At the MMDA level, the capacity building focused on composite budgeting techniques and equipping participants with a thorough understanding of the budget module software's functionalities.

Output 2: Improved Efficiency and Competition in the Procurement Process. The project enhanced the capacity of Public Procurement Authority (PPA) to support effective and timely procurement planning and implementation. As a result of the project, competition in the procurement process was enhanced. The 2018 PEFA report confirmed that competitive procurement improved from a score of “C” in 2012 to “B” in 2018. A key output of the project was the establishment of procurement units, related procurement training, and improved online procurement planning. Significant improvements were observed in procurement planning as all MDAs and MMDAs successfully prepared their procurement plans, with the entire process being conducted online. The training sessions conducted for the procurement units established within the MDAs and MMDAs played a pivotal role in enhancing online procurement practices. Prior to these initiatives, less than 40 percent of MDAs had functioning procurement units in place, underscoring the positive impact of the training efforts on establishing and strengthening procurement capacities across the board.

In total, the project supported the establishment and operationalization of Procurement Units in 30 MDAs. This entailed the provision of equipment and training to appointed staff. Additionally, the project supported improvements to the online procurement planning system linked to Hyperion and GIFMIS. These enhancements facilitated the seamless extraction of institutional budgets from Hyperion, enabling comprehensive identification and planning of all procurement activities.

Furthermore, the project built the capacity of procurement staff of MDAs/MMDAs in procurement audit and value chain analysis; operationalized the Ghana Electronic Procurement System (GHANEPS), including by providing relevant training; and supported amendments to the Public Procurement Act 2003.

The amendments to the latter Act encompassed several key changes aimed at improving procurement processes and decision-making. These changes included increasing threshold limits, empowering procurement entities to make smaller value purchases without higher-level approvals. The streamlining efforts focused on re-categorization based on institution type and spending levels, delegation of powers to key entity tender committee (ETC) members, ensuring the availability of legal and procurement personnel in decentralized entities, and clarifying and harmonizing ETC functions. Additionally, the concurrent approval process was simplified, thresholds for consultancy services were included, and measures were implemented to avoid centralized administrative review for decentralized entities. These measures included removing the Minister of Finance's discretion to exempt the application of the Act in the national interest, introducing provisions on tender rejection and abnormally low submissions, expanding the process for public notice of procurement contract awards, addressing issues of inducements and unfair competitive advantage, and introducing rules on information disclosure, competitive negotiation, and framework agreements.

As a result of the project's interventions, every MDA and MMDA is required to prepare and publish a procurement plan that is monitored by the PPA. Thus, Part Three of the amended Public Procurement Act mandates that every procurement entity must develop a comprehensive procurement plan. Furthermore, the Ministry of Finance stipulates that a procurement plan must be prepared by each procurement entity as part of the draft budget submission to the Ministry of Finance. These measures were implemented to enhance transparency and accountability in public procurement processes, ensuring effective planning and coordination of procurement activities, and promoting adherence to procurement regulations and guidelines. By requiring the preparation and publication of procurement plans, monitored by the PPA, the Government aims to promote efficiency, fairness, and effectiveness in public procurement across all MDAs and MMDAs.

Institutions that wish to use a non-competitive method of procurement are required to secure formal approval from the PPA.

<u>Output 3: Improved legislative oversight and accountability of the executive in the management of public finances.</u> The project focused on improving legislative oversight and executive accountability in public finance management, leading to significant legislative reforms and strengthening the Cabinet's involvement in the budget process. A key achievement of the project was the development and approval of the Budget Charter in 2017. The project played a crucial role in the establishment and approval of the Budget Charter by organizing workshops where stakeholders could provide their input. This inclusive approach ensured that various perspectives were considered during the development of the Charter, enhancing its effectiveness and acceptance. The Charter, now incorporated into the Public Financial Management Act 2016, outlines the roles, principles, and obligations of key stakeholders, including the Cabinet.

The Budget Charter strengthened the Cabinet's formal engagement in the budget process in two important ways. Firstly, it enabled the Cabinet to reach consensus on the total budget envelope, promoting a unified and coordinated approach to budgeting. Secondly, it empowered the Cabinet to review the draft Annual Economic Policy and Budget Statement, allowing them to actively shape fiscal priorities and policies in line with broader national objectives.

The project's interventions also led to the adoption of a fiscal strategy, marking a significant departure from previous practices. Previously, annual budgets were prepared without strategic direction. However, with the introduction of the fiscal strategy, the Government gained a clearer stance on public spending and the use of taxation to influence the economy. This strategic approach helped identify key tax elements that needed to be collected, resulting in more targeted and informed fiscal policies.

Furthermore, the project contributed to the development and approval of the Public Financial Management Act in 2016. Alongside the Act, Parliament approved the accompanying Public Financial Management Regulations in 2019, leading to substantial improvements in financial management practices. Through the recruitment of a consultant, the project bridged gaps in the existing framework, enabling the effective implementation of provisions outlined in the PFM Act and promoting transparent and efficient financial management practices.

Output 4: Effective management of public sector wages and timely payment of new public sector employees. Prior to the implementation of the HRMIS reforms, new employees would work from six to nine months before receiving their first monthly salary. This has now been reduced to one month. The implementation of HRMIS has led to a reduction of the number of human resources business processes, as well as reduced backlog of personnel data and lower turnaround time for the placement of new employees on the payroll, enabling employees to receive their first salary faster. The previous system relied on a one-week window for manually uploading employee records, which proved to be inadequate given the large number of employees (between 10,000 - 15,000). However, with the implementation of HRMIS, the data on new employees can now be seamlessly loaded onto the payroll from MS Excel files, streamlining the process and ensuring timely payment.

Through comprehensive training, HR managers have gained proficiency in utilizing the HRMIS effectively. The HRMIS has transformed the HR data management, allowing HR managers to easily retrieve HR information electronically. Prior to its implementation, HR data was primarily maintained manually. Thus, with the HRMIS, HR managers can now effortlessly identify vacancies within their organizations, stay informed about staff members approaching retirement, and engage in effective succession planning. This streamlined process enables HR managers to make informed decisions and take proactive measures in talent management and resource allocation. By leveraging the capabilities of the HRMIS, MDAs have significantly improved their HR management practices, fostering greater efficiency and effectiveness in their workforce planning and development.

The government also introduced the Electronic Salary Payment Voucher to ensure that management units confirm every month that employees are at post. Employees who leave employment and identified by their management as having done so are now instantly removed from the payroll.

Output 5: Enhanced fiscal sustainability through control on the wage bill in compliance with the budget. The project supported a nationwide personnel verification audit to enhance the quality and credibility of the government's payroll system administered by the Controller and Accountant General Department (CAGD). This audit helped weed out “ghost workers” and lowered the wage bill, as well as identified inaccuracies and inconsistencies in payroll data. As part of the audit, all public sector employees were counted, and their documents physically verified. As a result of the payroll audit, a total of 7,823 employees that could not be accounted for were removed from the public sector payroll.

Output 6: Comprehensive coverage of government cash balances in TSA. The implementation of the TSA has led to significant savings (about US$7.8 million per annum) in interest payments on the overdrawn Consolidated Treasury Main Account by reducing overdrafts.

Output 7: Improved expenditure management through enhanced coverage of the Financial Systems Modules of GIFMIS. The project contributed to making expenditure management more effective. Through the expansion of the GIFMIS system across the MDAs and MMDAs, expenditure management improved significantly. All transactions recorded in GIFMIS now result in an audit trail. Additionally, the use of GIFMIS led to improvements in payroll controls and financial data integrity, ensuring that expenditure data was captured in a single system. which, in turn, is used to create a comprehensive database to track and monitor arrears: The expenditure data is regularly published on the Ministry of Finance website on a quarterly basis.

Output 8: Improved institutional capacity of the Ghana Audit Service (GAS). The project supported the establishment of the Audit Management Information Systems (AMIS) and training in audit techniques. The AMIS functions as a one-stop-shop database for all data and information required for carrying out audit assignments and is designed to enhance the quality and timeliness of audits. GAS staff have used the AMIS to audit the financial statements for the 2020 and 2021 financial years. In addition, the project funded the training of GAS staff in various auditing techniques. This has enhanced the capacity of the staff in producing audit reports in line with statutory requirements.

Outcomes

Reduction in number of supplementary appropriations: Improvements to the credibility of the budget were measured by the number of supplementary budgets presented to Parliament for approval. This indicator was used to reduce in-year deviations from the original appropriations (assuming there were no major shocks to the economy requiring mid-year budget revision). The indicator had a baseline (in 2014) of 6.2 percent in-year deviations from the original appropriations, and a target of 3 percent. Between 2017 and 2019 (the original closing date of the project), the target was surpassed, with the government preparing no supplementary budgets in this time period. However, in 2020 and 2021 the government prepared supplementary budgets due to the outbreak of COVID-19 and the need to accommodate expenditures related to the pandemic. As a result, in year deviations increased to 8.08 percent in 2021.

Number of MDAs reporting ex-post on program performance to Ministry of Finance: At project completion, 45 MDAs had reported on program performance, exceeding the original target of 20, from a baseline of 0. The specific units within the Ministry of Finance responsible for receiving and analyzing these program performance reports are the Budget Division and the Programme Monitoring and Evaluation Unit.

Percentage of budgetary spending units submitting cash forecasting plans: At project completion, 95.8 percent of budgetary spending units submitted cash forecasting plans, up from a baseline of 40 percent, and exceeding the target of 80 percent.

MDAs integrating procurement planning as part of the budget preparation process: At project completion, 45 MDAs integrated procurement planning as part of their budget preparation processes, up from a baseline of 7, and exceeding the original target of 25.

GIFMIS expenditure management functionality established in MMDAs (for the Consolidated Fund, Statutory Fund, and Internally Generated Funds [IGFs]): By project completion, GIFMIS had been rolled out in all 260 MMDAs, compared to a baseline of 5, and target of 150. The project supported the roll-out of all the modules of GIFMIS to all 33 MDAs and remaining 255 MMDAs, as well as 95 IGFs It project completion, it was rolled out across all MDAs, including the Public Services Commission, the Ghana Statistical Service, the Office of the Head of Local Government Service, the Office of the Head of Civil Service, the Ministry of Food and Agriculture, the Ghana Health Service, and the Ghana Prisons Service. This led to 88 percent of public servants being captured by HRMIS (by 28 May 2021), exceeding the original target of 86 percent, a significant increase over the baseline of 26.43 percent (ICR, p. 50). However, about 300,000 staff from the

Ghana Education Service (representing about 50 percent of all public employees) were not brought onto the HRMIS as planned (ICR, p. 14).

Percentage of payroll subjected to annual payroll verification audits. By the end of the project, annual payroll verification audits were carried out for 100 percent of the payroll, compared to a baseline of 0.

Strengthening the internal audit institution and capacity through establishment of internal audit teams in MDAs focusing on risk-based and systemic issues: Internal audit teams were established in 30 MDAs, up from a baseline of 0, exceeding the original target of 25.

Comprehensive coverage of government cash balances in TSA. The TSA was broadened to cover over 8000 accounts of MDAs. As part of the project, assistance was provided to the Ministry of Finance and CAGD for implementation of the TSA, which functions as a comprehensive system that incorporates forecasting capabilities, cash visibility, and availability determination capabilities, as well as debt management. This has assisted in strengthening cash management and forecasting. Most of the accounts of MDAs have been lodged with the Bank of Ghana, and all the accounts, including those lodged with commercial banks, can be viewed by the Minister for Finance at any point in time. At the conclusion of the project, 95 percent of central government cash accounts were included in the TSA at the Bank of Ghana (exceeding the target of 90 percent). The remaining five percent were held by about 400 accounts.

Expenditure arrears (as percentage of central government budgetary expenditures): Expenditure arrears were reduced through improved monitoring and control from a baseline of 19.7 percent in 2014 to 2.87 percent in 2021, exceeding the target of 10 percent.

Review of audit reports by the Public Accounts Committee of Parliament (PAC): At the time of the ICR, the PAC was reviewing the 2017 audit report, with a backlog of audit reports for 2018, 2019, and 2020 (ICR, p. 50), not achieving the target of reviewing audit reports within 12 months of receipt.

The project's achievement of this objective was substantial. The project yielded substantial improvements in the areas of procurement, budget management, fiscal planning, and the legislative framework. This led to a significant reduction in the number of supplementary budget appropriations.

Additionally, the project was effective in strengthening and building institutional capacities of the GAS and the PAC. The coverage of GIFMIS was significantly expanded, though the ICR notes that "instability of the internet network affected connectivity to the GIFMIS" (ICR, p. 20). It is unclear to what extent this has impacted the functionality and usage of the software (and if users are making expenditure commitments outside the system), with the ICR stating that "delays in connecting to the GIFMIS by users was very rampant. In some regions outside Accra, users had to wait for between two to four hours before connection could be made" (ICR, p. 20). The Task team Technology Agency (NITA), which is responsible for managing the national internet backbone, in order to resolve the issue. As a temporary measure, the government team also deployed mobile devices to remote areas where the connectivity issue persisted.

There was initial resistance to the implementation of the GIFMIS, but this was later resolved. When the manual systems were in use, prior to the introduction of the automated systems, some officials exhibited rent-seeking behaviors. With the introduction of automation, rent-seeking avenues were reduced, resulting in a situation in which some officials would, for example, use network connectivity challenges to indicate that the system was not working well. At the beginning of the reforms, several IT trainings were held for a range of staff to enable them to understand and use the IT systems that were being introduced. However, due to transfers and high turnover of administrative staff, new senior officials would come on board with little knowledge or training on basic IT.

Rating

Substantial

OBJECTIVE 2

Objective

Improve the financial reporting of the Government of Ghana

Rationale

The rationale underpinning the ToC for the second objective, to improve reporting in terms of completeness, consistency, and compliance with international standards, was appropriate and sound. The ToC identified the need to improve outdated public sector accounting standards and weak external oversight of financial reporting (ICR, p. 9). It also identified relevant project outcomes.

Outputs

Output 1: Strengthened institutional capacity for financial reporting as a result of implementing GIFMIS. The use of GIFMIS ensured that expenditure data was captured in a single system. Additionally, annual financial reporting has been expanded to include approved budgets, budget execution reports, procurement information, audit reports, and financial statements. This information is now published and available on either MDA websites, or those of the Ministry of Finance and the GAS. Public expenditure data are now published on the Ministry of Finance website on a quarterly basis.

Output 2: Improved financial reporting as a result of implementing the International Public Sector Accounting Standards (IPSAS): The project enhanced the public finance reporting process by supporting the implementation of IPSAS, as well as training of CAGD and Ministry of Finance staff in IPSAS. The project supported a total of 2,500 staff receiving IPSAS business process training, far exceeding the target of 250 staff. However, only 33.4 percent of female staff completed the training, not reaching the target of 40 percent. This discrepancy can be attributed to the relatively smaller number of women employed in the accounting and finance departments of the MDAs, highlighting the need for efforts to address the gender disparity and promote equal participation in training initiatives. By contrast, 66.6 percent of male staff, which amounts to 1,665 males, were trained in IPSAS. This indicates that a significant majority of the male staff in the accounting and finance departments received the IPSAS training, surpassing the target set for them.

Output 3: Preparation of the 2020 Annual National Accounts of Ghana based on whole-of-government accounting. National accounts, including those of the Consolidated Fund, IGFs, Statutory Funds, and Donor Funds used by the central government, local governments, and SOEs (State-Owned Enterprises), have been prepared in accordance with whole-of-government accounting processes and standards. This represents an expansion beyond the General Government Accounting used for the 2019 financial year, which did not include SOEs.

Outcomes

IPSAS Financial Reporting: A unified chart of accounts has been updated, and a review of policies, processes, and systems for various non-tax revenue streams has been undertaken to enhance IPSAS financial reporting. Nevertheless, the 2020 Opening Balance Sheet was not based on IPSAS. Although most of the IPSAS requirements were met, the 2020 balance sheet was not IPSAS compliant.

Proportion of budgetary expenditures reported in Annual Financial Statements of CAGD (including Consolidated Funds, Statutory Funds, IGFs, and Donor Funds). This indicator was developed to ensure that budgetary expenditures are fully accounted for and reported. Prior to the implementation of the reforms, only 66 percent of budgetary expenditures were reported in the Annual Financial Statements of the CAGD. Following the reforms, this number rose to 99.7 percent, exceeding the target of 90 percent.

Unified chart of accounts prepared to meet Government Finance Statistics (GFS), budget, and IPSAS needs. At baseline, there was no unified chart of account. By project completion, a unified chart of accounts was established, fully aligned to GFS (GFS compliant).

The project met most targets for improvement in financial and budget reporting. It also supported the expansion of GIFMIS, which was used for the production of financial reports, as well as staff training in IPSAS financial reporting. However, no indicators measured the quality of financial reporting (such as, for example, indicators to capture various aspects of accuracy, completeness, transparency, and adherence to international accounting standards). While the quality of financial reporting presumably would have improved as a result of the training provided to staff and expansion of GIFMIS, there were no indicators to reliably capture this improvement.

Rating
Substantial

OVERALL EFFICACY

Rationale
The project was implemented with the aim of addressing existing challenges relating to: (a) poor budget planning and management; (b) weak financial control; (c) weak cash management; and (d) weak external oversight. Its overall efficacy is assessed as Substantial. Expanding the coverage of GIFMIS has ensured that a greater volume of financial transactions is processed through the system by both MDAs and MMDAs, contributing to improved efficiency and oversight over the use of public resources. Moreover, as a result of the project's interventions, expenditure arrears management has been improved. Public expenditure data is now published on the Ministry of Finance website on a quarterly basis. The project also supported important improvements to the legislative framework as well as public procurement. The project would have benefited from additional indicators to measure achievements relating to improved quality of financial reporting.

Overall Efficacy Rating

Substantial

5. Efficiency

It is expected that the implemented reforms will support more efficient use of finances, generating economic gains. The project funded a nationwide public sector payroll and employee verification exercise, uncovering 7,823 employees who could not be accounted for and were who were subsequently deleted from the payroll. The annual salary savings from this initiative amounted to US$71.94 million per annum, using the exchange rate at project closure. The ICR notes that "this one-year savings alone is more than the total cost of the project" (ICR, p. 19). Additionally, the project successfully implemented the TSA, enabling the government to save about US$7.87 million annually on interest payments.

The project complied with fiduciary requirements during implementation. As noted in the ICR (p. 23), Interim Financial Reports and Annual Audited Financial Statements were submitted on time and were of acceptable quality. Furthermore, the project was able to ensure adequate liquidity by preparing quarterly forecasts and submitting Withdrawal Applications for replenishment of funds to the Designated Account. The Special Accounts were reconciled periodically, and timely bank reconciliation statements were produced.

However, there were shortcomings in implementation efficiency. The project experienced delays due to several factors: (1) A clause in the Administrative Agreement for the establishment of a Trust Fund for the project required that all IDA resources be fully utilized before Trust Fund resources were used. This resulted in a delay in the implementation of the IPSAS subcomponent and the subsequent extension of the closing date from December 2020 to December 2021. (2) Instability of the internet network affected connectivity to the GIFMIS, causing delays and requiring the involvement of the National Information Technology Agency to resolve the issue. (3) The COVID-19 pandemic caused travel restrictions, lockdowns, and strict social distancing measures, delaying project implementation.

Efficiency Rating

Substantial

a. If available, enter the Economic Rate of Return (ERR) and/or Financial Rate of Return (FRR) at appraisal and the re-estimated value at evaluation:

	Rate Available?	Point value (%)	*Coverage/Scope (%)
Appraisal		0	0 ☐ Not Applicable
ICR Estimate		0	0 ☐ Not Applicable

* Refers to percent of total project cost for which ERR/FRR was calculated.

6. Outcome

The project was highly relevant to country context, Bank strategy, and government strategy. Both of its objectives were substantially achieved, with attributable contributions to improved budget management, financial control, and reporting. Efficiency is rated substantial based on likely high returns and only moderate shortcomings in implementation efficiency. These ratings are indicative of minor shortcomings in the project's preparation, implementation, and achievement, producing an Outcome rating of Satisfactory.

a. Outcome Rating

Satisfactory

7. Risk to Development Outcome

In order for the outcomes of the project to be sustained, the continued support of the government will be essential (such as, for example, for maintaining IT systems, improving the interconnectedness of IT solutions, procuring mobile devices to address GIFMIS connectivity issues, and maintaining the utility of the GIFMIS). The complimentary IPF project (P152171) which closed on 30 June 2022 further reduces risks to development outcome. In May 2022, the government developed and approved a new PFM reform strategy (2022-2026), which is a welcome development. The World Bank has also approved a Program for Results (PforR) operation that will build on the key achievements of the project to strengthen domestic revenue mobilization, budget planning and preparation, public investment, and human resources management. The new PforR operation was possible because of the core achievements of this project, including implementing program budgeting and developing a TSA at the central level.

8. Assessment of Bank Performance

a. Quality-at-Entry

The project was consistent with a comprehensive PFM reform strategy developed by government. It included a costed implementation plan. The ICR notes that consultations were carried out with broad range of stakeholder groups to identify appropriate activities to be supported. The project built on lessons learned from previous PFM projects, which highlighted the need to mainstream change management in all components of the project, as well as the importance of strengthening institutional capacities. The design of the project also took into account the recommendations contained in the 2012 PEFA report. A comprehensive risk assessment was carried out at project appraisal, with appropriate provisions made for procurement, financial management and safeguards.

As resistance to change among MDAs and MMDAs had hindered implementation of the previous PFM reform strategy, change management was an important element of project design. “Extensive training and change management activities were programmed as part of implementation." (PAD, p. 38). The project team implemented the following measures:

1. During the project design phase, change management was treated as a cross-cutting issue, ensuring its integration into all project components to ensure the realization of individual component objectives.
2. A change management unit was established to coordinate all change management interventions. This unit was responsible for ensuring that all capacity building initiatives incorporated change management principles. For each capacity building event, dedicated time was reserved for a facilitator to moderate a session on change management. For example, trainings on the budget preparation module included dedicated sessions on change management. Similarly, functional trainings on the "accounts receivable module" also included change management sessions.
3. The design and delivery of IT trainings for different user segments took change management into consideration. These trainings not only focused on IT skills but also included separate sessions on change management. In some cases, basic computer training was provided to users who had a fear of computers, emphasizing the importance of overcoming such apprehensions through change management.
4. Specific change management trainings were conducted for various staff segments to help them understand the value of the project's interventions and the importance of the reforms. These trainings included basic IT skills training on MS Office (MS Word, MS Excel, etc.). During these sessions, separate Change Management Sessions were incorporated, guiding staff through the objectives of the reform, the anticipated benefits, and the rationale behind the country's reform efforts.

Quality-at-Entry Rating
Satisfactory

b. Quality of supervision

Project supervision was adequate, with the Bank undertaking regular implementation support missions. Issues identified during missions were reported in aide memoires, Implementation Status and Results Reports, and management letters. Supervision missions were multi-disciplinary and included both international and national staff, as well as fiduciary staff. The task team leaders were based in-country and held weekly check-ins with the PCU. The TTLs also used video conferencing facilities to bring in team members who were not resident in-country, provided just-in-time support to the project team, and regularly provided briefs to Bank management. During the COVID-19 outbreak, the task team used weekly virtual meetings to continue supporting project implementation. The project was restructured twice to address changing government priorities, address the COVID-19 pandemic crisis, and reallocate funds among project categories. The restructurings permitted more funds to be allocated to financial reporting and other relevant project activities. The first restructuring that dropped the two sub-components on PIM Capacity and Fiscal Risk Management and Reporting and was implemented as a result of the approval of a new World Bank supported project {Ghana Economic Management Strengthening Project (GEMS)} that had dedicated components on PIM and Fiscal Risk Management and Reporting. More funds were allocated to the component (Strengthening Budgetary Planning and Macro-Fiscal Management and Strengthening Budgetary Planning and Macro-Fiscal Management) to deepen implementation of the remaining sub-components. The rationale for the second restructuring was to request additional time for project activities due to the outbreak of COVID-19 and the resultant slow-down of project activities.

Quality of Supervision Rating

Satisfactory

Overall Bank Performance Rating

Satisfactory

9. M&E Design, Implementation, & Utilization

a. M&E Design

The results chain was adequate to measure the intended project outcomes and achievement of the objectives. The results indicators were well aligned with the project's components, outputs, and outcomes. Intermediate results indicators were appropriately revised at the project restructurings. The Project Management Unit (PMU, Ministry of Finance) was responsible for coordinating monitoring efforts, using the services of a full-time M&E specialist. Based on the objectives, a detailed results framework and monitoring plan was designed, comprising clearly defined indicators, annual targets, and data collection protocols. M&E design took into consideration relevant requirements, tools, and institutional arrangements. The Project Appraisal Document clearly outlined key M&E and reporting responsibilities. Both quantitative and qualitative data collection methods were used to gather and analyze relevant data and information on progress toward achieving targets

b. M&E Implementation

Responsibility for assessing implementation progress lay with the PMU, which served as a link between the Bank, other development partners, and the implementing agencies. The PMU was proactive in planning, coordinating, and managing the implementation of the project. The PMU bi-annually sent information and progress reports to the Bank, using templates for reporting and collating necessary information on each project component. The M&E team at the PMU played a lead role in the planning, implementation, monitoring, and reporting on implementation progress and overseeing results, in close collaboration with component leads. The close collaboration and support from the World Bank Team ensured that project implementation progressed as expected. Challenges identified especially during Implementation Support Missions were discussed and solutions provided in a timely manner.

In addition, the government established a PFM Reforms Steering Committee to provide strategic guidance and direction to the project. The committee met at least twice a year to receive and review implementation progress reports from the PMU. Trained staff was engaged to collect and analyze field data while the PMU oversaw the overall progress and provided timely information to assist in the effective decision-making process. (ICR, p. 26).

c. M&E Utilization

The project effectively used data from M&E framework to engage with the Minister of Finance and management of the various implementing agencies to address implementation weaknesses and improve strategic decision-making. Based on M&E data and analysis, as part of the two restructurings, funding was re-allocated between project categories. For example, the ICR notes that, based on data from the M&E reports, the US$5 million allocated for "just-in-time activities" under the fourth component was re-allocated to the second and third components which required more funding. This sub-component originally was to provide the just-in-time interventions in new and arising reform activities as well as problem-driven issues that will be critical to leveraging the achievements of each of the components and sub-components of the project. Furthermore, some indicators were modified while others were deleted and the evaluation of progress at the MTR supported changes to the project to focus on a more consolidated set of priorities. (ICR, p. 22).

M&E Quality Rating

Substantial

10. Other Issues

a. Safeguards

None triggered. The project environmental category was classified as "C" and continued to be rated "C" after the restructuring. There were no social or major environmental issues associated with the project, which focused primarily on supporting institutional and capacity building. The project did not trigger the involuntary resettlement policy. Project activities did not have impacts on land and did not require land acquisition leading to involuntary resettlement and/or restrictions of access to resources or livelihoods.

b. Fiduciary Compliance

The ICR notes that financial management and procurement remained largely satisfactory throughout project implementation. The project complied with fiduciary requirements during implementation and with Financial Covenants (submitting interim quarterly financial reports and audit reports that were acceptable to the Bank). Quarterly forecasts were prepared, allowing for the timely submission of Withdrawal Applications for replenishment of funds to the Designated Account. The Special Accounts were reconciled periodically, and timely bank reconciliation statements were produced. The ICR also notes that reviews (mid-term and in-depth reviews) by the Bank were conducted.. Procurement processes complied with Bank procurement guidelines.

c. Unintended impacts (Positive or Negative)

None reported.

d. Other

N/A

11. Ratings

Ratings	ICR	IEG	Reason for Disagreements/Comment
Outcome	Satisfactory	Satisfactory	
Bank Performance	Satisfactory	Satisfactory	
Quality of M&E	Substantial	Substantial	
Quality of ICR	---	Substantial	

12. Lessons

The ICR offers the following pertinent lessons:

- **The implementation of multiple IT solutions requires a well-thought-through integration plan**. During project implementation, IT solutions needed to be integrated to ensure that all systems were fully linked. For example, the budget preparation solution (Hyperion) and the human resource management solution (HRMIS) became fully integrated parts of the GIFMIS. However, some IT solutions of the government remain standalone systems.
- **Projects that involve a wide range of technical areas and many actors/implementing agencies require a strong and motivated coordination and dedicated M&E unit.** The Project Steering Committee and PMU were critical in ensuring coordination among implementing entities across the PFM value chain.

IEG adds the following:

- **In order to effectively introduce reform measures and minimize resistance, it is crucial to incorporate culturally sensitive participatory approaches that prioritize change management.** The challenges associated with past PFM reforms highlight the significance of addressing cultural resistance. To ensure successful reform implementation and desired outcomes, deliberate change management strategies must be employed, emphasizing both cultural and institutional ownership of the reform projects. Therefore, it is essential to include targeted interventions that specifically integrate change management principles into the reform process.

13. Assessment Recommended?

No

14. Comments on Quality of ICR

The ICR was well-written, well-structured and addressed pertinent issues. It discussed the strategic relevance of the project's objectives. Its data and overall analysis were sound. It embedded the project within a broader reform agenda, emphasizing the need to focus continuously on sustainability of reforms. The ICR highlighted relevant lessons (pertaining to change management, and the need to promote better connectivity between IT solutions), but some of the lessons were not well connected to other parts of the report. This shortcoming could have been addressed through a more thorough discussion of the challenges that were encountered during project implementation. In addition, the ICR occasionally used terms or acronyms that were not defined or explained. Lastly, there was a need for further evidence on the adequacy of trainings provided, leading to a request for additional information to ensure a comprehensive evaluation.

a. Quality of ICR Rating
Substantial