2012:8

Joint Evaluation

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Evaluation of Public Financial Management Reform in Ghana, 2001–2010

Final Country Case Study Report

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Submitted by Fiscus Public Finance Consultants and Mokoro Ltd to the Evaluation Management Group

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The views and interpretations expressed in this report are the author and do not necessarily reflect those of the commissioning agencies, Sida, Danida and AfDB.

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Acronyms and Abbreviations

AAP	(HIPC) Annual Assessment & Action Plan
ADMD	Aid and Debt Management Division
AfDB	African Development Bank
AFROSAI	Africa Organisation of Supreme Audit Institutions
ARIC	Audit Recommendation Implementation Committees
BDU	Budget Development Unit
BMZ	German Ministry of Cooperation and Development
BPEMS	Budget and Public Expenditure Management System
CABRI	Collaborative African Budget Reform Initiative
CAGD	Controller and Accountant General's Department
CEPS	Customs, Excise and Preventative Service
CFAA	Country Financial Accountability Assessment
CHRAJ	Commission on Human Rights and Administrative Justice
CIDA	Canadian International Development Agency
CPIA	Country Policy & Institutional Assessment
CSO	Civil Society Organisations
DAC	Development Assistance Committee (of the OECD)
DANIDA	Danish International Development Assistance
DC	Developing Country
DFID	Department for International Development of the UK
DP	Development Partner
EC	European Commission
ERPFM	External Review of the Public Finance Management
EU	European Union
FAA	Financial Administration Act
FAR	Financial Administration Regulations
FC	Finance Committee
FMIS	Financial Management Systems
GAS	Ghana Audit Service
GBS	General Budget Support

GDP	Gross Domestic Product
GIFMIS	Ghana Integrated Financial Management Information System
G-JAS	Ghana Joint Assistance Strategy
GNI	Gross National Income
GoG	Government of Ghana
GPRS	Growth and Poverty Reduction Strategy
GRA	Ghana Revenue Authority
GSGDA	Ghana Shared Growth and Development Agenda
GTZ	German Technical Cooperation
HDI	Human Development Index
HIPC	Highly Indebted Poor Countries
IAA	Internal Audit Agency
IAU	Internal Audit Unit
ICR	Implementation Completion Report
IDA	International Development Assistance
IEG	Independent Evaluation Group (World Bank)
IFMS	Integrated Financial Management System
IMF	International Monetary Fund
INTOSAI	International Organisation of Supreme Audit Institutions
IPPD	Integrated Personnel and Payroll Database system
LGA	Local Government Authority
MDAs	Ministries, Departments and Agencies
MDBS	Multi-Donor Budget Support
MDBS-F	Multi-Donor Budget Support Framework
MDG	Millennium Development Goal
MMDAs	Metropolitan, Municipal, and District Assemblies
MoFEP	Ministry for Financial and Economic Planning
MoLGRD	Ministry of Local Government and Rural Development
MPs	Members of Parliament
MTEF	Medium Term Expenditure Framework
NAO	National Audit Office
NDC	National Democratic Congress
NDPC	National Development Planning Commission

NPM	New Public Management
NPP	New Patriotic Party
ODA	Official Development Assistance
OECD	Organisation for Economic Cooperation & Development
OHCS	Office of the Head of Civil Service
PAC	Public Accounts Committee
PAF	Progress Assessment Framework
PBAs	Programme Based Approaches
PD	Paris Declaration
PEFA	Public Expenditure & Financial Accountability
PER	Public Expenditure Review
PETS	Public Expenditure Tracking Survey
PFM	Public Finance Management
PIU	Project Implementation Unit
PPB	Public Procurement Board
PPP	Purchasing Power Parity
PSC	Public Service Commission
PUFMARP	Public Financial Management Reform Programme
RAGB	Revenue Agency Government Board
SAP	Strategic Action Plan
SBS	Sector Budget Support
SEC	State Enterprises Commission
SECO	Swiss – State Secretariat for Economic Affairs
SMTAP	Short and Medium Term Action Plan for PFM
SSA	Sub-Saharan Africa
ST/MTAP	Short & Medium Term Action Plan (for PFM Reform)
TA	Technical Assistance
TIN	Taxpayer Identification Number
TSA	Treasury Single Account
UNDP	United Nations Development Programme
UNICEF	United Nations Children's Fund
USD	United States Dollar
WB	World Bank

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Executive Summary

Overview of findings

This Country Report has been prepared by Fiscus Limited, UK, in collaboration with Mokoro Ltd, Oxford, as one of three country reports in the Joint Evaluation of Public Financial Management Reform, managed by the African Development Bank, Denmark and Sweden. The evaluation looked at two main questions: (i) where and why do Public Finance Management (PFM) reforms deliver results and (ii) where and how does donor support to PFM reform efforts contribute most effectively to results? Our overall conclusions are presented in the Summary Matrix contained in Annex A, which summarises, for the overall Ghana PFM reform programme 2001 -2010 and for four component areas within the reform programme, our answers to the 12 Evaluation Questions, posed within the study.

The study's main conclusion is that, relative to the significant funds expended on Public Finance Management (PFM) reform over the study period, success has been largely disappointing. The most substantial progress was found in a stronger legislative base. However, similarly to other countries, Government of Ghana (GoG) has experienced significant challenges in implementing the new laws. Otherwise, the most effective reforms appear to have been the revenue management activities, as they have led to a sustained output in the form of changed processes and a significant increase in revenues as a share of Gross Domestic Product (GDP) during the period studied.

During the period studied, PFM outcomes deteriorated in a number of key areas, including budget credibility, the build-up of expenditure arrears, and compliance with expenditure controls. The deterioration in outcomes is largely a consequence of the failure to achieve a number of desired PFM reform outputs, including a fully-functioning Medium Term Expenditure Framework (MTEF), a workable Financial Management Information System, and greater efficiency in resource flows to Ministries, Departments and Agencies (MDAs) and MMDAs. The limited improvements in intermediate outcomes were largely independent of PFM reform actions.

On the other hand, Ghana has experienced significant improvements in regard to external oversight. The most notable achievements have been the clearance of the backlog of audits, the introduction of open Public Accounts Committee (PAC) hearings on audit reports, and the timely submission of central government audit reports to Parliament.

The degree of political commitment and leadership was found to be the main binding constraint to the relative success of PFM reform. Commitment tended to be relatively strong at the beginning of reforms, which enabled legislation to be enacted and reform programmes to be initiated, but commitment has tended to wane over time as other political priorities have taken precedence, thus hampering the completion of reforms under way and the implementation of the new legislation. Political incentives for reform were found to be strongest at the beginning of a new government. However, progress was at times hampered by disruptions to the continuity of senior management personnel following electoral change. The political cycle also led to a recurring pattern of rapid fiscal expansion, followed by fiscal consolidation and the imposition of stronger expenditure controls. As a consequence, for two years either side of each election both administrative effort and political attention have been repeatedly diverted away from the implementation of reforms.

In terms of the role of DPs in the success, or otherwise, of reforms, it did not appear that Development Partner (DP) support was a key positive factor in achieving PFM reform progress. While the total amount of resources appeared to be sufficient, and disbursement delays were not a critical hindrance to reform, the effectiveness of DP contributions was undermined by policy space constraints, particularly in terms of the appropriate design of specific reforms. In particular, there has been a tendency to focus on technological solutions rather than changes to the underlying processes. There has also been a failure to adapt reform designs in the light of implementation results. External support has therefore appeared to have greater traction at the early stages of reforms, in facilitating design and the initial implementation, than subsequently in sustaining or deepening reform initiatives, which would clearly call for adaptation of initial designs and the application of the lessons of implementation experience. Exceptions to this have occurred where there have been sustained DP contributions over a longer period of time, with support demand-driven, targeted to specific needs, and adaptable in terms of design and re-design. Reforms to revenue administration are the most salient example.

Implications

As Ghana, a newly middle-income country enters a phase characterised by likely changes in its partnership with DPs, including in terms of the MDBS, its government and senior management are likely to exercise greater active control of its reform programme, including the provision of resources. The study highlighted the following areas of potential risk management for both GoG and DPs in its future PFM reforms.

- GoG and DPs should recognise the importance of continuity in reform initiatives and consider longer-term and flexible approaches to support that can take advantage of windows of opportunity (e.g. political space) while allowing for scaling back when conditions for making progress are less favourable.

- Explicit analyses should be undertaken of stakeholder readiness for reform, particularly for Information Technology (IT) projects and reforms involving functions to be devolved. A technological (IT) solution may not always be appropriate, particularly if the underlying manual processes (e.g. internal controls) are inadequate.
- Identify demand and management factors that are likely to facilitate successful reform, including the role of Civil Society Organisations (CSOs) and peer-to-peer learning opportunities.
- Allow adequate time to plan and sequence reforms, including planning, designing, testing (piloting), reviewing, and taking action based on reviews of the testing, and completing reforms. Successful reform programmes should not be led by systems (and technology).
- Consider the provision of training in leadership for senior political and administrative levels, particularly for those in newly-appointed positions.
- Improve incentives for active senior management linked to reform performance.
- In light of the impact of the electoral cycle, build into the reform programme periods of review or a pause in the timetable for bringing on board new stakeholders.

1. Summary of Objectives and Approach

This Country Report has been prepared by Fiscus Limited, UK, in collaboration with Mokoro Ltd, Oxford, as one of three country reports in the Joint Evaluation of Public Financial Management Reform, managed by the African Development Bank, Denmark and Sweden. It incorporates the comments received on the first draft by the Management Group and the peer reviewer as well as those of the in-country stakeholders, who attended the presentation of the draft report in Accra during January 2012. This report, together with the evaluation of PFM Reforms in Malawi and Burkina Faso, has been incorporated into an accompanying synthesis report and will be the subject of a wider process of dissemination within the Africa region and beyond.

1.1 OBJECTIVES OF THE EVALUATION

The evaluation aims to address two core questions presented in the Terms of Reference:

a) Where and why do PFM reforms deliver results (i.e. improvements in the quality of budget systems)?;
   and
b) Where and how does donor support to PFM reform efforts contribute most effectively to results?

It is thus a dual evaluation, involving first an evaluation of the overall programmes of PFM reform conducted over 2001 to 2010 in Ghana, and secondly, an evaluation of the external support provided to these reforms by donors.

1.2 EVALUATION APPROACH

The evaluation framework has been defined in the Inception Report for the 3-country study[1]. It utilises the Organisation for Economic Development (OECD-DAC) evaluation criteria and thus assesses the relevance, efficiency, effectiveness and sustainability of both the overall programme of PFM reform and the external support provided. The overall goal is to draw lessons on (i) the types of PFM reform pursued and their interaction with the Ghana context and (ii) the mechanisms of external support that most contributed to their success. Success is associated with improvements in the quality of budget systems, as measured primarily by changes in the Public Expenditure and Financial Accountability (PEFA) assessment framework indicators and the narrative

1 Lawson, A. (2011). Joint Evaluation of PFM Reforms in Burkina Faso, Ghana and Malawi: Inception Report. Oxford, Fiscus Limited, Mokoro Limited.

PEFA reports. The evaluation framework characterises these changes as intermediate outcomes in a 'PFM Theory of Change Framework', which underlies the evaluation.

The Framework (presented in Figure 1 below) requires the detailing of PFM Reform inputs, outputs and intermediate outcomes and the examination of the relationship between them. In addition, it allows for the analysis of how external constraints – conceptualised as political, financial and policy space constraints – impact on the translation of reform inputs into outputs.

Inputs are defined as the resources and other inputs provided in order to promote PFM reform. These are divided between direct funding by governments to internal PFM reform efforts, external funding by Donors of PFM reform efforts and complementary inputs by Donors, aimed at facilitating better PFM through the use of country systems and the provision of budget support, or improving the design and implementation of PFM reforms through policy dialogue and external monitoring (often linked to budget support or to IMF supported arrangements).

Outputs are defined as the immediate changes in the architecture and substance of the PFM system generated by the combined set of inputs. These are categorised into four groups: i) Changes in human resource endowments (people and skills); ii) Changes in laws, procedures and rules; iii) Changes in systems and business processes; and iv) Changes in Organisational factors (the quality of management, the work culture, the degree of organisational development).

Intermediate Outcomes are the changes generated in the quality of the PFM system, as measured by changes in the quality of:

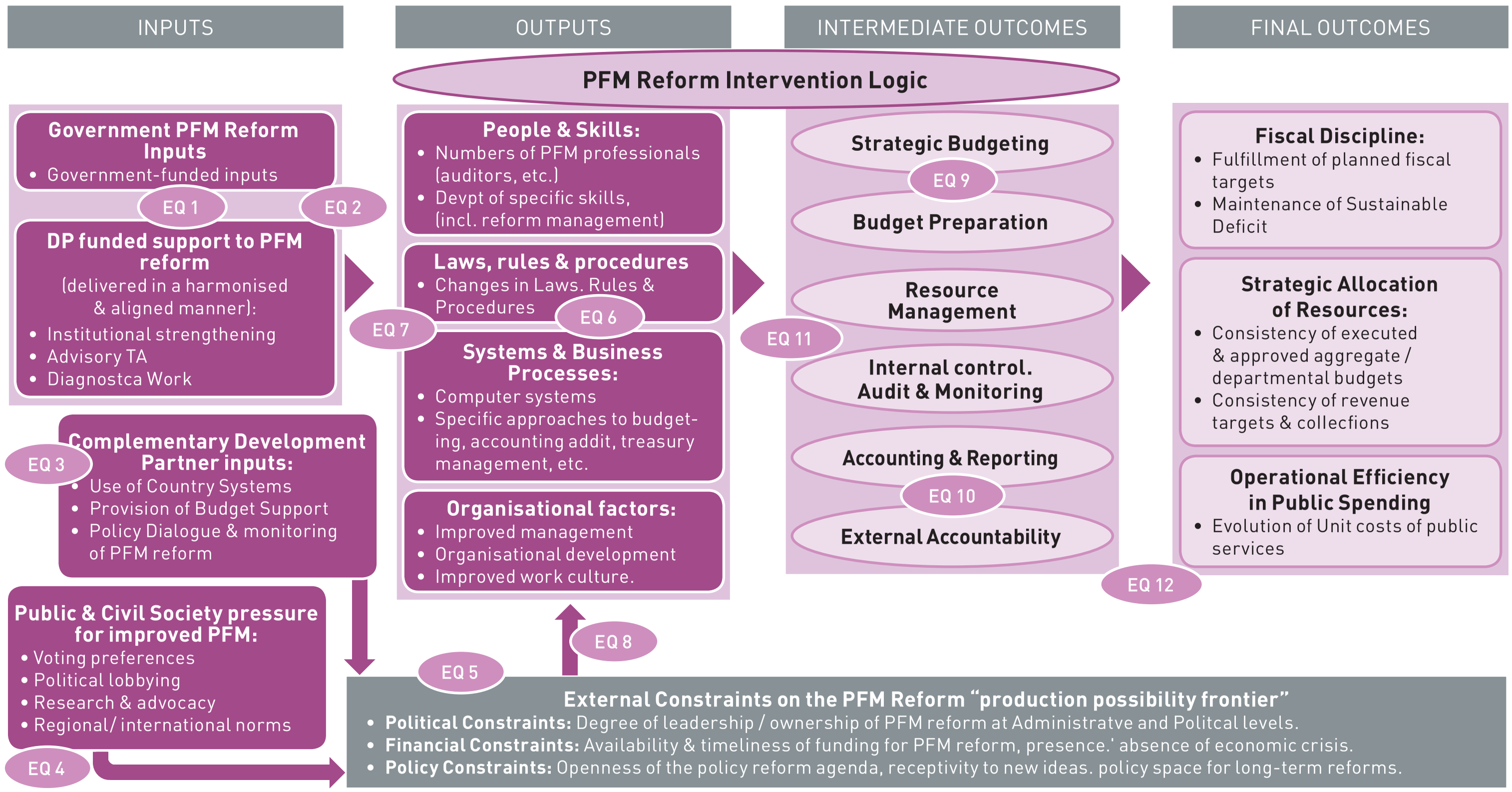
i) Strategic budgeting;
ii) Budget Preparation (including budget deliberation by the Legislature);
iii) Resource management (covering both inflows and outflows);
iv) Internal controls, audit and monitoring;
v) Accounting and reporting; and
vi) External Accountability.

The framework utilises the PEFA assessment framework to measure changes in each of these clusters of functions, based on a categorisation of the subdimensions of the PEFA indicators between each of them. The categorisation is based on Andrews (2010) and is also applied by De Renzio et al (2010). The characteristics of (a) transparency and comprehensiveness, (b) the quality of links to policies and plans, and (c) the efficiency and effectiveness of control, oversight accountability are subsumed within this categorisation.

External constraints are seen to impinge on the PFM reform 'production function', in other words with the capacity of PFM reform inputs to generate the planned outputs. Key constraints are "political constraints" related to the degree of ownership and support for given PFM reforms, "financial constraints" related to the ability to finance PFM reforms in the face of competing priorities, and "policy space constraints", related to the nature of policy ideas which might potentially be considered in designing PFM reforms.

A key task for the evaluation of PFM reforms in Ghana was therefore to examine whether there have been external constraints which have prevented or slowed down the translation of reform inputs into reform outputs and which of the three types of constraint have been most significant in this respect. The purpose has been to identify what have been the binding constraints on different types of reforms and to reach a judgement on whether reform challenges were due to reform models which lay beyond the prevailing "production possibility frontier", examining also the role of donor support in this process.

Figure 1. The Evaluation Framework and the place of the Evaluation Questions within the Intervention Logic



1.3 EVALUATION QUESTIONS

Box 1 : Evaluation questions

A Inputs & context: the design of PFM reform

EQ. 1: What has been the nature and the scale of PFM reform inputs provided by Government and by Donors?

EQ. 2: What types of structures have been used for the design and management of these reform inputs? Have these structures served to provide a coordinated and harmonised delivery framework?

EQ. 3: What types of complementary actions have Donors taken to support PFM reforms and what has been their significance? Have they had any influence on the external constraints to reform?

EQ. 4: To what extent has there been domestic public pressure or regional institutional pressure in support of PFM reform and what has been the influence on the external constraints to reform?

EQ. 5: How relevant was the PFM reform programme to the needs and the institutional context? Was donor support consistent with national priorities? To what extent were adaptations made in response to the context and the changing national priorities?

B Outputs: the delivery of PFM reform

EQ. 6: What have been the outputs of the PFM reform process and to what extent has direct donor support contributed to these outputs?

EQ. 7: How efficiently were these outputs generated? Was the pacing and sequencing of reforms appropriate and cost-effective? Was the cost per output acceptable?

EQ. 8: What have been the binding external constraints on the delivery of PFM reform outputs: political, financing or policy factors? How has this varied across different PFM reform components?

C Outcomes: overall assessment of PFM reform & of donor support to PFM reform

EQ. 9: What have been the intermediate outcomes of PFM reforms, in terms of changes in the quality of PFM systems?

EQ. 10: To what extent have the outcomes generated been relevant to improvements in the quality of service delivery, particularly for women and vulnerable groups?

EQ. 11: Have reform efforts been effective? If not, why not? If yes, to what extent PFM reform outputs been a causal factor in the changes identified in intermediate outcomes?

EQ. 12: To what extent do the gains identified at the Intermediate Outcome levels appear sustainable? Is the process of PFM reform sustainable?

The Ghana study was based on twelve evaluation questions common to the three country cases (see Box 1 above and the fuller presentation of responses to evaluation questions and corresponding judgement criteria in Annex A). The Evaluation Questions are structured so as to provide a standardised framework for assembling evidence, so that the results of the country studies can be easily synthesised to provide answers to the overall high-level questions, which the evaluation addresses. The questions marry core OECD DAC evaluation questions with the concerns specific to the study.

1.4 FIELDWORK PROCESS

The research for the country study was undertaken in two phases. The first phase, an initial desk phase, involved reviewing background documents and gathering published data on the Ghana context and the specific PFM reforms carried out from the late 1990s to the present. The output from this phase was a desk report, whose findings have been included in the current report.[2] The study's second phase, the field visit, involved extensive interviews and focus group meetings with stakeholders in Accra and in one district administration. An Aide-Memoire setting out the findings was circulated following the field visit.[3]

While each of the three country case studies examines PFM reforms during the 10-year period from 2001 through 2010, the Ghana case study included the late 1990s in its review. This extended time period was considered relevant in order to include the whole of the PUFMARP reforms, which began in 1998, and which provided the foundation for many of the reforms, which took place during the study period. In addition, the study makes references in passing to recent reforms that were initiated during 2010 (e.g. in budget formulation [programme-based budgets] and the GIFMIS) in order to comment on the extent to which they respond to previous reform experience, since it is too early to evaluate the performance of these reforms.

In Ghana, as in the other two country studies, an assessment was made of the overall progress of the PFM reform programme and of a number of specific reforms, as case histories. The case histories focussed on four specific PFM reforms, specifically, (i) Financial Management Information Systems (FMIS), including Budget Planning and Expenditure Management System (BPEMS) and the Integrated Payroll and Personnel Database (IPPD2); (ii) the Medium Term Expenditure Framework (MTEF); (iii) revenue management; and (iv) internal audit. Together, these components cover the majority (in terms of monetary value spent) of the reforms that were carried out during the period studied. At the same time, they provide for comparative results to be studied, with two of these reforms (FMIS and MTEF) enjoying significant DP support, whilst a third (internal audit) had very limited external support.

2 Gordon, A, and M Betley (2011), Evaluation of Public Financial Management Reform in Ghana 2001-2010: Desk Report, Fiscus/Mokoro: Oxford.

3 Betley, M, A Bird, and A. B. Ghartey (2011), Joint Evaluation of Public Financial Management Reform in Burkina Faso, Ghana & Malawi: Ghana Country Case Study – Field Visit: Aide-Mémoire, Fiscus/Mokoro: Oxford.

The fourth reform, revenue management, is common to the three case study countries and provides a contrast in terms of being relatively technical in nature and relatively self-contained (i.e. predominantly managed by a single institution).

Reviews of documentation and data, stakeholder interviews and focus groups provided the main evidence for the analyses against the evaluation questions. The stakeholders consulted are shown in Annex B, and the documents examined during the study are listed in Annex C. The former included representatives from central agencies (specifically, Ministry of Finance and Economic Planning [MoFEP], Controller and Accountant-General's Department [CAGD], and Ghana Revenue Authority [GRA]), as well as sector ministries (Ministry of Health and Ministry of Tourism), and one local government unit (a district assembly, known collectively in Ghana as Metropolitan, Municipal, and District Assemblies [MMDAs]).

While every attempt has been made to ensure that the responses to the evaluation questions are based on the best evidence available, the lack of relevant, consistent and comprehensive data represents a significant shortcoming to the analysis. This is particularly true for actual GoG expenditures for PFM-related activities, as well as for disaggregated data on DP PFM commitments and disbursements. Furthermore, the change in government in 2009, following a period of 8 years, meant that many of those who were in leadership or management positions during the implementation of the reforms being studied were no longer in post. This was also true for DP officials involved in PFM reforms, many of whom moved on to other positions outside of Ghana. Nonetheless, the study team managed to consult with a number of former GoG officials who had been involved in the implementation of the reforms under the previous government.

1.5 REPORT STRUCTURE

The report follows the standardised structure for the three country studies. In addition to this chapter on the Study objectives and approach, it comprises (i) a chapter describing the context and evaluating the inputs to PFM reforms in Ghana; (ii) a chapter on the planned and actual outputs; (iii) a chapter discussing the intermediate outcomes; and iv) a chapter providing conclusions and wider lessons.

A series of annexes contain summary matrices of the responses to the 12 Evaluation Questions for Ghana as a whole and for the four PFM reform "case histories" (Annex A), a list of those consulted during the study (Annex B), bibliographic references (Annex C), and an overall summary of PFM reform inputs, outputs and intermediate outcomes over the 2001 – 2010 evaluation period (Annex D).

2. Inputs and Context: the design of PFM reform

2.1 THE REFORM CONTEXT

Ghana has a population of 23 million people, of whom around 51% live in rural areas. Per capita gross national income (GNI) was US$1,530 in 2009.[4] The country is divided into 10 administrative regions (Ashanti, Brong Ahafo, Central, Eastern, Greater Accra, Northern, Upper West, Upper East, Volta and Western). Ghana has seen progress in reducing poverty in recent years although there are considerable differences in socio-indicators between the north and the south, with relatively greater poverty in the northern regions. The absolute number of poor declined sharply in the south between 1992 and 2006 (2.5 million fewer poor), while it increased in the north (0.9 million more poor).[5]

In 2010 the country's ranking in the United Nations Development Programme's (UNDP) human development index (HDI) was 130 out of 182 countries. Ghana became the first African country to reach the first Millennium Development Goal (MDG) on halving its poverty and hunger rates before 2015.

Overview of economic and fiscal performance

When the New Patriotic Party (NPP) won the elections in 2000, it inherited an economy that had suffered a macroeconomic shock in 1999. Inflation was running at 41%. The budget deficit and external and domestic debts were at unsustainable levels and this inevitably had a negative impact on expenditure in social sectors and poverty reduction activities as the Government struggled to service its debt and stabilise public finances.

However, the anti-inflationary monetary policy and the fiscal consolidation that was implemented by GoG facilitated a subsequent period of positive growth that was also helped by strong commodity prices. In 2007, the annual real growth rate reached 6.3%; only the second consecutive year that the growth rate had been in excess of 6% since the 1980s. Between 2000 and 2007, the average real gross domestic product (GDP) growth rate was 5.2%, a figure higher than the sub-Saharan average of 4.8% in the same period.[6] In 2008 growth rates reached their highest for two decades rising to 7.3%.[7] More recently economic growth has slowed in Ghana as it has globally. In Ghana economic growth in 2009 dropped to 4.7% – the lowest since 2002. Economic

4 PPP, current international US$ – World Bank (2011)
5 World Bank, 2011
6 Allsop et al, 2009.
7 Using rebased GDP, this figure would be 8.4%.

growth began to recover in 2010 and is projected to accelerate to almost 14% in 2011 on the back of global recovery, exceptional public investment in the rising oil sector, and revenues from anticipated new oil discoveries.[8]

Ghana's macroeconomic situation is considered to be "delicate" by the World Bank.[9] This is in part due to its reliance on primary products but also to instability in the region, which has led to Ghana's hosting refugees from other countries. Agriculture accounts for about a third of GDP, while the industrial sector contributes 28%. Ghana continues to be overly dependent on a few primary commodities. A narrow range of exports constitutes a significant part of Ghana's GDP, specifically, gold (42%) and cocoa (30%), which together accounted for over 70% of exports in 2009. Despite government policies over a number of years, which aimed to encourage industrialisation, manufacturing accounts for just 9% of exports.[10] The discovery of substantial reserves of oil and gas in Ghana will provide a new source of revenue but one which is vulnerable to shocks in global oil prices.

The global financial crisis has had an impact on the Ghanaian economy, with lower export values, a fall in commodity prices, less and more expensive foreign capital, lower remittances and fewer tourists. This in turn has had an impact on income growth, job losses and budgetary pressures, leading to reduce government spending on social protection systems. However, with the start of oil production in late 2010, GDP per capita is projected to exceed $1,400 in 2011.[11] For 2010, the Ghana Statistical Services projected a 6.6% growth in real GDP.[12] The impact of oil-related investment expenditures (e.g. construction, information and communication technologies, hotels, financial intermediation) and continuously favourable climatic and terms of trade conditions were seen to trigger a slight increase in economic growth in the first half of 2010. This was reinforced by the moderate rebound in private sector credit growth which has occurred since June 2009.

The Government's stabilisation policies led to improved fiscal performance post-2001 (Table 1). Revenue generation has been stronger, assisted in part by improved tax administration, greater collection of internally generated funds (IGFs), and higher levels of remitted profits, while expenditures have been contained, partly through reductions in debt servicing requirements. Domestic revenues increased to nearly 24% of GDP by 2005. This revenue mobilisation effort, supported by HIPC debt relief, allowed Government both to reduce its reliance on domestic financing of the deficit and to increase domestically financed primary expenditure to just fewer than 30% of GDP in 2005, up from 23% in 2002. Fiscal performance has also benefited from lower domestic interest rates.

8 African Economic Outlook, 2011

9 World Bank, 2010.

10 African Economic Outlook, 2011

11 This figure differs from the GNI figure above as the latter also includes its income received from other countries (notably interest and dividends), less similar payments made to other countries.

12 World Bank, 2010

Table 1: Overall Budgetary Trends, 2001-2010

	% of GDP									
	2001 Actual	2002 Actual	2003 Actual	2004 Actual	2005 Actual	2006 Actual	2007 Actual	2008 Actual	2009 Actual[2]	2010 Actual[2]
Total Revenues[1]	25.0	21.1	25.5	30.2	28.3	27.3	28.8	27.5	16.4	17.4
Total Expenditures	32.7	26.1	29.0	33.3	30.7	34.3	37.3	41.0	20.4	23.5
Aggregate Deficit[1]	(7.7)	(5.0)	(3.6)	(3.1)	(2.5)	(7.0)	(8.5)	(13.5)	(4.0)	(6.1)

[1] Including grants
[2] Figures shown are as % of non-oil GDP (re-based)
Source: IMF, WB

Political context

The current political structure in Ghana is framed by the 1992 Constitution. This established the fourth republic, multi party elections, and a return to constitutional rule with an elected administration. The period covered by this study has seen a consolidation of democratic rule in Ghana. The National Democratic Congress (NDC) party's rule came to an end in 2000, and the NPP government took over for 8 years, after which NDC regained power. There has been evidence over this period of a deepening of democracy, including a strengthened role for Parliament, and a more active civil society and media. In 2002, the then-President inaugurated a reconciliation commission to look into human rights violations that had occurred during the military rule.

The NPP Government focused on poverty reduction and, in 2003, the first Ghana Poverty Reduction Strategy Paper (GPRS I) was published, covering 2003-2005. This was to be the framework for co-ordinating social and economic development in Ghana. It was to inform government programmes in all sectors, and set out a number of priorities for government. The strategy had a strong emphasis on poverty reduction and improving living standards.

In December 2004, national elections with a strong turn-out (85%) were held, and the incumbent President was re-elected. In 2006 the new Government published the second GPRS (2006-2009), entitled the "Growth and Poverty Reduction Strategy", marking its emphasis on economic growth and its aim of facilitating Ghana's promotion to the status of a middle-income country by 2015, a goal which was achieved in July 2011, following the rebasing of GDP.[13]

13 As indicated by the World Bank.

Following close elections (including a run-off election) in December 2008, a government led by the NDC was elected and took office in January 2009.[14] The new government prepared its national development strategy, known as the Ghana Shared Growth and Development Agenda (GSGDA), covering 2010-2013. The NDC Government also prepared a longer-term strategy document, "An Agenda for Shared Growth and Accelerated Development for a Better Ghana (2010 – 2016) which, as per Ghanaian Constitution requires "... within two years after assuming office, the President shall present to Parliament a coordinated programme of economic and social development policies, including agricultural and industrial programmes at all levels and in all regions of Ghana". The implementation of the Coordinated Programme is planned to be undertaken through Medium-Term National Development Policy Frameworks. The Ghana Shared Growth and Development Agenda (GSGDA), 2010 to 2013, covers the first phase of this Coordinated Programme. It is expected to form the basis for the preparation of development plans and annual budgets at the sector and district levels throughout the country. The Coordinated Programme is expected to be read alongside the Ghana Shared Growth and Development Agenda (GSGDA), 2010 to 2013 and other sector specific policy documents mentioned elsewhere in the Coordinated Programme document.

Box 2 summarises key PFM events from the late 1990s, with the full chronology set out in Annex A of the Ghana Desk Report.

14 It has been noted that the 2008 election provided a test of the country's democratic strength; in spite of a very close margin of votes between the two dominant parties, state institutions, in particular the judiciary and the electoral commission, withstood significant tension (Allsop et al, 2009).

Box 2: Summary of Key PFM Events, Late 1990s-present

F rom late 1990s-early 2000s

- Introduction of new classification system, which simplified the categorisation of economic expenditures
- Removing dual budgeting

2003-2005

- Greater macro-fiscal stability achieved
- First GPRS, 2003-2005
- Greater links between planning and budgeting process and GPRS in the form of MTEF workshops with MoFEP and MDAs to determine the linkage of policy proposals in budget submissions to the GPRS
- APR process (first APR in 2003)
- Achieving of HIPC completion point, leading to greater availability of resources, to be targeted to investment; included in medium-term macro-fiscal framework

2005-2006

- 2006 budget was first one passed before beginning of the coming budget year
- GPRSII 2006-2009
- STAP, emphasising the strengthening of MTEF
- Greater PAC involvement in budget process
- Incorporation of MDRI resources in medium term macro-fiscal framework

2007-2008

- Greater analysis of links between budgets and GPRS
- Changes in classification; streamlining of MTEF activities
- First introduction of policy hearings
- Greater focus on technical hearings: attempts to place greater emphasis on justification of budget submissions for allocation of additional resources
- Preparation of initial MTEF submissions by pilot MMDAs
- MTEF training

2009-2010

- Ghana Revenue Authority Act passed
- Process of initiating Ghana Revenue Authority begins
- Work on GIFMIS (to replace BPEMS) begins
- Plans for the introduction of programme budgeting under way
- Preparation work on Petroleum Revenue Management Bill begins

2.2 PFM REFORM BASELINE

During the last 15 years, there have been two main PFM reform agendas, (i) the Public Financial Management Reform Programme (PUFMARP), from 1997-2003; and (ii) GoG's Short and Medium Term Action Plan (ST/MTAP), covering 2006-2009. The suite of reforms associated with the Ghana Integrated Financial Management Information System (GIFMIS), begun in 2010, may be considered to represent a significant part of the current PFM reform programme; however, the study focuses on the reforms pre-2009/10, as these have been under way for a significant enough amount of time to review their effect.[15] These PFM reform programmes have been set in the overall context of GoG's national medium-term development plans, the GPRS I, GPRS II, and the GSGDA. Overall, in comparison with other countries in the region, Ghana was an early adopter in sub-Saharan Africa of key PFM reforms, such as the Medium Term Expenditure Framework (MTEF).

The main central GoG agencies relating to PFM are the Ministry of Finance and Economic Planning (MoFEP), the Controller and Accountant General's Department (CAGD)[16], the Public Services Commission (PSC), the Office of the Head of the Civil Service (OHCS), the State Enterprises Commission (SEC), and the National Development Planning Commission (NDPC). The Bank of Ghana is the Government's banker; GoG also operates accounts at commercial banks. Also part of the central management framework, and critical for PFM, are the Public Procurement Authority (PPA)[17], the IAA, and the Ghana Revenue Authority (GRA); these agencies operate under separate Acts and have a statutory mandate. External scrutiny agencies include the Ghana Audit Service (GAS), headed by the Auditor-General, and two Parliamentary committees, the Finance Committee (FC), and the Public Accounts Committee (PAC).

15 This is for practical reasons but is not to give the impression that PFM reforms have stalled under the new government or that the evaluation has not been balanced in its review.

16 The Controller and Accountant General reports to the Minister of Finance.

17 Formerly, the Public Procurement Board

Box 3: Summary of PUFMARP 1997-2003

The Public Financial Management Reform Programme (PUFMARP) was a 6-year multi-component GoG programme to strengthen PFM. The Programme, which was under way between 1997 and 2003 was supported mainly by funding from IDA, with co-financing provided by DFID, CIDA, and the EU. The Programme's components included:

1. Budget preparation – introduction of an MTEF;
2. BPEMS, an integrated financial management information system;
3. Cash management – introduction of a modern cash management system;
4. Aid and debt management – improving data on aid and debt management and the links with CAGD and BoG;
5. Revenue management – introduction of VAT, unique Taxpayer Identification Number, IT system for tax assessment, collection and reporting, and strategy for managing customs data;
6. Procurement – formulation of national procurement code and development of mechanisms for compliance with code;
7. Auditing – development of national audit standards, specification of audit reports, and introduction of value-for-money audits;
8. Legal framework – review of legislative framework and development of revised financial rules and regulations for Parliamentary approval;
9. Human resources development – training for staff in programme component areas.

Components in italics indicate those where the scope was scaled down during project implementation, due in part to make way for the additional resource requirements of BPEMS.

Box 4: Summary of GoG's PFM Short and Medium-Term Action Plan 2006-2009

At the beginning of 2006, MoFEP published its three-year strategic plan and its short and medium-term PFM Action Plan (ST/MTAP), covering the period 2006-2009, in line with GPRSII. The Government updated the Action Plan in August 2006, following the PEFA assessment. The **short-term Action Plan** sets out reforms currently being introduced, which focus on improving the efficiency of resource and information flows through the system. The specific measures in the short-term Action Plan include:

- The on-going building of an improved Integrated Personnel and Payroll Database system (IPPD2);
- The Government's integrated financial management system: the Budget and Public Expenditure Management System (BPEMS);
- The introduction of a decentralised payment system, beginning initially in pilot ministries, including the Ministry of Education;
- Strengthening of internal audit and procurement processes, focusing mainly on establishing effective internal audit and procurement institutions and processes in MDAs and MMDAs and accompanying staff training.

In addition to these short-term measures, the Government's **medium-term action plan** consists of a matrix of reforms centred on 9 focal areas. Within each focal area, output targets are given, the main agencies responsible as well as other agencies involved are named, activities to be undertaken are detailed, and the risks are identified. The reforms are comprehensive and cover most areas of the PEFA framework. The action plan was revised following the 2006 PEFA assessment, and the short and medium-term measures were prioritised and sequenced and a rough estimate of costs was added.

2.3 DIRECT REFORM INPUTS

EQ 1: What has been the nature and scale of PFM reform inputs provided by Government and Donors?

Country overview

Table 2 summarises DP allocations to PFM reform activities from 1998 to 2010. DPs represented the bulk of funding for PFM reform activities. The majority of funds have been spent on the FMIS reforms (BPEMS, IPPD2 and GIFMIS), followed by strategic budgeting (specifically, MTEF-related activities). Significantly fewer amounts were spent on resource management (revenue, expenditure, aid, and debt), and audit. Additionally, limited diagnostic work has been undertaken by both the World Bank and the IMF, as well as by other DPs in preparation for the provision of their programmatic support.

Table 2: DP allocations to PFM reform activities

PFM Support by Main DP	Estimated specific PFM project support, 1998-2010 (mn US$)[1]
World Bank	18.4
EU	11.2
BMZ	10.8[2]
Other	10.7
Total	**51.1**

[1] Data represent best estimates, based on, in some cases, very limited available data.
[2] €10.5 million.
Sources: WB, EC, BMZ, DFID, MoFEP

With the exception of FMIS (where the majority of funds were spent on hardware and software), the bulk of the funds on PFM reforms have been spent on technical assistance. GoG support has been spent primarily on training staff on existing reform initiatives under way or rolling out such reforms.[18] The main DPs supporting PFM reforms (by value) during the study period include DFID, the EC, BMZ/GTZ, the IMF, and the World Bank. Others include Danida, CIDA, Japan, KFW, Switzerland, and UN.

Table 3 summarises the funding from the main DPs on PFM activities during the study period. PFM-specific DP support was in the form of multi-component programmes, managed by either a single DP (e.g. Good Financial Governance), or a pooled-funding arrangement (e.g. GIFMIS).[19]

Table 3: Overview of Development Partner funding for PFM reform

PFM Focal Area	Estimated specific PFM project support, 1998-2010 (mn US$)[1]
Strategic budgeting/budget preparation	4.6
Resource management	19.0
Internal controls, audit, monitoring	0.7
Accounting, reporting (BPEMS)	15.6
External accountability	11.2
Total	**51.1**

[1] Data represent best estimates, based on, in some cases, very limited available data.

18 It is to be noted that the GoG expenditure estimates given in this section are specifically related to reform activities (i.e. excluding day-to-day activities of relevant institutions) and do not include personnel-related expenditures.

19 GIFMIS is a pooled fund with a joint steering committee and common funding of agreed activities. Some harmonisation of M&E has taken place in order to ensure one reporting standard; this was funded by DFID.

There was a marked reduction in DP funding for PFM activities between 2004 and 2006. This coincided with the commencement of a programme of multi-donor budget support (MDBS), which provided significant funds to the Consolidated Fund (annual average of just over US$300 mn since 2003) (Table 4). These funds were available to support GoG's budget, but were not aimed specifically at PFM reform activities, nor can it be assumed that they were used as such. A recent study[20] of the benefits of MDBS examined whether or not the shift to MDBS: (i) resulted in increased DP project funding for PFM reform (i.e. to support MDBS); and/or (ii) facilitated greater government spending on PFM reform through a substitution effect. The study found no evidence to support either proposition.

Table 4: Total MDBS Commitments and Disbursements 2003-2010

	2003	2004	2005	2006	2007	2008	2009[2]	2010
Commitments (mn US$)[1]	281.4	302.2	285.3	372.4	319.6	347.9	601.1	451.5
Actual disbursements (mn US$)	277.9	309.0	281.9	312.2	316.6	368.1	525.2	403.0
MDBS (actual) as % of dev. assistance	30.0%	26.7%	29.3%	33.0%	26.5%	25.7%	34.6%	–
MDBS (actual) as % of gov't expend.	N/A	12.7%	10.2%	8.3%	7.7%	8.3%	9.3%	–

[1] Data refer to pledges, as officially recorded by MoFEP.
[2] Commitments and disbursements reflect funding provided in response to the impact on the economy of the global financial crisis.
Sources: MoFEP, GAS (audited accounts), BoG (exchange rates)

Component case histories

The FMIS case history includes two main FMIS-related reforms, the introduction of the Budget Planning and Expenditure Management System (BPEMS) under PUFMARP, and the Integrated Personnel and Payroll Database (IPPD2). For BPEMS, external support was provided mainly between 1997 and 2003 under PUFMARP, with minimal external amounts provided thereafter. The main sources of funding under PUFMARP were IDA (US$15.3 mn), and GoG ($4.6 mn). Following the conclusion of PUFMARP, GoG continued providing funding to BPEMS from its annual budget. It is notable that the final expenditures under PUFMARP were 50% higher than originally programmed; this additional expenditure was financed by transferring part of the budget originally intended for the revenue management components (specifically, covering support to Customs, Excise and Preventative Service (CEPS)). Inputs centred on TA for system design (re-engineering business processes), the provision of hardware (including networks), and financial management software (based on Oracle Financials).

For IPPD2, DP support was provided by DFID, largely for system specification, hardware, application licence, customisation costs and training staff in MDAs.

20 Betley and Burton, 2011.

MTEF

The majority of funding for the MTEF came from PUFMARP; total funding under the programme for the MTEF was estimated at US$4.58 million (external) and US$ 0.18 million (GoG). The reform inputs, which were focused primarily on MoFEP and MDAs, were provided mainly as technical assistance. They involved two main areas of support: (i) the development and specification of the MTEF at MDA level (mainly activity-based), and (ii) improvements to the formulation of the annual budget, including budget circular, installation of budget preparation software in MDAs and staff training.

Following PUFMARP, some limited financing was available from CIDA (long-term advisory support), GTZ (MTEF training), and UNICEF (international site visits and advisory support).

Revenue management

Under the PUFMARP programme, disbursed IDA funding amounted to US$0.95 mn. Under the subsequent Good Financial Governance programme, supported by BMZ, disbursed funding for each phase was: (i) Phase I (9/2003 – 8/2006): €2.8 mn; (ii) Phase II (9/2006 – 3/2010): €5.0 mn; Phase III (4/2010-13) €9 mn. Co-financing of around €2.6 mn has also been provided by Switzerland (SECO). Otherwise, during 2005/06, DFID provided an advisor on improving non-tax revenue collection in the natural resources sector.

Internal audit

The introduction of a formal internal audit function began with the passage of the Internal Audit Agency Act in 2003. Previously, internal audit had been focussed largely on compliance checking of payment vouchers (pre-audit), rather than on systemic reviews on behalf of management of internal control systems.

Very limited DP funding was spent during the study period, mainly on training. This included EC support (estimated at less than €0.5 mn)[21] that was provided towards the end of the study period (in 2008) to train staff in MDAs' Internal Audit Units (IAUs). Some limited support for training and ICT equipment was also provided by the World Bank.

GoG funding during the period in question was focussed on getting the IAA operational, and initiating an internal audit function in MDAs and MMDAs, including staff familiarisation and training. GoG funds spent on introducing internal audit amounted to an estimated ¢12 mn per year.[22]

21 Study team estimates based on project documentation.

22 Based on estimates by the IAA.

2.4 STRUCTURES TO DESIGN AND MANAGE PFM REFORM INPUTS

EQ 2: What type of structures has been used for the design and management of these reform inputs? Have these structures served to provide a coordinated and harmonised delivery framework?

Country overview

As described above, the main reform activities during the period studied were those under the PUFMARP reform programme, the GTZ/BMZ-support for resource management, the EC support to external audit, and wholly-GoG-financed reform activities. As such, the institutional structures involved in PFM reform followed those of the relevant reform programmes.

For the PUFMARP, the governance structure involved ultimate oversight by a Government Steering Committee, chaired by the Deputy Minister of Finance, and representatives of senior management of MoFEP, including the Chief Director, CAGD (Deputy Controller), as well as representatives of major spending MDAs. Day-to-day functions were the responsibility of the PUFMARP Implementation Team, headed by the Project Manager.

As indicated below, the PUFMARP Project Completion Report noted significant concerns about the relevance of the design of different aspects of PUFMARP, including mis-specification and over-estimation of the readiness of the implementing agencies for the reforms.

Immediately following the PUFMARP, solely GoG-financed reform activities were co-ordinated by the individual divisions concerned, largely in MoFEP. Following the publication of its ST/MTAP, MoFEP created a specific unit in 2007, the Budget Development Unit (BDU), under the Budget Division, to facilitate and drive forward budget reforms. From 2001 through 2008, the overall public sector reform programme was co-ordinated by the Ministry of Public Sector Reform.

With a limited number of PFM reforms during the study period, and resources channelled through large PFM programmes, donor harmonisation of these programmes was less of an issue. As indicated above, from 2003, a significant proportion of DPs' annual resources to GoG (around 30%) have been channelled through MDBS. One of the benefits of MDBS was greater DP harmonisation of its support, including on PFM, with GoG's priorities and programmes.[23]

23 See Betley and Burton (2011), and Betley (2008).

Component case histories

FMIS

There were marked differences in the design and management arrangements for BPEMS and IPPD2 that reflected differences in the scope and complexity of the respective reform initiatives:

- BPEMS. There were fundamental weaknesses in the technical design and management arrangements for BPEMS. It was conceptualised primarily as technology driven reform with insufficient attention given to changes in PFM processes and procedures that should have preceded the reform, to change management, and to the assessment of capacity issues and training requirements. Furthermore, BPEMS was initially managed through the PUFMARP project implementation unit, which had no functional or operational responsibility for the reform. This resulted in implementation of BPEMS being distanced from its two client departments (CAGD and the Budget Division), contributing to a lack of ownership for the reform. It was only following completion of PUFMARP in 2003 that the responsibility for BPEMS was transferred to the CAGD. However, coordination between the CAGD and the Budget Department remained weak, particularly as by then Budget Division had developed its own software application for budget planning and managing budget releases.
- IPPD2. By comparison, IPPD2 was a more narrowly specified and simpler reform, involved only a limited number of users of the system, and presented fewer change management issues. It was managed by the CAGD and implemented through a contract with a consultancy firm.

MTEF

Like BPEMS, the MTEF reforms were financed through PUFMARP, although through parallel funding provided by DFID. The PUFMARP appraisal document provided only a very general specification of the reform which emphasised its technical features rather than its institutional and process aspects. The reform was implemented independently from the other components of PUFMARP through a separate MTEF Project Unit which subsequently became the Budget Development Unit that has continued to be responsible for overseeing the preparation of the Budget and overseeing further development of the reform.

Although these arrangements facilitated strong ownership of the reform within the Budget Division, they may have undermined coordination and harmonisation between the MTEF and the other elements of the PFM reforms being supported through PUFMARP. For example, the Budget Division developed its own ACTIVATE software application for budget preparation rather than using the budget preparation module of the BPEMS system. Delays in the implementation of the BPEMS meant that the performance element of the chart of accounts that was meant to support the MTEF budgeting reforms was not implemented.

The design of the MTEF process allows for a review of the experience from the most recent MTEF/budget planning cycle to be fed into the planning of the subsequent MTEF. A number of external reviews of the MTEF reform have been undertaken including a 2003 case study undertaken by the Overseas Development Institute as part of wider study of the design and application of MTEFs as a tool for poverty reduction, the 2004 PUFMARP project completion report, and the 2009 External Review of PFM.

Revenue management

The revenue management component of PUFMARP was co-ordinated and managed through the programme's Steering Group and the PIU. The more significant BMZ-funded support was provided directly to the relevant revenue agencies, specifically the Revenue Agencies Governing Board (RAGB), the Internal Revenue Service, and the VAT Service. Subsequently, the Secretariat covering the Taxpayer Identification Numbering (TIN) programme, which was previously managed by the PUFMARP PIU, was brought under the RAGB. With only one DP providing support at a time, harmonisation among DPs was not an issue in practice.

Internal audit

An IAA steering committee was established to provide oversight for the reform, with the Auditor General as the Chair and the Director General of the IAA as the Vice Chair. A formal memorandum of understanding between GAS and IAA spells out the operational relationships between the two organisations, including the sharing of information, reports, resources, and training. Internal audit standards from International Organisation of Supreme Audit Institutions (INTOSAI) and African Organisation of Supreme Audit Commission (AFROSAI-E) were adopted.

However, the reforms have left the IAs confused as to where they belong. They have dual reporting responsibilities at MDA and MMDA levels between the IAA and MDA and between IAA and MMDA. The IAA posts the Internal Auditors to MDAs and MMDAs and, although they report directly to the IAA, they are expected to be part of the MDA/MMDA. This dual allegiance has created tensions and suspicion among the IAUs, MDAs and MMDAs.

2.5 COMPLEMENTARY DONOR INPUTS TO PFM REFORM

EQ 3: What types of complementary actions have Donors taken to support PFM reforms and what has been their significance? Have they had any influence on the external constraints to reform?

Country overview

The primary complementary action undertaken by DPs was the Multi-Donor Budget Support (MDBS) Framework. In particular, the introduction of MDBS in 2003 provided a useful forum for policy dialogue around reform in general, but particularly in terms of PFM systems, as well as issues around service delivery.[24] It provided a forum for shared PFM assessments, with the meetings for the annual External Reviews of Public Financial Management and the initial PEFA assessment being open for all stakeholders. The MDBS framework also facilitated information sharing and harmonisation of DP reform activities.

However, the more direct way in which the MDBS framework sought to influence reform actions was primarily through the MDBS triggers. All of the PFM MDBS triggers were met or declared to be met[25], although it may be argued that there was some interpretation in the achievement of some of the triggers, particularly with BPEMS.[26]

Ironically, the MDBS policy dialogue was least successful in dealing with PFM outcomes. The fiscal crisis of 2008, and the subsequent political fall-out, had an impact on the collective nature of MDBS dialogue, with the World Bank opting to undertake its own adjustment programme with GoG outside of the MDBS framework. This, together with strong future economic growth prospects, and with the rebased GDP, and DPs' own fiscal pressures, can be expected to have an impact on future levels of MDBS.[27]

In terms of the extent of aid-on-budget for funding for PFM reform measures, as the majority of funding for the PUFMARP reforms was from an IDA credit, the resources were on-budget. However, since they used World Bank procedures, they were not on-Treasury or on-accounting. Reporting on the use of funds was also separate. Grant-funded programme support tended to use the DPs' own procedures[28], and was not systematically on budget.[29] Under the MDBS framework, KFW, CIDA and Danida sponsored a number of partial audits of MDAs and MMDAs, known as selected flows audits. Overall, less than 50% of all external resource flows use government procedures.[30]

One potential external constraint to PFM reform was the predictability of external disbursements, on which the PEFA reports indicate that there were weaknesses in the early part of the period studied, but that predictability had improved after 2004.[31]

Component case histories

FMIS

BPEMS was initially implemented as part of PUFMARP, which supported a relatively comprehensive programme of PFM reforms. In practice, the

24 See Betley and Burton, 2011.
25 See the Ghana desk report for this study (Gordon and Betley, 2011).
26 See Betley and Burton, 2011.
27 On the other hand, Japan joined the MDBS group.
28 With some exceptions (e.g. Danida)
29 The Budget Statement contains a table of estimated current year-to-date spend on externally financed projects, but this is not comprehensive, and the information is often different to that held by the MDAs and the DPs.
30 A D score was recorded for the D-3 indicator in both the 2006 and 2009 PEFAs.
31 A C score was achieved in the 2006 PEFA for D-2(i), but this had improved to an A score in the 2009 PEFA.

reforms were not well sequenced and were implemented independently of each other. This meant that the potential benefits of managing the reforms within a wider reform agenda were not realised.

The subsequent MDBS dialogue had minimal influence on the FMIS reforms although two triggers were linked to FMIS implementation. The first required complete deployment of all six BPEMS modules in eight pilot MDAs by 2006. This was not achieved but was "declared met" by the 2007 MDBS Review even though it was only partially met. The second involved the integration of 50% of subverted agencies into the IPPD2 by May 2008 was met in August 2008.

MTEF

Following the completion of the DFID assistance in 2003, the government has continued to finance and sustain the MTEF reforms. This has been complemented by limited assistance from CIDA (long-term advisory support), BMZ (training and short-term advisory support), and UNICEF (MoFEP international experience familiarisation and short-term advisory support). There have been no MDBS triggers relating to the MTEF, and there is no evidence that the MDBS dialogue has influenced the evolution of the MTEF initiative.

2.6 CIVIL SOCIETY PRESSURE FOR PFM REFORM

EQ 4: To what extent have there been domestic public pressure or regional institutional pressure in support of PFM reform and what has been the influence on the external constraints to reform?

Country overview

There appears to have been limited domestic public pressure for PFM reforms, partly due to the perceived technical nature of such reforms. There are few CSOs undertaking budget analysis and advocacy and little fiscal and budgetary analysis undertaken by academia. Non-availability of budget execution data remains a major constraint to independent budget analysis, and MoFEP has not actively facilitated such analysis. However, the recent opening of PAC hearings on external audit reports to the public and the televising of the hearings has increased public awareness of the role of the PAC and led directly to pressure on the PAC to increase its technical capacities and improve the quality and timeliness of its scrutiny of GAS reports.[32]

Regional (African) peer-to-peer experience-sharing is cited as an important factor in enabling GoG officials to learn about international experience. For the Budget Division in MoFEP, CABRI is seen as having been particularly influential. In addition, MoFEP has a programme of enabling staff to gain international experience (through international degree programmes) and potentially job-swaps or job placements.

32 We note the request by PAC for support to the Secretariat on analysing external audit reports.

Component case histories

FMIS

There was no discernible engagement with civil society, academia or the media over the implementation of BPEMS and IPPD2. This was consistent with the view of the FMIS as technological reform. Similarly there has been little pressure from regional and international organisation in support of the reforms, although MoFEP increasingly recognises that the experience with BPEMS compares unfavourably with the implementation of FMIS initiatives in other African countries.

MTEF

Unlike some other countries where similar reforms have been introduced, Ghana's MTEF has not involved specific measures to involve civil society, academics and the media in the budget process. MoFEP organises consultations with CSOs in October each year, but these take place too late in the budget process to influence resource allocations. Prior to the consultations, there is a call for submissions from CSOs that is published in the newspapers. Similarly the MTEF reform has not led to any strengthening of parliamentary involvement in the budget process, which remains limited to the period following presentation of the draft budget.

There are few CSOs undertaking budget analysis and advocacy and limited fiscal and budgetary analysis undertaken by academia. Non-availability of budget execution data remains a major constraint to independent budget analysis, and MoFEP has done little to encourage such analysis.

There is evidence that regional PFM fora have begun to influence the MTEF reform. For example, a meeting of Collaborative African Budget Reform Initiative (CABRI) in the second quarter of 2010 was influential in convincing officials in the Budget Division to adopt a more strategic programme-based approach to budget planning.

2.7 RELEVANCE OF PFM REFORM INPUTS

EQ 5: How relevant was the PFM reform programme to the needs and the institutional context? Was donor support consistent with national priorities? To what extent were adaptations made in response to the context and the changing national priorities?

Country overview

As indicated above, there were a few formal domestic PFM reform strategy documents during the period studied. It is notable that the ST/MTAP was revised and re-released in early 2007 following the publication of the first PEFA assessment; the revised version reflected GoG's revised policy objectives in response to weaknesses identified in the PEFA. Specifically, the changes include: a reprioritisation of activities based on the PEFA assessment; explicit sections added to explain the prioritisation and the sequencing of reforms; estimates of the likely cost of activities were included, and for each focal area, the likely outcome (mainly, expected changes in processes) in 2009 (the final year of the Action Plan) was indicated. However, there was no indication of the potential impact on service delivery – both original and revised STAPs focussed more on actions and outputs rather than on outcomes. At the same time, the issue of how change was to be managed was not addressed, specifically, the organisational development, capacity development and motivational initiatives needed to drive each objective.

Box 5: Comparison of 2006-09 Short & Medium Term Action Plan with identified weaknesses

Elements of PFM System	Weakness Identified (2001 HIPC, 2004 CFAA, 2006/09 PEFA)	Inclusion in 2006-09 Reform Programme (ST=Short-Term Action; MT=Med.-Term Action)	DP Support
A. Cross-cutting			
Legal Framework	HIPC	ST	
Capacity building	HIPC, CFAA	MT	DFID, DE, UNDP
Organisational structure/functional reviews			
IFMS	HIPC	ST	WB, DFID
Co-ordination across PFM systems		MT	
Budget policy management			
B. Budget credibility			
Budget deviations in aggregate	PEFA(-/C)		
Budget deviations by MDA	PEFA(D/C)	MT	
Revenue projections/outturns	HIPC	MT	
Expenditure arrears			
C. Comprehensiveness/transparency			
Budget classification	HIPC, CFAA, PEFA(-/C)	MT	WB, *IMF*
Comprehensiveness of budget docs		MT	

Elements of PFM System	Weakness Identified (2001 HIPC, 2004 CFAA, 2006/09 PEFA)	Inclusion in 2006-09 Reform Programme (ST=Short-Term Action; MT=Med.-Term Action)	DP Support
Budget comprehen-siveness & unre-ported ops	CFAA, PEFA(C/-)	MT	
Inter-governmental fiscal management	PEFA(-/D+)	MT	UNDP
Aggregate fiscal risk/SOEs	PEFA(C/D+)	MT	
Public access to fiscal info			
D. Policy-based budgeting			
Structure of budget process	HIPC, CFAA		
MTEF/multi-year budgeting	HIPC, CFAA PEFA(C/-)	ST, MT	DFID, CIDA, GIZ, *UN*
E. Budget execution			
Tax administration reform	PEFA(C/C)	MT	GIZ
Domestic resource mobilisation	PEFA(C/-)	MT	GIZ, DFID
Expend. Predictabil-ity/commitment controls	HIPC, PEFA(C/D+)	MT	US
Debt, cash manage-ment		MT	*IMF*, US
Payroll controls	CFAA	MT	DFID
Procurement	HIPC	MT	WB, DFID. GIZ
Internal controls	CFAA, PEFA(C/D+)	MT	
Internal audit	HIPC, CFAA, PEFA(D+/D+)	MT	EC, WB
F. Accounting, recording and reporting			
Reconciliation of accounts	HIPC, CFAA, PEFA(C/C)	MT	IMF

Elements of PFM System	Weakness Identified (2001 HIPC, 2004 CFAA, 2006/09 PEFA)	Inclusion in 2006-09 Reform Programme (ST=Short-Term Action; MT=Med.-Term Action)	DP Support
Resources rec'd by service delivery units	PEFA(D)	MT	
In-year budget reports	CFAA	MT	
Annual financial statements	HIPC, CFAA	MT	
G. External scrutiny/audit			
External audit	HIPC, CFAA	MT	EC
Legis. scrutiny of annual budget law	HIPC; PEFA(-/D+)		
Legis. scrutiny of external audit reports	HIPC (-/D+)		DFID

[1] HIPC refers to 2001 HIPC action plan recommendations.
[2] CFAA refers to recommendations in the 2004 CFAA Action Plan.
[3] PEFA refers to 2006 and 2009 PEFA scores C or D (central government). 2006 & 2009 scores separated by "/".
[4] DP support may not be comprehensive due to lack of available information.

The alignment between the PFM reforms and Government needs (i.e. PFM weaknesses) may be analysed in two ways: firstly, whether or not the reforms undertaken adequately reflected PFM weaknesses, and secondly whether or not DPs' contributions were appropriately targeted. Box 5 shows the alignment between the weaknesses identified (in the 2001 HIPC survey, 2004 CFAA, and 2006 PEFA), their inclusion in the GoG's 2006-09 PFM reform programme and the availability of DP support for reform.

In terms of the alignment of DP support with PFM weaknesses, the analysis indicates that, in general, DP support was focussed on those areas with the greatest needs. Based on the link between DP support on the one hand and GoG's PFM needs on the other, as measured by HIPC, CFAA assessments and the scores of Cs and Ds in the 2006 PEFA assessment, there is a reasonable correspondence between DP support and those PFM areas assessed as requiring strengthening. DP support is concentrated disproportionately – but for good reasons – on budget execution, followed by the MTEF.

DP support has not been provided to any area, which was assessed as being reasonably strong, although there are relatively few of those. One of the areas not identified as requiring assistance and without DP support is the establishment of a system to identify and monitor expenditure arrears, although DPs are reported to have consistently raised this issue with GoG over the past years but GoG did not request support for such a system during the period studied.

The lack of such a system enabled GoG to build up a large stock of new arrears during 2007 and 2008, which reached an estimated 4% of GDP.[33]

Box 6 below examines GoG's reform programme in more detail and assesses how close it is in practice to the PFM weaknesses as indicated by the PEFA and to GoG's PFM medium-term Action Plan. The analysis indicates that nearly all PEFA indicators are included in the Plan. This was partly by design, as the Action Plan was revised following the 2006 PEFA assessment. However, the measures are not prioritised, which undermines the Plan's usefulness. It is interesting to note, however, that the reform programme is in reality a MoFEP Action Plan since those aspects of PFM undertaken by other agencies (e.g. internal audit, external audit) largely do not feature (except revenue administration measures).

Box 6: Alignment of 2006-2009 Short & Medium Term Action Plan with PEFA Results

ST/MTAP Focal Areas[1]/ Key Objectives	Selected Work Plan Activity	Related 2006 PEFA Indicator/ Results
1. Fiscal Policy Management – Macro-Economic Stability		
• To improve fiscal resource mobilisation • Formulate and implement sound macro-economic policies	• Linking/integrating revenue systems • Improving monitoring of expenditure commitments • Consolidating of fiscal data • Public Expenditure Tracking Surveys • More accurate wage bill planning	PI-14 (C) PI-16 (C) PI-8 (C) PI-23 (D) PI-2 (C)
2. Strengthen Budget Formulation/Preparation		
• Allocate and manage financial resources efficiently, effectively and rationally	• Improving MTEF through capacity development • Harmonising central/local classification systems • Facilitating SOE inputs into the budget • Budget classification	PI-12 (C) PI-8 (C) PI-9 (C) PI-5 (B)
3. Strengthen Budget Implementation		
• Improve public expenditure management	• Budget reporting • Cash releases • Donor harmonisation	PI-24 (C+) PI-16 (C) D-2 (C)

33 As estimated in the IMF Letter of Assessment, March 2010.

ST/MTAP Focal Areas[1]/ Key Objectives	Selected Work Plan Activity	Related 2006 PEFA Indicator/ Results
	• Variance between planned and actual revenues • Inventory control for revenue agencies) • Bank reconciliation • Comprehensiveness of reported govt. operations	PI-3 (A) PI-15 (C) PI-22 (C) PI-7 (A)
4. Financial Regulatory and Management Environment		
• Account for all public finances properly	• Development of asset register • Production of timely accounts • Financial instructions • Preparation of statutory accounts • Activities for implementing Public Procurement Act • Activities for implementing IAA Act • Improvement of capacity of Audit Service, follow-up	PI-6 (C) PI-24 (C+),PI-25 (C+) PI-20 (C) PI-7 (A) PI-19 (C+) PI-21 (C) PI-26 (C+)
5. Integrated Payroll and Personnel System		
• Improve the human resource and institutional management capacity	• Implement IPPD	PI-18 (C)
6. External Resource Mobilisation, Aid and Debt Management		
• Reduce and restructure domestic debt	• Improve data & reporting on use of ext. assistance • Improve quality of external and domestic debt data • Debt sustainability analysis and management • Fiscal information on external loans	D-1 (C+), D-2 (C) PI-17 (B) PI-12 (C) PI-I7 (B)
7. Revenue Management		
• Improve fiscal resource mobilisation	• Revenue database interface, improved rev admin • Revenue arrears • Analysis of revenues against targets	PI-14 (C) PI-15 (C) PI-3 (A)

Component case histories

FMIS

FMIS modernisation was and continues to be a central pillar of the government's reform effort. However, the design and implementation of the donor assistance failed to synchronise related process and procedural reforms and change management issues. Due to implementation delays and difficulties, donor support for both BPEMS and IPPD2 ended before new systems were operational. Thereafter, the government continued funding the implementation of the reforms, although in the case of IPPD2 this was after a gap of some years. Since the NDC government came to office in January 2009 the FMIS reforms have been more strongly championed by political leadership in MoFEP.

MTEF

Initially there was strong political level support for the more strategic objective-led approach to budgeting that was to be introduced through the MTEF. In recent years the focus of political support has shifted away from the MTEF reforms towards improving the presentation of government's fiscal and budget policies and strategies in the Budget Statement. This shift in emphasis may reflect the perception that the MTEF reforms have not delivered against their original objectives.

The front-loading of donor assistance under PUFMARP facilitated a very rapid roll-out of the MTEF reforms. However the PUFMARP implementation report noted that this had contributed to the reforms being superficial in a number of key respects. Following the completion of the PUFMARP, the continuation of the MTEF reforms relied primarily on domestic financing. However, during this period the focus was on sustaining the reforms that had been introduced, and little was done to address the fundamental weaknesses in the design of the MTEF reforms that had become apparent by the end of PUFMARP.

Revenue management

The GTZ-funded reforms were designed on the basis of an assessment of the weaknesses in revenue administration. The phased-approach to the programme, with a pause after each phase for feeding the results of the evaluation of that phase into the design of the new phase, seems to have enabled the reforms to adapt to current circumstances.

3. Outputs: the Delivery of PFM reform

3.1 KEY REFORM OUTPUTS

EQ 6: What have been the outputs of the PFM reform process and to what extent has direct donor support contributed to these outputs?[34]

Country overview

Outputs achieved during the study period relating to strategic budgeting and budget preparation include:

- Promulgation of a new Organic Budget Law, the Financial Administration Act (FAA), 2003.
- Since 1999, the Budget Statement has provided 3-year forward estimates by MDA for the Consolidated Fund, although the credibility of these estimates is very weak.
- Establishment of activity-based budgeting process (for service and investment Consolidated Fund expenditures) in all MDAs, including preparation of detailed MDA activity-based budget documents.
- The 2006 Budget Statement was the first to be presented to, and the first Appropriations Act to be promulgated by, Parliament before the beginning of the budget year to which it related. Each Budget Statement since then has been presented to Parliament and promulgated before the beginning of the relevant budget year.
- In addition, the Budget Statement has improved the amount of information it contains (e.g. on retained internally-generated funds [IGFs], Statutory Funds, and DP funding).[35]
- Greater stakeholder input into the budget process.
- Preparation of Citizen's Guide to the Budget (2007 and 2008), as well as a serialised publication of the budget in the national daily newspapers.
- Piloting of composite budgets, which aimed to show budgetary information for districts and regions, by combining central and local expenditures in each district and region.

Legislation and regulation related to resource management was strengthened during the study period. In addition to the Financial Administration Act, 2003, a number of revisions of the Financial Administration Regulations (FAR) have been prepared (2004, 2009, and 2011). Strengthening of public procurement procedures began with the promulgation of the Public Procure-

34 The Inception Report (op cit) defines outputs as "the immediate changes in the architecture and substance of the PFM system generated by the combined set of inputs".

35 It is noted that the issue of comprehensive reporting of "aid on budget" is outstanding.

ment Act, 2003. More recently, legislation relating to revenue administration (the Ghana Revenue Agency [GRA] Act, 2009) was promulgated.
In addition, the following outputs have been achieved in relation to resource management:

- introduction of Tax Identification Numbering System;
- introduction of a reworked indirect tax regime (VAT);
- establishment of Tax Policy Unit in MoFEP;
- establishment of the GRA;
- the closing of a significant number of government bank accounts (including redundant or unauthorised accounts) (intended to be in preparation for a Single Treasury Account (STA);
- The elaboration of guidelines for a strengthened commitment control system;
- The establishment of an Expenditure Management Committee to assist with cash management;
- A harmonised chart of accounts, covering MDAs and MMDAs, was agreed;
- An integrated payroll and personnel database (IPPD2) became operational;
- A number of decentralised treasuries were established and became operational. These treasuries were intended to facilitate more timely releases of funds to cost centres in critical areas, such as education.

In terms of internal control, audit and monitoring, the main reform output is related to the passage of legislation for internal audit. The Internal Audit Agency Act (IAA) was passed in 2003, which established the Internal Audit Agency, and the process of establishing IAUs in MDAs and MMDAs begun. The operational framework of the internal audit units was enhanced by the adoption of public sector internal audit regulations and standards and the use of an internal audit manual and programmes. The operational efficiency of the MDAs and MMDAs has been measured and monitored by the IAA by reviewing the submissions received relating to the: (i) internal audit charters; (ii) annual audit plans and (iii) quarterly audit reports. The quarterly internal audit reports are subjected to scrutiny for adherence to quality standards and compliance with statutory regulations and procedures. Specifically, 342 IAUs and ARICs in MDAs and MMDAs have been successfully established, although not all are currently fully functional.

Limited progress on accounting and reporting was made during the period studied. Some monthly budget execution reports were made available to the public through MoFEP's website, and information on retained IGFs began to be included in budget execution reports.

For external accountability, the promulgation of the External Audit Agency Act, 2000 was a key output. In addition, clearance of backlogs of external audit reports by GAS (Consolidated Fund financial statements) occurred in two batches, 2005 and 2009, both of which occurred one year after elections (see below for more on this issue). Linked to this, timeliness of submission of external audit reports to Parliament has improved in recent years.

In terms of strategic budgeting and budget planning, disappointing progress was made in the following areas:

- monitoring and evaluation of the GPRS;
- translating the broader policy objectives in the GPRS into sector strategy documents – experience is mixed;
- translating sector policy objectives into budget priorities (making a clear link between policy priorities and budgetary allocations);
- Making the budget documents, and the trade-offs therein, clear and meaningful.

Whilst efforts were made to improve the budget execution process, disappointing progress was made in the following areas:

- the effective operation of the planned commitment control system;
- the introduction of a Single Treasury Account;
- expected improvements in timely expenditure authorisation (including for commitments) through the implementation of the planned Financial Management Information System (FMIS) were not forthcoming, cf. BPEMS;
- Monthly CAGD budget execution reports have not been made public systematically; there can be a significant lag (the most recent report available is for March 2007);
- procurement rules and procedures were not followed consistently, contributing to the re-accumulation of arrears after 2006;
- Being able to ensure that appropriated resources were provided for in a timely fashion and in line with budgetary allocations.
- Little progress has been made in incorporating externally-financed project expenditures in CAGD reports.

In terms of external accountability, there was less progress on the following:

- Follow-up actions taken by MDAs on audit recommendations; as indicated above, an attempt was made to improve follow-up through the establishment of Audit Recommendation Implementation Committees (ARIC) in budget entities, but these are reported to be ineffective in many cases.
- Whilst audit reports have been presented to Parliament in a timelier manner recently, challenges remain, particularly in terms of their consideration by PAC, and follow-up actions to PAC recommendations undertaken by the Executive.

Box 7 summarises the discussion above and assesses the relative contribution of DP support to the outputs achieved; the analysis only includes those outputs, which have been sustained, and thus not all PFM reform measures are shown. In classifying the role of DP contributions, the table distinguishes amongst DP support whose attributions are: (i) direct; (ii) indirect; (iii) unclear; and (iv) none, or not applicable. This classification for each area is shown in the third column of the table.

Box 7: Overview of PFM Reform Outputs and DP Contributions

PFM Area	Outputs[1] (Type of output)	DP contribution – direct, indirect, unclear, N/A	Remarks
Strategic budgeting/ budget preparation	MTEF documents prepared by all MDAs (systems)	Significant IDA, and DFID, contributions, under PUFMARP: *direct* CIDA-funded MTEF advisor (1 year): *unclear*	CIDA advisor's contract was not extended by mutual agreement
	More financial information in Budget Statement (systems)	GoG	
Resource management – revenue	Introduction of VAT (systems) Introduction of TIN (systems) GRA Act (laws)	BMZ *direct* (DFID in earlier period)	Unification of revenue agencies within GRA still work in progress
Resource management – Treasury	Closing of numerous bank accounts (organisation)	GoG: *indirect* (linked to MDBS trigger)	Nonetheless, significant GoG funds are still to be found in commercial banks. Related reform, Single Treasury Account, proving difficult to introduce
	More regular reporting on aid and debt management (systems)	WB with Commonwealth Secretariat *direct*	

PFM Area	Outputs[1] (Type of output)	DP contribution – direct, indirect, unclear, N/A	Remarks
Resource management – expenditures	Introduction of commitment control system (systems)	IMF support: *direct* (limited)	Commitment control system not sustained
	Introduction of cash forecasting and management process (systems)	US Treasury long-term advisory support: *direct (limited)*	Cash management committees (involving MoFEP, CAGD, BoG, and MDAs) not sustained
	Introduction of BPEMS (systems)	WB, GoG: *direct*, then *indirect* sub-sequently *(linked to MDBS trigger)*	Was not operational and was ultimately scrapped
	Introduction of payroll and person-nel database (systems)	GoG (ST/MTAP), DFID, France: *indirect*	Audit reports indicate issues with data accuracy and internal control problems (e.g. ghost workers). Not all staff from sub-vented agen-cies are on the system
	Introduction of decentralised Treas-uries in some MDAs (referred to in-country as Treasury realignment) (systems)	GoG (ST/MTAP), DFID: *indirect (linked to MDBS trigger)*	Initially helped improve fund flows to health and education but initial suc-cesses undermined by non-inclu-sion of all funds and failure to deal with underlying causes of delays in releasing funds
	Procurement reform: New procure-ment legislation promulgated (laws)	World Bank, DFID and GIZ: *direct*	Problems have been experienced with implementation of legislation

PFM Area	Outputs[1] (Type of output)	DP contribution – direct, indirect, unclear, N/A	Remarks
Internal control, audit and monitoring	IAA Act passed (laws) IAUs being established in MDAs and, to lesser extent, in MMDAs (organisation)	GoG	
Accounting and reporting	Limited public access to budget execution reports (systems)	GoG	Not consistent or necessarily up-to-date
External accountability	PAC hearings open to the public (rules)	DFID-sponsored: *direct* BMZ provided technical support to PAC: *direct (limited)*	The hearings have been well received and appear to form an important part of the accountability cycle.
	External Agency Act passed (laws)	*GoG*	
	Capacity-building on internal, external audit capacity (HR)	EC, Danida, CIDA, KfW, (selected flows audit): *unclear*	Sustainability of stronger capacities not clear

[1] As described in the Inception Report, outputs have been classified as: (i) changes in human resource endowments (people and skills); (ii) changes in laws, procedures and rules; (iii) changes in systems and business processes; or (iv) changes in organisational factors.

Component case histories

FMIS

In practice, there have been limited outputs to show for the investment undertaken on BPEMS, estimated at around US$ 22.5 million since 1997. By the end of 2010, the system was not fully operational in any of the 8 pilot MDAs, with parallel systems still being run alongside, and it was therefore scrapped. For the IPPD2, the story is marginally more positive, with the system being used for payroll management[36], although the human resource management module has yet to be fully implemented. Furthermore, implementation of IPPD2 took place several years after donor funding had ceased when the government actions to strengthen payroll management made the implementation of an improved payroll management system a priority.

MTEF

Relative to what was expected to be achieved under PUFMARP; the impacts of the MTEF reforms have been limited. Activity-based budget documents, prepared by all MDAs, are excessively detailed, are not strategically-focussed and do not include all expenditures, notably they exclude personnel-related expenditures, which represent the vast majority of GoG Consolidated Fund expenditures. There is no strategic framework within which the MDAs' submissions are prepared, nor are there credible medium-term ceilings. MDAs' detailed forward estimates for activities continue to be unrealistic. The inclusion of personal emoluments (PE) in the MTEF had been intended as part of the design to be carried out at some stage; the initial stages of MTEF implementation concentrated on items 3 (goods and services) and 4 (capital). However, including PE was a much bigger challenge, as it would have entailed separating personnel time amongst individual activities, and MTEF implementation stalled at the initial stage (stopping with items 3 and 4). Weaknesses in the MTEF approach that had been identified by the end of PUFMARP have not yet been effectively addressed.

Revenue management:

During the earlier (PUFMARP) period, the outputs were focussed on implementing specific systems and processes, including the introduction of a Tax Identification Numbering System, covering all types of tax and a new indirect tax regime (VAT). Later on, the reform turned to more organisational outputs, including: the establishment of Tax Policy Unit in MoFEP, and automation of operations in six IRS pilot offices. Changes in human resource endowment followed, with the training and capacity development of staff, including in the Tax Policy Unit in MoFEP. Most recently, there has been a legislative output, with the passage of the GRA Act (2009). Currently, the establishment of the GRA as a unified organisation is under way.

36 Nonetheless, the system continues to experience problems with its implementation, as noted in external audit reports.

Internal audit

The initiating output for a formal internal audit function was the promulgation of the Internal Audit Agency Act (2003). Thereafter, GoG concentrated on establishing the organisational structure as set out by the Act, including that of the IAA itself, as well as Internal Audit Units (IAUs) in each MDA and MMDA, with a signed charter. By the end of 2010, IAA documentation[37] suggests that 146 Internal Audit Units had been established in MDAs, representing around 85% of all MDAs.[38] In MMDAs, 155 IAUs had been established, representing around 90% of local government; overall, 88% of IAUs had been established, at least on paper. Signed charters had been completed for 67% of IAUs in MDAs and MMDAs.

In order to address concerns over limited follow-up to audit recommendations (both external and internal audit),[39] GoG specified that Audit Recommendation Implementation Committees (ARICs) should be established in MDAs and MMDAs. As such, by the end of 2010, ARICs had been established in 135 MDAs (around 78% of MDAs) and 124 MMDAs (73%). In terms of the preparation and submission of reports, during the most recent year of implementation, annual audit plans were submitted by around 72% of IAUs. However, IAUs submitted fewer than 30% of their required quarterly reports.

Interviews with stakeholders indicate that the mere establishment of an IAU or ARIC does not guarantee their effective functioning. In particular, the study team found that in a number of cases ARICs did not meet regularly, or that IAUs continued to carry out their pre-reform functions. The limitation of resources (primarily, the lack of appropriate skills) appears to hinder the establishment of fully functioning IAUs and ARICs in all MDAs and MMDAs.

3.2 EFFICIENCY AND COORDINATION OF REFORM OUTPUTS

EQ 7: How efficiently were these outputs generated? Was the pacing and sequencing of reforms appropriate and cost-effective? Was the cost per output acceptable?

Country overview

The efficiency of PFM reforms overall may be analysed as a spectrum, looking at the relationship between outputs and inputs for the PFM areas with the most outputs and those areas with the greatest amount spent. Of the five PFM focal areas, taking the information provided above on outputs and inputs, the area with the highest efficiency level appears to be resource management (revenue), whilst that with the lowest would appear to be accounting and report-

37 The IAA's Annual Report for 2010.

38 In 21 ministries, and 125 departments and agencies, out of 23 ministries and 149 departments and agencies.

39 IAA estimates a response rate to the follow-up of audit recommendations of around 34%.

ing. In the middle lie external accountability and internal control, audit and monitoring, whilst strategic budgeting and resource management (expenditures) would lie at the lower end of the middle range.

Component case histories

FMIS

Implementation delays and the limited roll-out of the BPEMS meant that the FMIS investment had very little impact on PFM (ultimately leading the BPEMS system to be scrapped), and its efficiency was therefore low. Implementation of IPPD2, although limited in scope, was relatively more successful after 2005,[40] from when it enjoyed stronger political support. A number of factors explain the poor performance of the FMIS reforms including: (i) weak ownership of the reforms; (ii) seeing BPEMS as primarily a technological reform rather than a PFM reform; (iii) insufficient technical capacities to implement and maintain the systems; (iv) over-optimistic scheduling of implementation; (v) weak procurement management; and (vi) insufficient attention paid to the underlying business processes in system design and implementation.

MTEF

In a narrow sense the outputs of the MTEF reforms, measured against the initial specification, were to a considerable extent met, and after initial donor funding was finished have subsequently been sustained. However, looked at more broadly, the outputs measured against the requirement to establish a more realistic and strategic medium-term budgeting process has not been achieved. These weaknesses were identified relatively early on but were never satisfactorily addressed. (Most notably the core activity-based budgeting reform that characterises Ghana's MTEF continued largely unchanged despite being widely regarded as having been ineffective, while subsequent steps to introduce a more strategic approach such as the introduction of MDA policy hearings have not been sustained.) Overall, the efficiency of the reform investment should be considered as having been low.

Revenue management

It may be argued that the efficiency of investment is relatively high, given that a relatively modest investment has led to outputs that have been sustained, particularly in terms of VAT (which had experienced a false start in the mid-1990s) and the Taxpayer Identification Number.

Internal audit

With relatively low investment in internal audit reforms (from either GoG or DPs) and an ambitious reform by nature[41], it is perhaps not surprising that there has been relatively low impact. It could be argued that it is relatively too

40 Though on-going problems with implementation continue.

41 The introduction of an internal audit function throughout government is often found to be a challenge, due to scale and a lack of understanding of the scope and nature of internal audit.

early to expect a fully operational internal audit function to be in place from scratch; the 2006 PEFA report did not score the internal audit indicator for that reason.

3.3 EXTERNAL DRIVERS AND BLOCKERS OF CHANGE

EQ 8: What have been the binding external constraints on the delivery of PFM reform: political, financing or policy factors? How has this varied across the different PFM reform components?

Financial context

This study found that neither insufficient resources (either GoG or DP), nor the timeliness of disbursements were a major impediment to greater progress on PFM reform. This finding was corroborated by stakeholders associated with all of the major reforms studied. Indeed, a number of reforms were introduced using GoG's own resources, including IPPD2, which DPs chose not to continue to support following problems with the predecessor system, IPPD1.[42] GoG also continued to fund BPEMS after the end of DP support; the binding constraint on BPEMS was political, as discussed below. For the MTEF, while only limited additional DP resources were made available after the end of PUFMARP, the binding constraint to further reform, or to fix the problems found during implementation, was political in nature, rather than financial. A similar story may be told for both the internal and external audit reforms.

The study period coincided with the introduction of MDBS, which provided a significant amount of additional resources to the Consolidated Fund (representing around 30% of total development assistance or 6% of GDP). While MDBS was not directed explicitly at reform of PFM systems, some triggers were applicable to such systems. However, the MDBS triggers were largely ineffective at facilitating the success of PFM reforms and could be viewed as a missed opportunity. While GoG met all of the PFM MDBS triggers, many of them dealt with processes rather than outputs or outcomes (e.g. "continue to ensure implementation of the Public Procurement Agency"), or they were selected to facilitate achievement rather than push progress (e.g. "complete deployment of BPEMS modules in pilot MDAs", rather than e.g. "BPEMS is the singular computerised system used to implement, account for, and record budgetary expenditures"), or their progress was interpreted flexibly by DPs (i.e. where the spirit of the reform had been taken forward even if the letter of a particular reform had not been achieved, they were considered to have been

42 IPPD1 was a French supported system that was operational in the 1990s. By the later 1990s the limitations of IPPD1 had become apparent and DFID agreed to support the design of a new system IPPD2 and the project began in 1999. However, the DFID support was halted in January 2001 as the project was seen as going nowhere. It was then picked up again by with GoG funding in 2005.

achieved).[43] MDBS as a missed opportunity was highlighted during discussions on internal audit reforms. It may be argued that MDBS triggers were relatively more successful when they focussed on reform initiatives, which were already prioritised by government. Triggers appear to have been less successful when they were used to push for reforms which were not high on GoG's agenda.

Examination of the revenue management reforms identified a number of facilitating factors for DP support, including continuity and flexibility of support, long-term commitment, support which is demand-driven in design, and the ability to adapt the nature or scope of support to reflect changes in political or other contexts. Nonetheless, these lessons were applicable to that particular context and would not necessarily translate to other reforms, since not all DPs are able to operate in the way that BMZ does, or to partner a single agency (the Revenue Agencies Governing Board) in that case.

The relatively strong and largely consistent GDP growth experienced by Ghana during the period studied, led by favourable commodity prices, enabled a modest increase in domestic revenues as a share of GDP, and facilitated real increases in wages for public sector workers. External finance increased by around 50% over the period[44], and public expenditures rose to a peak of 41% of GDP in 2008 compared to 28% in 1999. The absence of macro crises after 1999, debt relief from HIPC and MDRI, and the relatively limited effect of the global financial crisis, not to mention the recent resource flows from oil, has stood Ghana in good stead in terms of Treasury resources.

Policy space

Limited policy space appeared to have been a binding constraint for both the MTEF and BPEMS. At the time, the MTEF was a relatively new as a concept applied to Africa, and there was limited information on experiences elsewhere. The specific design chosen was based on the advice of an external consultancy team, and focused on the bottom-up (MDA) aspect of budget planning and preparation. Little attention was given to the top-down elements (the medium-term fiscal framework and strategic resource allocation), which are now generally seen as the initial stage of an MTEF reform.).

Given the technical nature of the reforms, it would have been difficult for GoG to debate the pros and cons of different approaches. It can be argued that Ghana was a testing ground for an MTEF and that GoG was open to being a pioneer, as it was viewed internationally as a leading reformer in Africa. Internally, the process was widely discussed, at both political and senior management levels throughout government, and this helped to cement the political commitment required (as discussed above).

As an integrated financial management information system, the design of the BPEMS was relatively ambitious. The choice of IT platform, a leading international financial management software application, to some extent

43 These points were made by both Betley and Burton, 2011 and the 2010 IEG evaluation of PRSC/MDBS.

44 During the 2000s, excluding the outlier year of 2009 (where DPs provided additional funds to support GoG during the global financial crisis)

reflected GoG's perspective as a leading reformer and stated ambition of becoming a middle income country within 15 years. However it brought challenges of needing to customise the system for use in a government rather than a corporate context and raised problems of IT infrastructure demands and connectivity. It is likely that there was insufficient understanding amongst high-level stakeholders of these implications and also of the requirements for re-engineering PFM systems and processes.

For the revenue management reforms, the relative openness of the policy dialogue facilitated the reforms. With a single DP providing support (first, DFID and then GIZ), there was greater flexibility and more opportunities for collaboration in the design of the reforms. The VAT re-design took into account the mistakes of the previous failed introduction and drew on international lessons of experience. The scheduling of the reform provided for natural breaks in implementation that allowed for review and redesign, and in some cases halting, of individual elements of reform. The support from the DP was also sufficiently flexible to take into account the impact of the electoral cycle on implementation and, due to longer-term DP commitment, to respond to more politically driven elements of the reform when the opportunity arose (e.g. merging of the revenue agencies).

Looking at the role of the policy dialogue as part of MDBS, GoG officials reported that they found MDBS to be a valuable forum for discussing PFM reform issues, including technical ones, for requesting external TA and project assistance, and in some cases also for keeping up pressure on reform, and arguably accelerating the pace of some reforms.[45] A distinction is made between the overall indirect effect of the MDBS dialogue and the direct effect of conditionality (and the related performance incentive effect of the variable tranche). Whilst the financial penalty was relatively small for the government, the reputational incentives for the government appear to have been taken very seriously by MoFEP at least.

Political context

The degree of GoG political commitment to reform has been the main binding constraint to the success of reforms. GoG showed strong initial commitment to the MTEF, reforms in revenue management, external audit, internal audit and procurement. This commitment facilitated the programme of PFM legislative reform in each of these areas during the past decade. However, continued high-level commitment to these reforms, including to the implementation of legislation, has been more problematical.

For the MTEF, high-level political (Cabinet-level and Parliament) commitment, as well as that of MDA Chief Directors, was actively sought throughout its introduction, and this enabled such an MDA-wide systemic change to be implemented. Political stakeholders were supportive initially as they saw the reform as being able to facilitate implementation of the policies of the relatively new government (in 1997).

45 See Betley, Burton, 2011. The positive impact of the MDBS on the pace of reform was also cited by the IEG's 2010 evaluation of PRSC/MDBS.

It may be argued that the MTEF is an example of a process that has been sustained despite the severe limitations of its design.[46] This suggests the effectiveness of the original change management process, which involved the active involvement of Chief Directors, and regular communication and information exchange across stakeholders. Arguably the use of the MTEF software to control fund releases to ministries at the level of individual activities has helped to institutionalise ownership of the reform within MoFEP.

By contrast, BPEMS did not have anywhere near the same level of political or administrative commitment as the MTEF. It was seen as a technical reform, something that didn't require political or high-level support, and thus its original design didn't actively seek to engage high-level stakeholders. The failure of BPEMS to move beyond the pilot stage was also influenced by the senior administration level's (Chief Directors) not being convinced about the benefits of change, and having little incentive to implement the required systemic changes in business processes. In the design of the new GIFMIS initiative, much greater attention has been given to involving Cabinet and Parliament and to addressing change management issues.

The experience with MTEF and BPEMS suggests that GoG found it difficult to halt reforms that had already absorbed a significant amount of resources, even when it was clear that these reforms had failed or were not meeting their objectives. Senior ministry management was either not sufficiently engaged or was unwilling to take decisions that would have reflected the failure of a reform. It took a change of government for the decision to be taken to abandon BPEMS and to undertake the assessment of requirements for updating financial management systems that led to the new GIFMIS reform.

The revenue management reforms also had significant political commitment at the start of the reforms (e.g. to implement the VAT),[47] but the reform progress stalled in the mid-2000s as a result of faltering commitment and leadership for the subsequent reform step of merging the separate revenue agencies. It took a change in government, supported by a committed DP, to unblock the reforms.

Implementation of internal audit reform was hampered by the failure to secure the effective support of senior management in many MDAs. Similarly, the political leadership was slow to understand the intent of the IAA law, which affected the pace of reform.

All of the PFM reforms have been affected by disruptions in the tenure of senior management, particularly in MoFEP (e.g. Chief Director and Director Levels), following a change in political leadership. Most recently, following the 2008 elections, MoFEP did not have a permanently-appointed Chief Director until July 2011, 30 months after the new government came into power, and 27 months after the previous (long-running) Chief Director had left the post. The Budget Director was replaced, and there were changes in personnel within other divisions. Previous changes to senior political leadership in MoFEP had an adverse effect on BPEMS "progress".

46 MDAs continue to this day to produce detailed activity-based budgets.

47 It is to be noted that earlier VAT reforms (prior to the period being studied here) were supported by DFID.

4. Outcomes and Overall Assessment

4.1 CHANGES IN PEFA SCORES

EQ 9: What have been the intermediate outcomes of PFM reforms, in terms of changes in the quality of PFM systems?

The study assessed PFM intermediate outcomes in terms of changes over the period in HIPC AAP indicators and the PEFA indicators. However, weaknesses in the quality of data for the HIPC assessment meant that this study relies for its analysis on the PEFA assessments undertaken in 2006 and 2009, which provide a more comprehensive assessment of PFM systems.[48] The main trends in PFM performance across the eight PFM focal areas of the study are set out in Box 8.

Overall, there were limited improvements in PFM intermediate outcomes over the period. A total of 7 PEFA indicators registered an improvement between 2006 and 2009, while 11 showed no change and 8 recorded some deterioration. This is broadly consistent with the assessment of PFM reform implementation contained in the previous two chapters. Specifically:

- There was a small improvement in the indicators for: (i) multi-year budgeting (PI-12), largely due to a debt sustainability analysis having being undertaken; (ii) revenue management (PI-15), reflecting improvements in tax collections; and (iii) resources received by service delivery units, largely due to PETS analyses having been undertaken. Additionally, during the early part of the period, considerable progress was made in strengthening the legal framework for PFM. However, implementation of the new legislative and regulatory provision proceeded slowly and as a result did not significantly impact on the indicator scores.

- Regarding budget preparation there was some improvement in the budget calendar sub-indicator (PI-11) following a change that resulted in the Appropriation Bill now being tabled and approved by Parliament before the beginning of the fiscal year. While this should have brought greater credibility and transparency to budget preparation, the reform was undermined by weakening fiscal discipline, an increase in the incidence of unauthorised spending, and the failure to maintain a bridge table showing expenditure by function. As a result overall there was some deterioration in the performance indicators relating to budget preparation.

48 Progress and outcomes in the most recent period (2009 and 2010) are not covered due to lack of PEFA data for these years.

- Outcomes relating to budget execution and accounting were unsatisfactory. Issues included the level of expenditure arrears (PI-4), the management of budget and cash releases, the control of commitments (PI-16) and the implementation of internal expenditure controls (PI-20). In each of these areas, the PEFA indicators either showed no improvement or deteriorated between 2006 and 2009. Continued problems and delays with accounts reconciliation, in-year budget reporting and annual financial reporting were reflected in no change in the relevant indicators (PI-22 and PI-24). The lack of progress in these reform areas was consistent with the failure of the BPEMS reform.
- In addition, Parliament's timely review and follow-up of external audit reports deteriorated, in part due to limited capacities in the Public Accounts Committee (PAC). The support provided to the PAC by DFID over 2007 to 2009 does seem to have paid dividends in the subsequent period, however. Notably, progress has been recorded in terms of timely review of audit reports, with PAC reviewing the 2007 and 2008 audit reports in early 2011. In addition, training of the media in the role of the PAC and the broadcasting of PAC hearings on radio and TV served to generate significant public interest and, consequently, to raise the standard of the proceedings.

Box 8: Summary of changes in intermediate outcomes based on PEFA assessments

PFM Focal Area	Improvement in intermediate outcome[1]	Deterioration in intermediate outcome[1]	No change in intermediate outcome[1]	Remarks
Strategic budgeting	PI-12 [multi-year budgeting] improved from C to C+			Improvement largely due to Debt Sustainability Analysis having been undertaken
Budget preparation	PI-11 [budget process] improved from B to A	Budget credibility indicators deteriorated from B (agg. expend) and A (rev) to C and B PI-5 [budget classification] deteriorated from a B to C PI-27 [legislative budget scrutiny] deteriorated from a C+ to D+		↑ in PI-11[budget process] largely due to passage of Appropriation Act before fiscal year. ↓ in budget credibility due to slippage in fiscal discipline ↓ in PI-27 [leg. scrutiny of budget] due to slippage in unauthorised expenditure during yr ↓ in PI-5 [budget classification] due to not maintaining bridge table for fn classification
Resource management – revenue	PI-15 [tax collections] improved from C to C+	PI-13 [taxpayer liabilities] shown to deteriorate, but inconsistent interpretation of scoring	PI-14	↑ in PI-15 due to improvements in the clearance of tax arrears

PFM Focal Area	Improvement in intermediate outcome[1]	Deterioration in intermediate outcome[1]	No change in intermediate outcome[1]	Remarks
Resource management – Treasury, aid and debt management		PI-16 [commitment controls] deteriorated from C to D+ PI-17 [cash management] deteriorated from B to D+		↓ in PI-16 [commitment controls] due to slippage in predictability of resource flows to MDAs ↓ in PI-17 [cash management] due to slippage in cash management
Resource management – expenditures			PI-18 [payroll controls]	Due to lack of reliable data, PI-19 [procurement] was not scored originally
Internal control, audit and monitoring		PI-20 [non-wage internal controls] deteriorated from C to D+		↓ in PI-20 [non-wage internal controls] due to slippage in commitment controls In the first PEFA, PI-21 [internal audit] was not scored as it was judged too early to assess as the internal audit function was in the early stages of being-established

PFM Focal Area	Improvement in intermediate outcome[1]	Deterioration in intermediate outcome[1]	No change in intermediate outcome[1]	Remarks
Accounting and reporting			PI-22 [accounts reconciliation] PI-24 [in-year budget reporting] PI-25 [annual financial reporting]	Continued weaknesses in timeliness and accuracy of in-year and end-year budget execution reports
External accountability		PI-28 [leg. scrutiny of ext. audit reports] deteriorated from C to D+	PI-26 [external audit]	ê in PI-28 [leg. scrutiny of ext. audit reports] due to the impact of a political dispute with Auditor-General

[1] Based on PEFA results in 2006 compared to 2009.

4.2 RELEVANCE OF PFM IMPROVEMENTS FOR SERVICE DELIVERY, ESPECIALLY FOR WOMEN

EQ 10: To what extent are the outcomes generated relevant to improvements in the quality of service delivery, particularly for women and vulnerable groups?

It is difficult to obtain reliable data on service delivery for women and vulnerable groups. The annual budget allocations in 2011 to the Ministry of Employment and Social Welfare and the Ministry of Women and Children represented less than 0.5% of the total budget.[49] While the share of discretionary (MDA) resources flowing to MDG-related sectors (particularly health and education) increased relative to other sectors over the past decade, most of this increase went to pay for significant increases in wage rates; flows relating to other line items either stagnated or decreased.

Given the weaknesses in GoG budget documentation and subsequent reporting, it is very difficult to determine the extent to which expenditures were spent on improved service delivery for women and vulnerable groups, or the degree to which such expenditures in these areas are prioritised and protected during times of fiscal consolidation. Expenditures from the Consolidated Fund on a defined set of "poverty-reducing" activities are able to be tracked. However, in practice, these activities are not necessarily prioritised (Table 5).[50]

Table 5: Poverty-Reducing Expenditures

(GHC mn unless otherwise specified)	2004	2005	2006	2007	2008	2009
Total expenditures[2]	2,196	2,516	3,489	3,964	5,385	8,081
Of which:						
Pro-poor expenditures – MDAs only	380.5	493.4	618.6	711.8	1,108.7	1,274.5
HIPC	162.9	195.4	199.8	183.7	187.5	549.9
Pro-poor (MDAs+HIPC) as % of total exp	24.7%	27.4%	23.5%	22.6%	24.1%	22.6%

[1] Data were not collected prior to 2004, and final figures for 2010 were not yet available at the time of the review.
[2] Total Consolidated Fund expenditures, including both discretionary and non-discretionary expenditures
Source: Audited Accounts, Ghana Audit Service

49 Figures are all for the Consolidated Fund (GoG discretionary allocations).
50 See World Bank, External Reviews of Public Expenditure Management, e.g. 2009.

In terms of planned expenditures, while the very detailed MTEF documentation provides information down to the activity level, it is far too detailed and the activities insufficiently strategic, with many of the activities essentially inputs, such as the purchase of vehicles or the carrying out of seminars, to provide useful information on their linkage to the delivery of services. At the same time, the lack of comprehensiveness of the MTEF[51] means that it is not possible to have information even on the total planned allocations in particular sectors.

Furthermore, due to differences in the Charts of Accounts used between MoFEP (responsible for budgeting) and CAGD (responsible for accounting, recording and reporting on actual expenditures), information on actual expenditures against budgeted appropriations by activity cannot be generated.[52] The Annual Financial Statements produced by CAGD often have significant errors, which usually remain even after audit. Limited information is available on resources received by service delivery units. While PETS analyses were carried out in the health and education sectors in 2007, they only covered part of resources received, and there were serious concerns about the quality of the output. The lack of reliable information on actual expenditures affects the work of civil society organisations trying to hold the government to account for its policy objectives.

Expenditure commitment controls worsened during the period studied as a result of the rapid expansion of budgetary expenditures, particularly in investment spending. This led to a ballooning of the fiscal deficit and a significant accumulation of payment arrears. As discussed above, the most recent period of expansionary fiscal policy occurred during both the build-up to the last elections and the global financial crisis. Existing weaknesses in PFM systems and processes to direct resources for service provision were put under greater pressure by reduced fiscal discipline in the latter part of the period studied.

Thus, there is little evidence that the PFM reforms contributed to the improved delivery and to better targeting of services on women and vulnerable groups. Fundamentally this reflected: (i) the failure of the MTEF reform to result in a more strategic and better targeted approach to budget planning; and (ii) the lack of progress in strengthening budget execution and monitoring systems which was linked to the failure of the BPEMS reform.

51 Since the activity basis excludes personnel-related expenditures and those financed by sources other than the Consolidated Fund, such as the Statutory Funds (e.g. the National Health Insurance Fund).

52 CAGD had announced that from end-2011 the new Chart of Accounts and the first phase of GIFMIS would ensure that compatible budget and expenditure figures were available for 2011.

4.3 THE EFFECTIVENESS OF PFM REFORMS: FROM INPUTS TO INTERMEDIATE OUTCOMES

EQ 11: Have reform efforts been effective? If not, why not? If yes, to what extent have PFM reform outputs been a causal factor in the changes identified in intermediate outcomes?

Overall, there has been mixed success with PFM reform efforts. The most substantial success has been with passing legislation but GoG has faced significant challenges to implement the new laws. Otherwise, the most effective reforms appear to have been the revenue management activities, as they have led to a sustained output in the form of changed processes (successful introduction of VAT, and the introduction of the TIN), and there has been a significant increase in revenues as a share of GDP during the period studied.

Large and complex projects have been less successful than more narrowly-targeted initiatives. The two major reforms introduced under PUFMARP involving the introduction of a more policy-led medium-term budget process and the introduction of a financial management information system to support budget executions, have not contributed to improved intermediate outcomes, nor prevented the deterioration in such outcomes. Indeed, the improvements in intermediate outcomes (as measured by PEFA) were largely independent of the main PFM reform actions.

The study attempted to explore the reasons why some reforms were successful while others were not. It has identified five main factors.

The electoral cycle had a negative influence on consistency of implementation of the PFM reform agenda. During each of the electoral cycles in the period studied, there was a marked deterioration in fiscal discipline in the 18 months leading up to the elections. This resulted in the build-up of arrears and a weakening of commitment controls and other internal controls (e.g. payroll). In the aftermath of each election, the new government undertook clearance of arrears and tightening up of internal controls, before the following electoral cycle resulted in a repeat of the cycle. This has resulted in the deterioration in a number of PFM intermediate outcomes as measured by the PEFA assessment criteria. It has also diverted administrative effort and political attention away from the implementation of reforms. Politicisations of appointments to senior ministry and administrative positions has created uncertainty and disrupted the implementation of some reforms.

Technical design flaws – due perhaps to policy space constraints – afflicted several of the PFM reforms:

- BPEMS was over-ambitious in its conceptualisation, aiming to implement an integrated system (covering strategic budget preparation, procurement, execution, accounting, reporting, recording, and HR) to be rolled out to all MDAs and MMDAs (312 entities at that time).[53]

53 Relatively early on, the budget preparation and HR components were dropped from the design.

The design of the reform failed to take account of the limited IT familiarity and significant constraints to IT connectivity that until now have not been fully resolved. It also emphasised a technical, IT-led approach that failed to address adequately the requirements for underlying reforms to PFM processes and procedures. The management of the reforms, under a separate and relatively independent PIU, reinforced these weaknesses by marginalising key stakeholders, principally the CAGD and Budget Division, while insufficient attention was given to capacity issues and training requirements.

- IPPD2, the other main IT reform, was relatively more successful partly because it was much simpler in design, with its implementation focused on establishing a payroll processing and personnel management database for MDAs. As payroll processing is a central function, the new IT system involved only limited numbers of users of the system, which were concentrated at CAGD. It did not involve as many changes to underlying processes and hence posed fewer change management issues. Nevertheless, it also took close to a decade to implement at relatively high cost and in its current, operational form only really comprises half of the system originally envisaged, providing a payroll processing function only, with no corresponding personnel data-base. As with BPEMS, weak structures for monitoring progress and coordinating implementation contributed significantly to these failings.
- Weaknesses in the initial design of the MTEF directly contributed to its failure to establish a more strategic policy-led approach to budgeting. The focus of the reform was on activity based costing and budgeting and little attention was give to the top-down strategic elements of the reform (the macro-fiscal framework, expenditure policy and sector priorities) and to the role of Cabinet in the budget decision-making process. Furthermore the new procedures were not applied to personnel expenditure despite the fact that these represented the largest share of most MDA budgets. The result was an excessively detailed budget planning process that was not comprehensive and which lacked realism, with MDAs continuing to submit budget requests substantially in excess of the available resource framework.

Insufficient articulation of the PFM reform vision and strategy contributed to ephemeral political ownership of PFM reforms. There was no overriding GoG prepared strategy to guide the PFM reform process. PFM diagnostic studies were largely carried out by the DPs, often in response to their own programming agendas. PFM reforms were articulated through a mixture of DP-prepared reform initiatives (e.g. PUFMARP), short and medium-term action plans prepared by MoFEP, and PFM actions listed in the annual Budget Statements. The lack of a clear GoG-owned and prioritised PFM reform strategy, meant reforms often lacked impetus to address problems as they arose. As is not unusual, the focus of political leaders shifted with regularity in response to political needs and did not necessarily follow a logical pattern. This meant that reforms that may have begun with initial high-level political and administrative support were left to struggle when such support waned; the continuation of BPEMS after DP support ended is a good example. It also led to reform initiatives becoming compartmentalised within a single department without linkage to other elements of the PFM system. For example, although activity-based budgeting reforms were introduced in the late 1990s there is still no capability within the PFM system to account for expenditure by budget activity.

Deficiencies in bureaucratic and management structures adversely affected the capacity of MoFEP to achieve the successful realisation of PFM reforms. A range of factors can be identified. These include weaknesses in the high-level management and co-ordination of the reforms, departmental rivalries, and insufficient attention to change management requirements, failure to address human resources management and capacity issues, and ineffective monitoring of progress. The result was a tendency for reforms to continue at the own pace and a failure to take timely action to redesign or halt reforms that were clearly not working. For example, although problems with the MTEF design were identified early on, the MTEF process continued largely unchanged despite it being widely seen as having failed. Similarly, although issues with BPEMS were identified during implementation and various solutions were attempted, leading to project expenditures mushrooming, it took a change in government to halt BPEMS completely. Weaknesses in management decision-taking processes were also reflected in the tendency for reforms to get stuck at the pilot stage.

Sustained political commitment has been a key factor to the successful implementation of PFM reforms. Both the revenue reforms and IPPD2 received strong political level support, including at Cabinet level, which facilitated their implementation. By contrast where such support has not been present (e.g. external audit and arguably BPEMS), reform progress has been slower.

The study has also examined the role of DPs and the extent to which this influenced the success of PFM reforms. DPs played a key role in supporting the reform process and financing the implementation of the reforms.[54] The level of DP funding appeared to be sufficient, and DPs were responsive to GoG requests, particularly at times of economic and fiscal difficulty.[55] DP disbursements were broadly in line with commitments in aggregate, although the timing did not always match GoG's desired timing, which delayed some activities.[56] Nonetheless, disbursement delays were not a critical hindrance to reform.

The way in which DP support for PFM reform was provided also had an impact on its success. Specifically:

- Donor support that spanned a relatively long time horizon and which provided a flexible support framework was better able to respond to

54 See analysis summarised in Section 3, Box 7 above.

55 See Betley, Burton, 2011.

56 This has been the case with GIFMIS, for example, and previously with the development and testing of the MTEF.

reform opportunities as they arose, which was often linked to the political cycle. The revenue reforms supported by BMZ are a good example of where a flexible approach to support facilitated the reform.

- Effective co-ordination among DPs also played an important role in reducing transaction costs and avoiding overlapping initiatives.
- DP support that was tightly focused and limited in scope was often more effective than large ambitious projects, such as PUFMARP, which covered several component reforms that proved unwieldy to manage.

EQ 12: To what extent do the gains identified at the Intermediate Outcome levels appear sustainable? Is the process of PFM reform sustainable?

The most sustainable improvements in intermediate outcomes appear to be those in revenue management, including the introduction of the TIN, and of a functioning VAT. The latter is notable as it followed an earlier failed attempt at introducing VAT in the mid-1990s. In the more recent introduction, greater success has been attributed to better public education in advance of the re-introduction and to the establishment of cross-party support for the re-introduction of VAT. In the first attempt at introducing VAT, a number of tactical mistakes were made by the NDC Government, which were quickly seized upon by the opposition. The fact that VAT was re-introduced at a lower rate (10 %), with rates being increased later once systems were established and public acceptance well embedded, was also pertinent.

The government which took power in 2009 signalled a renewed commitment to PFM reform through the high priority that it gave to establishing a functioning financial management information system, its support to the restructuring of the MTEF with adoption of a more strategic programme-based budgeting approach, the amalgamation of three revenue agencies, the development with the assistance of the IMF of a programme for deficit reduction and the elimination of arrears, and the reestablishment of payment controls. It also initiated the restructuring of MoFEP, creating a new unit responsible for PFM reform, answering to senior management, and facilitated an emphasis on building PFM capacity (including through the efforts of the Budget Development Unit) through PFM-related study tours and/or international or regional PFM fora (e.g. CABRI) to learn about different PFM systems. Direct exposure to reforms elsewhere has generated demand for specific reforms, including recently the introduction of programme-based budgeting.

While it is too early to determine the extent to which these reforms are likely to result in sustainable improvements in PFM outcomes, the recognition that PFM reforms have had limited success, the comprehensive approach that is being taken to tackling key weaknesses in PFM systems and the stronger demand from parliament to show improvements in PFM outcomes suggests that there are grounds for optimism.

5. Conclusions and Wider Lessons

5.1 SUMMARY OF KEY CONCLUSIONS

The study posed the following questions at the beginning: (i) where and why do PFM reforms deliver results (i.e. improvements in the quality of budget systems?); and (ii) where and how does donor support to PFM reform efforts contribute most effectively to results? The analysis in Box 9 summarises the relationship between inputs, outputs and intermediate outcomes and the related benefitting or inhibiting factors.

The study's main conclusion is that, relative to the significant funds expended on PFM reform over the study period, success has been largely disappointing. The most substantial progress was made with strengthening the legislative base but, in common with other countries, GoG has experienced significant challenges to implement the new laws. Otherwise, the most effective reforms appear to have been the revenue management activities, as they have led to a sustained output in the form of changed processes (successful introduction of VAT, and the introduction of the TIN), and there has been a significant increase in revenues as a share of GDP during the period studied. As VAT is a major source of revenue, it is likely that the successful implementation of the reform has been an important factor.

The most ambitious reform initiatives have generally been the least successful,[57] with the exception of the revenue management reforms, which could be considered to be a succession of smaller initiatives. By contrast the MTEF reform aimed at improving the linkage between policy objectives and budgetary expenditures and the budget execution reforms that focussed on improving financial management information systems have not contributed to improved intermediate outcomes, nor prevented the deterioration in such outcomes. Indeed, the limited improvements in intermediate outcomes were independent of PFM reform actions.

The main binding constraint was the extent and continuity of political commitment and leadership (including the impact of the political cycle), following by issues of policy space. Factors of inter-agency and intra-agency cooperation (relative incentives), weak bureaucratic management, and an inconsistent strategic vision were also features affecting reform progress. The availability of financial resources, either DP or GoG, does not appear to have been a constraining external factor. Physical outputs (e.g. legislation, regulations, standards, documents) appear to be more numerous and more sustainable than systems changes or the implementation of legislation. Reforms and

57 This is not to say that it is necessarily the size itself which is the sole factor responsible for the relative lack of success.

changes in intermediate outcomes appear to be more effective with the upstream elements of PFM than on the downstream ones.

Reforms were hindered where design was inappropriate, scope was over-ambitious and where there was too much of an emphasis on technological change (relative to addressing existing weaknesses in underlying business processes), and underplaying or under-estimating the required organisational changes.

Initial commitment to reform (demand from GoG due to fiscal pressures and DPs, and strong political level leadership) at the beginning of period (PUFMARP) facilitated early reforms. This commitment was difficult to sustain in the longer term, and hence reform progress flagged, affecting those reforms being implemented but not yet completed. One response to challenges in implementing reforms, piloting, sometimes became an end in itself (rather than a means to an end), to be replaced by something new, rather than learning and adapting, based on the initial implementation lessons.

The role of the wider economy, in particular strong economic growth, and the level of commitment to fiscal discipline appeared to have a more significant effect on intermediate outcomes (positively or negatively) than did specific PFM reform activities.

DP contributions have had both direct and indirect effects, but their effectiveness has been undermined by large set-piece and time-bound projects that focussed on technological solutions rather than changes to the underlying processes.[58] External support has had greater traction at the beginning of reforms, to facilitate the design and the initial implementation, over those for sustaining or deepening reforms. Exceptions to this have occurred where there has been sustained DP contributions over a longer period of time, with support demand-driven, targeted to specific needs, adaptable in terms of design and re-design (willingness to pause), and commitment signalled in advance. The main benefit from MDBS was in the GoG-DP (overall) policy dialogue, rather than from the external triggers.

There was pressure from both DPs and GoG for new and ambitious reforms to be implemented as a response to waning or failing reforms. DP support emerging from this pressure tended to be inefficient and to lead to poorly-sustained results.

5.2 WIDER LESSONS

The study identified a number of factors which appeared to facilitate PFM reforms (though not necessarily ensure their sustainability). These positive drivers of change include:

- *Demand for reform* – demand for PFM reforms in Ghana has come from three main sources: (i) internally (GoG)-generated demand, as the result of fiscal pressures, internal/external assessments of PFM systems (e.g. PEFA assessments) or peer-to-peer learning; (ii) public (citizenry) pressure; and (iii) dialogue with DPs, particularly through the MDBS.

58 This is not to say whose initiative (i.e. GoG, DP, or both) these set-pieces projects were.

- *Role of media* – with an active and open media and a citizenry who are actively engaged with the media (particularly, radio and print media, but also television), there is evidence of pressure being brought to bear on public officials.[59] One example is the greater attention placed on the PAC's reviews of external audit reports through the hearings being televised. However, the ability of the public to hold officials to account is undermined by the lack of timely financial information available to the public (e.g. in-year fiscal reports), the lack of comprehensibility of key budget documents (e.g. the Medium Term Expenditure Framework [MTEF]), and limited expertise on budgetary and financial matters by some officials, CSOs and the general public.
- *Peer-to-peer learning* – learning from the experience of relevant peers, e.g. through the Collaborative African Budget Reform Initiative (CABRI), has been cited as an important factor for generating internal demand by technical staff for specific types of reforms. Seeing how reforms work in practice (e.g. programme-based budgeting in South Africa) has provided an impetus and guidance for change. However, a sense of competition amongst different countries can lead to demand for reforms that are inappropriate to the local context and/or overambitious (e.g. the latest PFM trend) in order to be "first". MoFEP middle-level management (particularly in the Budget Division) have also prioritised the training of their staff through relevant mid-length overseas PFM programmes, which is serving to provide staff with exposure to alternative PFM processes and to generate a cadre of core staff with such experience. However, in the absence of progress on reforms, there is a risk that such training becomes quickly degraded.
- *DP support which is flexible, demand-driven, involves a longer-term commitment, and which explicitly involves the opportunity to design or (re)design the content as the project goes along (based on the current institutional and policy environment and an evaluation of the previous phase of support)* – this is the basis for the BMZ work with the Revenue Agencies.
- *MDBS dialogue* – a recent study of MDBS[60] found that the policy dialogue as part of the joint GoG-DP MDBS framework facilitated GoG's policy- and decision-making process through keeping up pressure on the issues and arguably enabling GoG to accelerate some reform processes. However, in terms of leading to measurable outputs or outcomes, these pressures appeared to have greater effect on areas other than PFM (e.g. related to MDGs).
- *Involvement of the political level early on*, including Cabinet, and Parliament, appears to have been an important facilitating factor in the reform process.

59 This pressure may be necessary but not sufficient for there to be action (e.g. an investigation or further consequences) taken.
60 Betley M. and Burton J., (March 2011), Ghana, Assessing the Benefits of Multi-Donor Budget Support, Mokoro Ltd.

The study also identified a number of obstacles to change, including:

- *Tendency for overly ambitious reforms* – this has led to the inappropriate design of some reforms, increased the risk of reforms, and led to unrealistic expectations of the timetable for undertaking the reforms and the outcomes of the reforms. The reforms carried out in Ghana illustrate the tension between a desire for ambitious (e.g. multi-component) reforms and the riskiness of doing so.
- *A focus on technology without addressing underlying processes and incentives* – a number of the reforms in Ghana have been seen largely in technological terms, without first addressing the underlying PFM reform issues and incentives. This has led to a tendency to move (too) quickly to a technological solution without first tackling the requirement for changes to business processes. This tendency can have three main effects, namely: (i) ignoring the wider political economy of the reforms and thereby failing to address the needs of all stakeholders and thus bring them on board; (ii) raising (often unrealistic) expectations for what the reforms can achieve; and (iii) automating the underlying weaknesses rather than addressing them.
- *Desire for piloting but no appetite for moving to the next stage based on lessons learnt* – during the period studied, there were a number reforms that were piloted for many years (up to 8 years in some cases) without being rolled out; examples include composite budgeting, certain modules in the Budget Planning and Expenditure Management System (BPEMS) in pilot MDAs, and the realigned Treasuries, which were all piloted at the same time, often with the same set of stakeholders. This served to cause significant confusion for those stakeholders undertaking the pilots. The failure to move the reforms forward suggests that they had not been sufficiently planned and tested and that there was insufficient capacity (or will) to address issues identified during the pilot phase.
- *Pressure to introduce new reforms before current ones are embedded* – not only were the pilots not rolled out (or stopped) but they were followed by new (different) reforms; an example was the composite budgeting reforms, which began being piloted in 2003 and which were supposed to be combined with the introduction of MTEFs at the MMDA level, but which (as of 2011) are now being superseded by the introduction of programme-budgets and the Ghana Integrated Financial Management Information System (GIFMIS). This pressure has led to further confusion and may potentially have affected full engagement with the new reforms.
- *Tendency for departmental silo working* makes PFM reforms more difficult, particularly with reforms which involve specific MDAs or parts of MDAs, possibly to the exclusion of others. These may exacerbate existing inter-MDA or intra-MDA institutional tensions.
- *Insufficient time to plan reforms and explore alternatives.* Reform planning, including planning how reforms will affect different stakeholders and how these changes will be addressed, is likely to take considerable time. Not exploring alternative methodologies may lead to inappropriately-specified reforms. The MTEF is a relevant example in Ghana.

- *Political economy* – reforms which potentially work against formal or informal institutional interests have been harder to achieve. The completion of the transfer (referred to as "migration" in the Ghana context) of the subvented agencies on to the central payroll system is one such example.

5.3 RECOMMENDATIONS FOR THE DESIGN AND MANAGEMENT OF PFM REFORM PROCESSES

The observations outlined above suggest a number of implications for both GoG and DPs. Any PFM reform involves risk; it is critical for reform planners and managers to manage the risk, and the points below indicate areas of potential risk management.

1. *Reform of PFM is a process* – there is no "beginning" or "end" to reform. Both GoG and DPs should recognise the importance of continuity of reform, which may not follow a linear path. Longer-term support to the broad direction of reform (e.g. as with revenue administration reforms) can provide helpful continuity of support and allow reform to take advantage of windows of opportunity, e.g. political space.
2. *Understand the risks applicable to each type of reform and explicitly factor in risk management*. One of the aspects to be addressed during the planning stage should include an analysis of readiness for reform (e.g. large IT projects should review the existing extent of IT culture in the organisations involved; the more limited the existing IT culture, the more risky is the reform).[61] In planning reforms where functions are to be devolved, MoFEP should first test the preparedness and competence of the agencies involved before functions are devolved.[62]
3. *Less ambitious and stepped reform approaches set within a broader reform framework are likely to be more sustainable and involve less risk*. Start out with limited changes that address a particular issue. Then incorporate the experience from implementation into the design of the next step in the reform process.
4. *Identify demand and management factors that are likely to facilitate successful reform*:
   - a strong demand for change and a common understanding of what is needed, including the sharing of international experiences with peers in other countries to build and strengthen a common knowledge base;

61 It is also worth noting, as above, that a technological (IT) solution may not always be appropriate, particularly if the underlying manual processes (e.g. internal controls) are inadequate.

62 This implication may be relevant to the current on-going process of fiscal decentralization and devolution of fiscal resources to MMDAs.

- clearly-defined (and understood) roles and responsibilities played by external stakeholders, particularly where the reforms involve agencies outside of MoFEP;
- strong accountability mechanisms in place, including externally with external scrutiny bodies and CSOs and internally with project management;
- an appreciation by stakeholders that the reforms are not only about technical changes; institutional arrangements need to be clear and facilitate discipline and decision-making and scrutiny of those decisions;
- strong, clear and evidenced leadership of the reform;
- Effective and respected arrangements for management are in place.

5. *Reforms need to be planned and sequenced.* Appropriately planned and sequenced reforms should recognise that planning, design and testing takes (sometimes significant) time; this step should not be rushed. Systems (and technology) should support reform and not vice versa. Institutional and organisational issues (both within and across organisations) must be addressed as part of reform planning. There should be a short (time-bound) pilot phase included after testing but only when the reform is ready to roll out. Finally, it is important to be realistic, bearing in mind the PFM calendar and capacity demands. Too many reform initiatives may distract staff from their day-to-day tasks; managers should set priorities and manage the sequencing of reforms so that the budget process continues in a timely fashion.
6. *Ensure that there is sufficiently strong, active and appropriately dispersed leadership.* The role of leadership of reform is most effective when it is visible, consistent, at the appropriate level, and actively engaged with the appropriate level in stakeholder institutions. Effective PFM leaders manage upwards (to the political level), downwards (to the management level), and outwards (both across government, and to those responsible for external accountability, including Parliament and civil society). Consideration may be given to providing training in leadership for senior political and administrative levels, particularly for those in newly-appointed positions.
7. *Ensure appropriate management of reform* at different levels – effective managers (i) ensure that there is a clear plan to get from where an institution is currently to the next step(s), (ii) take responsibility for delivering on the work plan, and (iii) delegate to staff and motivate them to deliver, giving appropriate recognition for activities done well and in a timely fashion, as well as enforcing sanctions when justified. Current efforts to introduce more performance elements into senior management, particularly for Chief Directors, are important.
8. *Review and evaluate reform progress and be prepared to take action if things go wrong.* In other words, GoG and partners should be ready to admit when reforms are failing and address weaknesses promptly, or actively take the decision to halt the reforms. Incentives to improve senior managers' performance may facilitate in this process.

Box 9: Summary of PFM reform inputs, outputs, and intermediate outcomes

PFM focal area	Inputs[1]	Specific reform	Outputs[2]	Causal factors in positive/negative progress	Role of DP Contributions[3,4]	Intermediate outcomes
Strategic budgeting	Support to MTEF: TA, design of MTEF, software. Funding of $4.6 mn (WB) (and GoG of $0.2 mn). Co-financing from DFID and CIDA. More comprehensive budget info, more timely budget calendar: solely GoG inputs	MTEF	Partial (e.g. excludes salary-related costs) activity-based MDA budgets	Weaknesses in, & ambitiousness of, MTEF design. Pressure to roll out early.	Direct (design, implementation)	Deterioration in credibility of multi-year framework
		Composite budgets	Pilot phase has lasted nearly 10 years	Differences in classification systems between central, local not resolved prior to piloting	Indirect (policy dialogue)	
Budget preparation	GoG inputs	Legislative basis for PFM	Finance and Administration Act Financial Administration Regulations	Commitment by GoG	N/A/indirect (policy dialogue)	Improvement in budget calendar, More transparency in budget information (greater accountability to the public)
		Budget contents	More comprehensive budget information	Commitment by GoG	N/A/indirect (policy dialogue)	
		Timing of budget submission to Parliament	Approp. Act passed before beginning of fiscal year	Commitment by GoG	N/A/indirect (policy dialogue)	
		More communication with public on budget	Citizens' Guides Pre-budget consultations w/ public Budget information on website	Commitment by GoG	N/A	

PFM focal area	Inputs[1]	Specific reform	Outputs[2]	Causal factors in positive/negative progress	Role of DP Contributions[3,4]	Intermediate outcomes
Resource management – revenues	TA, training, software, hardware Funding of €6.8 mn (BMZ) + €2 mn (SECO). Prior funding from DFID.	Direct taxes	TIN introduced	Commitment by GoG, with DP support	Direct (design, implementation)	Significant increase in revenues, not clear to what extent this was due to improved efficiency
		Indirect taxes	VAT re-introduced	Commitment by GoG, with DP support	Direct (design, implementation)	
		Greater administrative efficiency	GRA Act Tax Policy Unit established in MoFEP Beginning the process of integrating revenue services	Commitment by GoG, with DP support	Direct (design, implementation)	
Resource management – Treasury, aid & debt	Advisory support, software Funding of $0.2 mn (WB) + $0.03 mn (GoG) (debt management), $0.2 mn (WB) + $0.03 mn (GoG) (cash mngmt). Other funding from US Treasury, WB, and IMF	Aid, debt management	Regular reports on amt, composition of public debt, guarantees of ext. loans to parastatals	Commitment by GoG under PUFMARP reforms External software support	Direct (design, software)	Slippage in fiscal discipline (weaknesses in commitment controls)
		Commitment controls	New commitment control system introduced (not sustained)	GoG-DP policy dialogue Commitment/Institutional factors/ inter-agency co-operation (to sustain)	Direct (limited, not sustained)	
		Treasury realignment	Establishment of separate Treasuries in some MDAs, regions (improvements in cash flows not comprehensive or sustained)	GoG-DP policy dialogue Commitment/Institutional factors/ inter-agency co-operation	N/A/indirect (policy dialog)	
		Single Treasury account	Closing of a number of redundant bank accounts	GoG-DP policy dialogue Commitment/inter-agency co-operation	Direct (but not fully effective), indirect (policy dialogue)	

PFM focal area	Inputs[1]	Specific reform	Outputs[2]	Causal factors in positive/negative progress	Role of DP Contributions[3,4]	Intermediate outcomes
Resource management -expenditures	Advisory support Funding from CIDA, WB, IMF, DFID, DKK, and UNICEF.	Cash management	Attempts to improve information on cash flows to/from MDAs not comprehensive. or sustained	GoG-DP policy dialogue, DP trigger Commitment/Institutional factors/ inter-agency co-operation	Direct (but not fully effective), indirect (policy dialogue)	Slippage in fiscal discipline
		Procurement	Procurement Act passed; challenges with implementation	GoG-DP policy dialogue, DP trigger Institutional factors (implementation)	Direct (design), indirect (implementation)	
Internal controls, audit, & monitoring	Training Funding of €<0.5 mn (EU). Other funding from DFID and France.	Payroll controls	IPPD2 being used for ministries, depts. but only some agencies	Commitment by GoG, GoG-DP policy dialogue, DP trigger	Indirect (policy dialogue)	Internal audit function initiated
		Internal audit	Internal Audit Agency Act passed Internal Audit Agency established Standards, manual produced IAUs established ARICs established	Under PUFMARP reforms	N/A, indirect (policy dialogue)	
Accounting and reporting	Funding of $15.3 mn (WB)+ $4.6 mn (GoG) (BPEMS)	FMIS/BPEMS	Implementation in 6 pilot MDAs not sustained. System abandoned.	Ambitiousness of design, insuff. high-level commitment in practice, seen primarily as technol. reform, management problems (agency ownership), technical problems	Direct (under PUFMARP), then indirect (policy dialogue)	Slippage in fiscal discipline
		Timeliness of in-year budget execution reports	More timely gazetting	GoG-DP policy dialogue, DP trigger	N/A/ indirect (policy dialogue)	

PFM focal area	Inputs[1]	Specific reform	Outputs[2]	Causal factors in positive/negative progress	Role of DP Contributions[3,4]	Intermediate outcomes
External accountability	TA/capacity building (GAS), training, audits of selected flows. Funding of €8 mn (EU) (External audit), €0.5 mn/yr (BMZ) (PAC), DFID (GAS, PAC) £0.4 mn, KfW, CIDA, DANIDA (DKK 0.5 mn/yr)	External audit	External Audit Agency Act Standards, manual produced Performance, VfM audits begun Clearance of audit backlog	Commitment by GoG under PUFMARP reforms, with DP support GoG-DP policy dialogue, DP trigger	Direct (design, TA support)	Improved accountability to the public for public finances
		Parliamentary scrutiny of public finance	More timely PAC review of audit reports Public access to PAC debates	Commitment by GoG, public pressure	N/A/indirect (policy dialogue)	

[1] DP funding only. GoG funding not available to match this breakdown.
[2] Main outputs shown. Does not include staff training, considered an input. Where outputs have not been sustained, this has been noted.
[3] Analysis from Box 7 above.
[4] DP support shown may not be comprehensive due to non-availability of data.

Annex A: Summary Matrices of Responses to Evaluation Questions for Country and Component Case Histories

PFM Reform Component/Initiative: Financial Management Information Systems

Evaluation Question	Judgement criteria/ Possible indicators	Findings
A Inputs & Context: the design of PFM reform		
A.1. What has been the nature and scale of PFM reform inputs provided by Government and Donors?	• Government funds for PFM reforms committed and actually disbursed by year over the evaluation period. • Donor funds for PFM reforms committed and actually disbursed by year over the evaluation period • Nature of support provided to PFM reform efforts (equipment, training, TA, diagnostic work.) • Focal areas for reforms by function (based on PFM "clusters" as in Andrews 2010) • Focal areas for reforms by organisational location/ level of government (Ministry of Finance, Sector ministries, Local Governments, Parliament, CSOs, etc.)	• Two major financial management information systems (FMIS) initiatives were launched in the late 1990s: (i) the Budget Planning and Expenditure Management System (BPEMS) which was funded under the Public Finance Management Reform Program (PUFMARP), and (ii) the Integrated Personnel and Payroll Database 2 (IPPD2) which replaced a system that had been introduced in the early 1990s (IPPD1). Although implemented as separate projects, the systems were linked in that it was envisaged that the IPPD2 would become the HR module of BPEMS. • Donor support for both BPEMS and IPPD2 had finished by 2003 and minimal donor financing was provided thereafter and the further development of BPEMS and IPPD2 was largely funded from domestic sources. Both reforms were strongly profiled as key elements of the PFM reform effort under the 3 Year Short and Medium-Term Action Plan that was prepared by MoFEP in January 2006. A follow-on donor funded investment operation was approved in 2010 and involves improvement and updating of the BPEMS system and its transformation into the Ghana Integrated Financial Management Information System (GFIMIS). • The reforms were centred in the Controller and Accountant General's Department (CAGD) and to a lesser extent the Budget Division in MoFEP. Roll out involved initially the central government ministries, departments and agencies, and additionally for IPPD2 the sub-vented agencies. **BPEMS** • The original estimated of BPEMS was USD 11.95 million to be financed under a PUFMARP through an IDA credit. The final expenditure spread over the period 1997-2003 was USD 19.68 million, of which USD 15.28 million was funded by IDA and USD 4.60 million funded by GoG. This represented a 50% cost overrun compared with the original estimates. • The reform inputs covered four main areas: – Requirement definition and design – technical assistance for re-engineering of PFM processes and procedures and the functional design of the system; – Technical infrastructure – purchase of hardware systems, installation of LANs in at 56 MDA sites and linking of 18 sites over a wireless loop. – Financial management software – purchase, customisation and installation of the FMIS software. The system chosen was Oracle Financials with six modules purchased: (i) general ledger; (ii) purchase order; (iii) accounts payable; (iv) cash management; (v) public sector budgeting; and (vi) accounts receivable. Because Oracle Financials had been designed for the corporate market and had not been widely used in a government environment, extensive customisation was required.

Evaluation Question	Judgement criteria/ Possible indicators	Findings
		– Training – inputs for training of staff in MoF, CGAD and pilot MDAs. Delays in the development of the BPEMS system meant that the training inputs were less than originally envisaged. – At the completion of PUFMARP, MoFEP decided to continue the implementation of the BPEMS using its own resources. The annual cost of the Oracle licence and support for the application is around USD 180,000. **IPPD2** • IPPD2 is a human resources management and payroll system that uses the Oracle HMRS application. Inputs covered the system specification, cost of IT hardware, the application licence, customisation costs and training of staff in line ministries. • The IPPD2 project began in 1999, when the decision was taken to replace the existing IPPD1 system when it became clear that vendor support could no longer be guaranteed. Funding for IPPD2 was provided by DFID but was halted in January 2001 due to unsatisfactory progress. The project resumed in 2005 with GoG funding with the going live in June 2006 with pilots in the Ministry of Health, Audit Service and the pensions office. In October 2006 the system was rolled out to all other MDAs.
A. 2. What type of structures has been used for the design and management of these reform inputs? Have these structures served to provide a coordinated and harmonised delivery framework?	• Structure of design team and related consultation process: Balance of inputs by Donors/ Govt/ Consultants; Extent of input/ consultation with end users of PFM system (Sector ministries, LGs and service institutions). • Management & co-ordination structure for	**BPEMS** • There were significant limitations in the conceptualisation and design of BPEMS. It was seen primarily as a technology driven reform with insufficient attention being given to the changes in PFM processes and procedures that should either have preceded or been undertaken in parallel with BPEMS. The institutional analysis underlying BPEMS and PUFMARP was weak with insufficient attention given to change management issues and the assessment of capacity issues and training requirements. PUFMARP was a complex project with 11 major components[63] although the three largest components (MTEF, BPEMS and Audit) accounted for 87.6% of expenditure under the project. The implementation completion report (ICR) noted the size and complexity of PUFMARP presented a "serious challenge to government in terms of coordination and project management"[64].

63 The 10 components of the PUFMARP listed in the ICR were: (i) Budget preparation and MTEF (funded by DFID); (ii) Budget implementation/BPEMS; (iii) Cash management; (iv) Aid and debt management system; (v) revenue management (removed from the project in November 2008 to cover the increased cost of the BPEMS software); (vi) procurement; (vii) external and internal audit (funded by the EC); (viii) human resource development; (ix) legal framework revision; (x) communications strategy; and (xi) project management.

64 World Bank (May 2004), Implementation Completion Report on a Credit to the Republic of Ghana for a Public Finance Management Technical Assistance Project, World Bank Report No. 28089-GH, p6.

Evaluation Question	Judgement criteria/ Possible indicators	Findings
	PFM reforms (Ad hoc Project Units vs. Normal management structures; Govt-controlled vs. Shared Donor-Govt management; Use of consultants for managerial or purely advisory roles) • Arrangements for monitoring & evaluation. • Level of harmonisation and alignment of different donor contributions.	• BPEMS was initially managed through the PUFMARP project implementation unit (PIU) which had no functional responsibility or operational responsibility for the reform. This resulted in the project being distanced from the client departments (CAGD and the Budget Division). The mid-term review of the PUFMARP recommended that transfer of management responsibility for BPEMS, but this was not implemented. It was only when PUFMARP came to an end that responsibility for BPEMS was transferred to the BPEMS Secretariat, which was established as a division within MoFEP and located in CAGD. BPEMS relied heavily on consultants for the customisation of the system and the development of supporting technical manuals and provision of training. Because the consultants reported to the PIU, the relationship and accountability to CAGD and the Budget Division was weakened. At the conclusion of PUFMARP, it was decided that the further development and roll out of BPEMS should be led by the BPEMS Secretariat with minimal reliance on external consultants. • Monitoring of the BPEMS was initially undertaken through PUFMARP. This included World Bank led supervisions and a mid-term review. In the years following PUFMARP no special monitoring arrangements were put in place although implementation progress and issues are highlighted in the external review of PFM that were undertaken in 2006, 2008 and 2009. **IPPD2** • The IPPD2 project was managed by the CAGD and implemented through a contract with a consultancy firm. It was a much simpler initiative than BPEMS with its implementation focused on establishing a payroll databases and management system in the MDAs. It involved only limited number of users of the system and raised fewer systemic change management issues.
A.3. What types of complementary actions have Donors taken to support PFM reforms and what has been their significance? Have they had any influence on the external constraints to reform?	• Use of country systems: extent to which external aid is 'on plan', 'on budget' and 'on treasury'? • Ranking of donor efforts to support national systems as expressed in Paris Declaration monitoring reports and PEFA indicators D2 and D3. • Scale and evolution over the evaluation period of aid	• The IDA funding for the BPEMS was both on plan and on budget. It was administered using World Bank procedures, rather than government systems. The DFID funding for IPPD2 was on plan and administered through a service provider. • The MDBS dialogue and triggers had very limited influence on the implementation of the FMIS reforms and since 2006 only two triggers have been related to FMIS implementation. The first required complete deployment of all six BPEMS module in the eight pilot MDAs by December 2006. This was not achieved but was "declared met" by the 2007 review, presumably because it was considered that MoFEP was not in a position to meet the trigger. The second required integration of 50% of subverted agencies into IPPD2, and conducting a payroll audit to reconcile the IPPD2 payroll with the establishment list. This had not been met at the time of the May 2008 annual review, but was subsequently met by August 2008. There were no MDBS triggers related to IPPD2.

Evaluation Question	Judgement criteria/ Possible indicators	Findings
	flows provided as GBS, SBS or debt relief and relative contribution to reduction of treasury management costs and to discretionary resources available to Government, (including effect on financing constraints for PFM reform outputs). • Nature and evolution over time of dialogue on PFM within GBS/PRSC, SBS structures or similar donor-govt fora, including use of PFM reform conditions in GBS/ SBS disbursement conditions. • Influence of dialogue on the "political" and "policy space" constraints restricting choice of PFM reform outputs. • (Consistency of actual changes with PFM reform triggers and/or points of emphasis in GBS/ PRSC dialogue) • Consideration of counter-factual: • Outputs: would PFM reforms have evolved differently in absence of	

Evaluation Question	Judgement criteria/ Possible indicators	Findings
	GBS and related policy dialogue structures? • Outcomes: Would intermediate outcomes have been different if use of country systems had been lower?	
A.4. To what extent has there been domestic public pressure or regional institutional pressure in support of PFM reform and what has been the influence on the external constraints to reform?	• Nature of engagement with PFM reform issues within civil society, academia and the media. • Extent of participation of CSOs in policy dialogue on PFM reform. • Presence/ absence of specific research and advocacy by CSOs on PFM reform issues. • Relevance of PFM issues to political outcomes: • Discussion of PFM issues within election campaigns • Discussion of service delivery issues related to PFM in election campaigns • Voter concerns during elections (from Afro Barometer and other relevant publications) • Existence of regional or international bodies (e.g. WAEMU, EITI) promoting specific norms on PFM	• (Addressed as part of the overall PFM review)

Evaluation Question	Judgement criteria/ Possible indicators	Findings
	issues, and their relative influence on domestic political discourse. • Evolution in the quality of public/ CSO engagement with PFM issues over time and its influence on PFM reform outputs. • Consideration of counter-factual: would PFM reform outputs have evolved differently in absence of domestic public pressure or pressure from regional/ international institutions?	
A.5. How relevant was the PFM reform programme to the needs and the institutional context? Was donor support consistent with national priorities? To what extent were adaptations made in response to the context and the changing national priorities?	• Scale and focus of support in relation to identified PFM weaknesses at start and during implementation of reforms (including weaknesses in HR endowments, quality of institutions & rules, quality of systems & business processes, and quality of organisations). • Consistency of donor-funded support with Government PFM reform efforts, with ongoing public administration reforms and overall Govt policies.	• The donor support for BPEMS and IPPD2 was focused on the systems design and customisation and the provision of supporting IT equipment. Due to the implementation delays and difficulties in rolling out the new systems the donor support ended before the new systems were operational. However, the government continued funding the implementation of the reforms, although in the case of IPPD2 this occurred after a gap of four years. • FMIS modernisation was and remains a central pillar of the government's PFM reform effort. This is reflected in the continuation of the reforms after donor funding ceased and in the face of continued difficulties in rolling out the new systems. Under the NDC government that came into office in 2008 there was a renewed emphasis on the FMIS reforms which have been strongly championed by the Deputy Minister in MoFEP. New donor financing has been secured totalling USD 55.8 million in June 2010 to establish a countrywide GIFMIS. The project which is funded by IDA, DFID, Danida and the EU involves a substantial upgrade of BPEMS and its extension to regional and district levels.

Evaluation Question	Judgement criteria/ Possible indicators	Findings
	• Extent to which scope and focus of support were adapted to the context, especially to the level of ownership and the capacity for reform implementation. • Consistency & coherence with wider Donor policies in country • Consistency with the Paris Declaration objectives as regards ownership, harmonisation and alignment. • Flexibility in design of support and existence of adequate feed-back/ learning mechanisms in order to adapt the design and implementation of support to changing needs.	
Outputs: the delivery of PFM reforms		
A.6. What have been the outputs of the PFM reform process and to what extent has direct donor support contributed to these outputs?	• Documentation of outputs : • by PFM function (according to PFM clusters in Andrews 2010) and • by type of output (People & Skills; Laws & Rules;	• The performance of the two FMIS reforms, particularly BPEMS, has been considered unsatisfactory. After 15 years of implementation, a comprehensive functioning FMIS is still not in place. By the end of 2010, the BPEMS had still not been fully implemented in any of the eight pilot ministries, and was still running alongside the existing manually based systems. IPPD2 was being used for HR and payroll management system, but was not interfaced with BPEMS. Since 2003 spending on FMIS development and roll-out has been funded with minimal donor support and the government has remained committed to the FMIS reforms.

Evaluation Question	Judgement criteria/ Possible indicators	Findings
	Systems & Business processes; Organisational changes) • Matching of outputs to PFM reform inputs, differentiating if possible Government & Donor inputs. • Analysis of chronology of events to determine causal links between donor support to reform and observed changes at output level. • Consideration of counterfactual: would these outputs have been generated in absence of donor support to PFM reform?	**BPEMS** • The original timetable for the implementation of BPEMS envisaged pilot implementation by June 1998, its partial operation for the 1999 budget and full operation for the 2000 budget. By the end of 2003 the achievements were as follows: (i) requirement definition and design had been largely completed and considered adequate by the potential users; (ii) much of the technical infrastructure including hardware systems, installation of MDA LANs was in place; (iii) a new 41 digit chart of accounts had been implemented; (iv) the FMIS software had been installed and was in partial use in CAGD although in parallel with the older systems; and (v) training had taken place. However, the system had yet to be piloted in any ministry. The ICR for PUFMARP considered that full implementation of BPEMS could be achieved by 2007. • In practice, subsequent implementation of BPEMS continued to be dogged by delays. A report of a donor field visit in April 2008 recorded that partial implementation of the BPEMS modules including the general ledger and accounts payable modules had been achieved in CAGD and eight pilot ministries.[65]. Within these eight pilot ministries it was estimated that only 6 per cent of invoices had been processed through BPEMS in the previous year. It also noted that inadequate training had been provided and the ability of staff in the pilot ministries to work with BPEMS was low. Two years later when the GIFMIS project was being prepared , the situation had changed little. There had been no further roll out of the system, and little further deepening in the use of the system. Despite the implementation of a fibre WAN linking MDAs in Accra, connectivity remained a problem. Thus by 2010, the BPEMS had still not achieved the level of implementation that had originally been planned for 2000. The pilot ministries continued to rely on their manual accounting systems, while CAGD had continued to utilise its ACCPAC system for the producing the Public Accounts, and its monthly and annual reports. • The 2009 External Review of Public Expenditure and Financial Management noted that "at the current roll out rate, BPEMS will be obsolete and not maintainable by the time it reaches full coverage" and considered that "the main option facing the Government is relaunching BPEMS using an updated version with standard functionalities of Oracle Financials that would include a human resource module to manage the payroll". These requirements were subsequently reflected in the design of the GIFMIS project for which financing was secured in mid 2010.

65 Van der Helm, A., Le Mounier, X., Nehmeyer-Srocke, I., Ostler, G., Owusu-Ayim, J. (May 2008), Report on BPEMS and IPPD2 Field Visits.

Evaluation Question	Judgement criteria/ Possible indicators	Findings
		IPPD2 • IPPD2 was operational across all MDAs by the end of 2006. The system is run by CAGD and the major MDAs are connected to the central server in CAGD. Data for smaller ministries continues to be entered at CAGD using information provided by the MDAs. By August 2008 IPPD2 had also been rolled out to over 50% of subvented agencies, although at the end of 2010 a number of major subvented agencies, including the universities, had still to implement IPPD2. In the absence of the full roll out of IPPD2, it is not possible for CAGD to produce a comprehensive government payroll. Moreover, the manual procedures and controls required before new employees can be entered into the payroll system continue to generate significant delays in the payments of their salaries, in some cases of up to two years. Overall, CAGD considers that the IPPD2 operates effectively although with some limitations. • IPPD2 was supplied and configured with a number of human resources functionalities that are currently not being used. These include a recruitment module, a non-monetary budgeting module (manpower ceilings, headcount etc.), an absence management module, and a change management module. In practice the larger MDAs have had to invest in their own systems to carry out these functions. This is both inefficient and reduces the level of integration in HR and payroll management.
A. 7. How efficiently were these outputs generated? Was the pacing and sequencing of reforms appropriate and cost-effective? Was the cost per output acceptable?	• Consistency of outputs produced with planned programme (quantity and timing) • Extent of coordination between outputs • Quality of pacing and sequencing of output production: • internally coherent/ efficient? • Consistent with capacity endowments?	• Implementation delays and the low-level of roll out of BPEMs that has been achieved means that the investment in FMIS systems to date has had very little impact on public finance management. This was despite an estimated investment in BPEMS under PUFMARP of USD 19.9 million and subsequent GoG financed expenditure since 2003 that is probably in excess of USD 2.6 million[66]. Implementation of IPPD2 has been more successful both because it was implemented as a simpler and more focused reform, and because from 2005 there was strong political support for measures to strengthen the management of the government payroll and wage bill. A number of factors have been cited to explain the failure of the BPEMS reform: – Weak ownership of the reforms. This applied at political and senior management level and in the primary stakeholders in the reform (CAGD and the Budget Division). It reflected weaknesses in the design of the project, principally (i) inadequate arrangements for coordination with and involvement with the executive level and among the main stakeholders; (ii) management responsibility under PUFMARP being assigned to a PIU which was distanced

66 This assumes Oracle licensing and support costs of $ 1.3 million over the period 2004-10 and an equivalent expenditure on personnel, training and roll-out costs.

Evaluation Question	Judgement criteria/ Possible indicators	Findings
	political & admin support for reform? • Relative cost of outputs in relation to budgeted costs. • Influence of external support to PFM reform upon pacing and sequencing. • Counterfactual: would pacing & sequencing of outputs have been different in absence of external PFM support?	– Seeing BPEMS as primarily a technological reform rather than a PFM reform. The provision under PUFMARP in terms of both resources and time for the review of business processes and the reform design and consultation processes was inadequate. This contributed to the lack of ownership of the changes to be introduced with BPEMS, particularly where they were seen as potentially threatening entrenched roles and responsibilities. The choice of a sophisticated financial management software system designed for private sector organisations, necessitated extensive customisation which may have distracted attention from the requirements for re-engineering business processes. – Insufficient technical capacities to implement and maintain the system. Issues of system availability, unreliability of power supply, and connectivity between the central servers and MDAs have never been satisfactorily resolved. Staffs in the MDAs are reported as lacking adequate IT skills and confidence operate the system effectively, reflecting both inadequate and inappropriately timed training. – Overoptimistic timetabling. This remained a problem throughout the period. The initial timetabling envisaged that BPEMS would be fully operational within 3-4 years. This reinforced the focus on the technological aspects of the FMIS and resulted in less attention being given to given to the PFM elements. Subsequently it resulted in the system being piloted before it had been properly tested, connectivity issues addressed and staff adequately trained. As a result the piloting phase, instead of lasting for a few months, has been on-going in some ministries, for example Health, since 2004. – Procurement management. The splitting of procurement for IT systems, network systems and connectivity, and IT hardware between different suppliers resulted in no single vendor being responsible and fully accountable for the implementation of BPEMS. This contributed to problems in the coordination and phasing of procurement with for example IT equipment arriving years in advance of it being required for much delayed the roll out BPEMS. As result procurement for BPEMS involved considerable inefficiency and excessive waste. • The design of the new donor funded project that was launched in 2010 to support the upgrading of BPEMS and it's relaunching as GIFMIS, has taken account of many of the lessons from failure to implement BPEMS. Management arrangements for the new project emphasise the involvement of the key stakeholders in specialist team to manage different elements of the GIFMIS project. There is a greater emphasis on re-engineering key business processes covering the review of PFM legislation and legislation, the introduction of a new chart of accounts and budget classification, and the strengthening internal expenditure control practices. There is also a

Evaluation Question	Judgement criteria/ Possible indicators	Findings
		strong emphasis on addressing change management issues and on strengthening PFM functions in MDAs. However, it less clear whether issues around the realistic timetabling and appropriate sequencing of the reforms have been fully addressed.
A.8. What have been the binding external constraints on the delivery of PFM reform: political, financing or policy factors? How has this varied across the different PFM reform components?	• Degree of ownership of reforms at the administrative and political levels (narrow vs. broad; depth of commitment to reform and motivations for this commitment). • Quality of interaction between administrative and political cadres. • Extent and nature of political accountability (within ruling party, vis-à-vis Legislature, vis-à-vis Electorate & Civil Society) and extent to which this is patronage or performance-based. • Economic context and its influence on financing of PFM reform: per capita GDP and % growth in evaluation period, significance of domestic revenue, significance of aid, level of total and discretionary public spending; absence/ presence of macro crises.	• The overriding reasons for the failure to establish an effective FMIS related to the design and management of the reforms. The role of external constraints is less clear and was probably not particularly strong. However: – The absence of external championing for the FMIS reforms may have contributed to the failure to address management issues as they arose. In the start up of GIFMIS a workshop briefing was organised for parliamentarians at which MoFEP officials were challenged over the level of government commitment to addressing some of the issues that resulted in the failure of BPEMS. – Ghana's relatively strong economic and fiscal performance during through the mid 2000s may have affected the priority and urgency of measures to strengthen PFM and introduce an FMIS. The more challenging economic and fiscal environment that faced the NDC government that came to power in 2009 coincided with a renewed emphasis on strengthening PFM systems in which an effective FMIS was seen as a priority. – Financing for BPEMS fell sharply following the completion of the PUFMARP in 2003 and subsequent funding was probably inadequate to support the further development and roll out of BEPEMS. However, it seems that this reflected a lack of management commitment to and confidence in the reform rather than an overriding funding constraint .

Evaluation Question	Judgement criteria/ Possible indicators	Findings
	• Has timeliness of funding been an issue? • Nature of "conventional wisdom" on PFM reforms: does prevailing thinking exclude certain reform options? • Has policy discussion on PFM reform been open in terms of range of participants and range of ideas? • Overall, what have been the binding constraints on the PFM production possibility frontier? • How has this varied between different reform components?	
C. Outcomes & overall assessment of PFM reform and of donor support to PFM reform		
C.1 – C.4		(Addressed as part of the overall PFM review)

PFM Reform Component/Initiative: Medium-Term Expenditure Framework

Evaluation Question	Judgement criteria/ Possible indicators	Findings
A Inputs & Context: the design of PFM reform		
A.1. What has been the nature and scale of PFM reform inputs provided by Government and Donors?	• Government funds for PFM reforms committed and actually disbursed by year over the evaluation period. • Donor funds for PFM reforms committed and actually disbursed by year over the evaluation period • Nature of support provided to PFM reform efforts (equipment, training, TA, diagnostic work.) • Focal areas for reforms by function (based on PFM "clusters" as in Andrews 2010) • Focal areas for reforms by organisational location/ level of government (Ministry of Finance, Sector ministries, Local Governments, Parliament, CSOs, etc.)	• Ghana's medium-term expenditure framework (MTEF) initiative was initiated in 1997 under the Public Finance Management Reform Program (PUFMARP). The MTEF involved reforms to strategic budgeting and budget preparation processes. The objective in introducing the MTEF was "to improve the planning and budgeting of public expenditures and thus contribute to strengthened fiscal policy formulation and implementation."[67]. • The funding requirement estimated at PUFMARP appraisal was USD 4.6 million which was provided as project co-financing by DFID. The actual financing provided by the end of PUFMARP was estimated at USD 4.58 million of donor financing and USD 0.18 million of GoG financing. • The reform inputs, which were focused primarily on MoFEP and MDAs, were provided mainly as technical assistance. They involved two main areas of support: – The development and specification of the MTEF reform covering: (i) formulation of the program categories for planning, budgeting and accounting; (ii) preparing the expenditure profile for each MDA in line with existing policies; (iii) specifying the price basis for forecasts; (iv) integrating aid financed projects and programs and preparing computer software for this purpose. – Improvements to the formulation of the annual budget covering: (i) the preparation of a model budget circular that included budget ceilings; (ii) the installation of budget software in the MDAs and (iii) the training of budget and finance staff in the preparation of the MTEF and the information system in its preparation. • At the completion of the PUFMARP, MoFEP continued the implementation and further development of the MTEF reforms. A number of specific improvements were introduced aimed at improving the policy focus and transparency of the budget process, while further r development of the ACTIVATE software application took place. However, the main elements of the MTEF reform and the procedures introduced under PUFMARP remained largely unchanged. • Very limited short-term assistance was provided by donors after 2003. This included BMZ and UNICEF, to support the further development of the MTEF reform and related training activities.

67 World Bank (October 1996), Republic of Ghana Public Financial Management Technical Assistance Report: Technical Annex, World Bank Report No T-6977-GH.

Evaluation Question	Judgement criteria/ Possible indicators	Findings
		There is no data on actual budgetary spending on the MTEF following the completion of PUFMARP. However, in the 2007 Budget the spending allocation for the Budget Division relating to the ' improved public expenditure management' area and 'human resources development' policy areas was close to US$ 1.5 million. This figure related to operating expenses and capital expenditure only and did not include personnel expenses and allowances which are not broken down by policy area.
A. 2. What types of structures have been used for the design and management of these reform inputs? Have these structures served to provide a co-ordinated and harmonised delivery framework?	• Structure of design team and related consultation process: Balance of inputs by Donors/ Govt/ Consultants; Extent of input/ consultation with end users of PFM system (Sector ministries, LGs and service institutions). • Management & co-ordination structure for PFM reforms (Ad hoc Project Units vs. Normal management structures; Govt-controlled vs. Shared Donor-Govt management; Use of consultants for managerial or purely advisory roles) • Arrangements for monitoring & evaluation. • Level of harmonisation and alignment of different donor contributions.	• The PUFMARP appraisal document provided only a very general specification of the MTEF reform that emphasised the more technical aspects of the reform (formulating program categories, expenditure profiling, and price basis of forecasts, model budget circular, and budget software). There was little mention of the more strategic elements of an MTEF reform covering the development of the medium-term macro-fiscal strategy and framework, and the review of sector programs and priorities and their implications for the expenditure prioritisation and budget planning. In practice, the detailed design of the reform was undertaken following project start-up with the arrival of the DFID funded consultants in September 1997. However, its emphasis continued to reflect that of the appraisal document. • The support for the introduction of the MTEF effectively operated as a separate sub-project within PUFMARP under an MTEF Project Unit. Because funding was provided directly by DFID, the MTEF component operated relatively independently of the components managed by the PUFMARP project implementation unit. The MTEF Project Unit subsequently became the Budget Development Unit that has continued to be responsible for overseeing the preparation of the MTEF/budget and further development of the reform. • While the management arrangements for the MTEF facilitated strong ownership of the reforms within the Budget Division they may have undermined coordination and harmonisation between the MTEF and other components of PUFMARP. For example although BPEMS was specified to include a budget preparation module, this was never used and instead the Budget Division developed its own ACTIVATE software application for budget preparation and subsequently for managing budget releases. The delays in implementation and roll-out of BPEMS meant that the performance segment of the Chart of Accounts that was to support the MTEF budgeting reforms was not implemented. As a result although ministries have been preparing their budgets using an objective, output and activity classification since 1999 it has remained impossible to monitor and account for expenditure against this classification.

Evaluation Question	Judgement criteria/ Possible indicators	Findings
		• Monitoring of the implementation of the MTEF reforms was initially undertaken within the framework for monitoring and supervision of the wider PUFMARP project. The experience from the latest MTEF/Budget cycle was supposed to feed into the preparation of the following cycle. The 2009 External Review of Public Financial Management (ERPFM) contained an assessment of the role MTEF reform in promoting greater effectiveness and efficiency in public spending[68]. Ghana was also case study in the 2003 assessment undertaken by the Overseas Development Institute of the design and application of the MTEF as tool for poverty reduction[69].
A.3. What types of complementary actions have Donors taken to support PFM reforms and what has been their significance? Have they had any influence on the external constraints to reform?	• Use of country systems: extent to which external aid is 'on plan', 'on budget' and 'on treasury'? • Ranking of donor efforts to support national systems as expressed in Paris Declaration monitoring reports and PEFA indicators D2 and D3. • Scale and evolution over the evaluation period of aid flows provided as GBS, SBS or debt relief and relative contribution to reduction of treasury management costs and to discretionary resources available to Government, (including effect on financing constraints for	• The external aid provided by DFID and BMZ was provided as direct technical assistance and the expenditure was not recorded in the government budget. During the period 2006-09, there were no MDBS triggers relating to the MTEF reforms. The extent to which the MDBS policy dialogue influenced the later development of the MTEF reforms is no clear.

68 World Bank, Danida, DFID, KFW (May 2009), Ghana, 2009 External Review of Public Financial Management – Volume II, The Medium-Term Expenditure Framework, World Bank Report No. 47639-GH.

69 Short, J. (May 2003), Country Case Study 4: Assessment of the MTEF in Ghana, Overseas Development Institute, London.

Evaluation Question	Judgement criteria/ Possible indicators	Findings
	PFM reform outputs). • Nature and evolution over time of dialogue on PFM within GBS/PRSC, SBS structures or similar donor-govt fora, including use of PFM reform conditions in GBS/ SBS disbursement conditions. • Influence of dialogue on the "political" and "policy space" constraints restricting choice of PFM reform outputs. • (Consistency of actual changes with PFM reform triggers and/or points of emphasis in GBS/ PRSC dialogue) • Consideration of counter-factual: • Outputs: would PFM reforms have evolved differently in absence of GBS and related policy dialogue structures? • Outcomes: Would intermediate outcomes have been different if use of country systems had been lower?	

Evaluation Question	Judgement criteria/ Possible indicators	Findings
A.4. To what extent has there been domestic public pressure or regional institutional pressure in support of PFM reform and what has been the influence on the external constraints to reform?	• Nature of engagement with PFM reform issues within civil society, academia and the media. • Extent of participation of CSOs in policy dialogue on PFM reform. • Presence/ absence of specific research and advocacy by CSOs on PFM reform issues. • Relevance of PFM issues to political outcomes: • Discussion of PFM issues within election campaigns • Discussion of service delivery issues related to PFM in election campaigns • Voter concerns during elections (from Afro Barometer and other relevant publications) • Existence of regional or international bodies (e.g. WAEMU, EITI) promoting specific norms on PFM issues, and their relative influence on domestic political discourse. • Evolution in the quality of public/ CSO engagement with PFM issues over time and its influence on PFM reform outputs.	• The MTEF reform has not involved specific measures to involve civil society, academia and the media in the MTEF and budget process. MoFEP organises consultations with CSOs in October each year prior to the presentation of the budget in Parliament. However, this takes place too late to influence budget allocations. • The MTEF reform has not resulted in a significant increase in engagement with Parliament in the budget process. Unlike South Africa and Uganda, the MTEF has not involved the preparation pre-budget report that is presented to Parliament setting out the framework, policies and priorities within which the forthcoming budget is to be prepared. Similarly there is no mid-year budget implementation review that is presented to Parliament. • There are relatively few CSOs undertaking budget analysis and advocacy. There is minimal analysis of fiscal and budgetary issues undertaken by the academic community. Non-availability of budget execution data is seen as a major constraint to independent budget analysis. The Integrated Social Development Centre (ISODEC) has been responsible for preparing the Ghana report that is part of the biennial international Open Budget Survey that is prepared by the Washington based International Budget Partnership. • There is evidence that regional PFM fora are now influencing the PFM reform agenda. A meeting of the Collaborative Africa Budget Reform Initiative (CABRI) in the second quarter of 2010 was influential in convincing officials in the Budget Division that activity based budgeting needed to be replaced by a more strategic program based approach, and that Ghana should access relevant experience with such reforms in South Africa and Mauritius.

Evaluation Question	Judgement criteria/ Possible indicators	Findings
	• Consideration of counter-factual: would PFM reform outputs have evolved differently in absence of domestic public pressure or pressure from regional/ international institutions?	
A.5. How relevant was the PFM reform programme to the needs and the institutional context? Was donor support consistent with national priorities? To what extent were adaptations made in response to the context and the changing national priorities?	• Scale and focus of support in relation to identified PFM weaknesses at start and during implementation of reforms (including weaknesses in HR endowments, quality of institutions & rules, quality of systems & business processes, and quality of organisations). • Consistency of donor-funded support with Government PFM reform efforts, with ongoing public administration reforms and overall Govt policies. • Extent to which scope and focus of support were	• Initially, there was strong political level support for the more strategic objective-led approach to budgeting that was to be introduced through the MTEF, with the Minister and Deputy Minister for Finance involved in opening workshops organised to inform MDAs about the reforms and the changes to the budget process. The Minister was also actively involved in chairing meetings on the MTEF reforms within MoFEP. In recent years the focus has shifted away from the MTEF budgeting reforms towards improving the presentation of the government's fiscal and budget policies and strategies in the Budget Statement. • The front-loading of the donor assistance facilitated a very rapid roll out of the MTEF reforms that was initially seen as having very impressive results. The first review of the MTEF held in March 1999 noted that "so far what has been achieved has been extraordinary....the first year budget has produced a change, which has not been seen in any other country, in such a short period"[70]. However, at conclusion of PUFMARP, the MTEF reform component was rated 'moderately unsatisfactory' and the Implementation Completion Report noting that "the attempt to put all elements of an MTEF in place in what effectively became a single cycle resulted in superficiality in a number of key respects"[71]. It might have been more appropriate for a more measured approach to have been taken to the introduction of the MTEF, and for donor funding to have been extended over a longer period. • Within the context PUFMARP there was also a lack of complementarities in the donor support that was provided. Thus while the World Bank was funding the BPEMS which included a budget preparation module, DFID was separately funding the ACTIVATE budget preparation application through its support to the MTEF component of PUFMARP.

70 Short, J. (May 2003) p17.

71 World Bank (May 2004), Implementation Completion Report on a Credit to the Republic of Ghana for a Public Finance Management Technical Assistance Project, World Bank Report No. 28089-GH, p8.

Evaluation Question	Judgement criteria/ Possible indicators	Findings
	adapted to the context, especially to the level of ownership and the capacity for reform implementation. • Consistency & coherence with wider Donor policies in country • Consistency with the Paris Declaration objectives as regards ownership, harmonisation and alignment. • Flexibility in design of support and existence of adequate feed-back/ learning mechanisms in order to adapt the design and implementation of support to changing needs.	
Outputs: the delivery of PFM reforms		
A.6. What have been the outputs of the PFM reform process and to what extent has direct donor support contributed to these outputs?	Documentation of outputs : • by PFM function (according to PFM clusters in Andrews 2010) and • by type of output (People & Skills; Laws & Rules; Systems & Business processes; Organisational changes) • Matching of outputs to PFM reform inputs,	• Assessments of the outputs of the MTEF reforms are provided by the 2004 PUFMARP implementation completion report which focuses on the progress in establishing the MTEF process and the 2009 EPFM which assesses how the MTEF reforms are operating. The different focus of these two assessments reflects the respective stage in the institutionalisation of the MTEF reforms. • The PUFMARP implementation completion report assessed the progress that had been made with MTEF reforms by 2003 in terms of five outputs: – Formulation of the annual budget within a complete rolling MTEF. While the main elements of an MTEF had been put in place their implementation had been variable. A number of weaknesses in the process were identified First, insufficient attention had been given to the upstream tasks of macro-fiscal fiscal planning and forecasting and setting realistic resource

Evaluation Question	Judgement criteria/ Possible indicators	Findings
	differentiating if possible Government & Donor inputs. • Analysis of chronology of events to determine causal links between donor support to reform and observed changes at output level. • Consideration of counterfactual: would these outputs have been generated in absence of donor support to PFM reform?	ceilings for budget preparation. The ICR noted that "allocations made through the MTEF process were largely irrelevant as resources actually available to sector management depended on unpredictable and opaque in-year decisions about cash releases". Second, there was no expenditure review process in place either at the strategic level involving analysis of expenditure patterns, issues and priorities, or in assessing on-going spending program performance and achievements. Third, staff related costs were treated as a ministry overhead expense and excluded from the MTEF budget process. In the education sector this meant that around 75% of expenditure fell outside of the MTEF budgeting procedures. Fourth, the introduction of activity based budgeting ran ahead of the accounting reforms with the result that expenditures were not recorded in the government accounts against the new MTEF budget classification, making it impossible to undertake meaningful expenditure analysis. – A comprehensive broad based budget. This had only been partially achieved with a significant share of donor funded project expenditure and spending financed from internally generated funds still not being captured in the budget. – Computerised budget preparation process. The delays in implementing BPEMS meant led to the Budget Division developing its own budget preparation software application (ACTIVATE) rather than utilise the BPEMS budget preparation module. – Printed budget on an MTEF basis. The way in which activity based budgeting had been implemented meant that the budget estimates document became excessively detailed with a resulting loss of strategic focus. – Budget guidelines approved by Cabinet. It was not clear to what extent Cabinet was involved in the approval of the budget circular and budget ceilings. The ICR considered that although the MTEF budgeting reforms had not achieved their planned outputs, it was likely that the progress made would be consolidated and that a fully fledged MTEF would be achieved. • In the years following 2003 the MTEF process a number of improvements were introduced into the budget. Since 2006 the budget has been passed by Parliament before the start of the financial year. Steps were taken to strengthen policy linkage with the introduction of sector policy hearings early in the budget calendar, and the preparation of a Citizens' Guide to the Budget Statement for the 2007 and 2008 budgets. The MTEF budgeting reforms were also rolled out to pilot MMDAs. However, at the time of the 2009 ERPFM, many of the shortcomings that had been identified in the ICR had not been addressed.

Evaluation Question	Judgement criteria/ Possible indicators	Findings
		– There had been improvements in macro-fiscal forecasting with budget planning was based on a reasonably accurate macro-fiscal framework with actual annual revenues within 3% of budget forecasts during the period 2005-07. However, this did not translate into a credible budget ceilings process. There remained with large differences between the aggregate indicative ceiling and the final appropriation contained in the budget (averaging 10.7% over the period 2005-07). Ceilings continued to be provided to ministries only for services and investment costs, and not for personnel costs and allowances. Compliance with ceilings was weak with ministry budget requests for the 2008 budget exceeding the indicative ceilings by 24%. – Despite the introduction of sector policy hearings, the MTEF process still did not facilitate a clear link between priority policy areas and budget allocations. There was no systematic analysis and overview of the strategic policy assumptions and spending choices across sectors to support the sector and MDA resource allocations. The very detailed presentation of MDA budgets means that the strategies and priorities underlying MDA budgets are not clear. The continued absence of comprehensive and reliable data on budget execution makes it difficult to undertake the analysis of budgetary trends and performance that should inform and guide resource allocation decisions. – The credibility of MDA budgets had continued to be undermined by shortfalls and delays in budget releases against the planned budget. A major factor was weak payroll planning which resulted in high levels of variance in MDA expenditure against their budget (which averaged 26.5% over the 2003-2007 budgets). Within MDA budgets difference between budget allocations and releases were particularly large for services and investment, the two categories of expenditure covered by activity based budgeting). The chart of accounts still did not include codes for the MTEF activity classification with the result that it continued to be impossible to report expenditure against MTEF budget allocations. • The study team found that situation has changed little subsequent to the 2009 ERPFM. Indeed the Citizen's Guide to the Budget and the MTEF policy hearing had lapsed, and the start of the MTEF/ Budget preparation cycle significantly delayed. The guidelines for the preparation 2011 budget were not issued until September, with ministries no longer being provided with budget ceilings. However, there was increasing recognition of the need for a thorough re-engineering of the MTEF process, with the decision taken in 2010 to replace activity based budgeting with a more strategic program-based budgeting approach.

Evaluation Question	Judgement criteria/ Possible indicators	Findings
A.7. How efficiently were these outputs generated? Was the pacing and sequencing of reforms appropriate and cost-effective? Was the cost per output acceptable?	• Consistency of outputs produced with planned programme (quantity and timing) • Extent of coordination between outputs • Quality of pacing and sequencing of output production: • internally coherent/ efficient? • Consistent with capacity endowments? • Appropriate to degree of ownership/ nature of political & admin support for reform? • Relative cost of outputs in relation to budgeted costs. • Influence of external support to PFM reform upon pacing and sequencing. • Counterfactual: would pacing & sequencing of outputs have been different in absence of external PFM support?	• As noted above, the original specification of the MTEF reforms emphasised the "bottom-up" elements of an MTEF (program-based budgeting, consistency between MDA budgets and policies, detailed costing and integration of aid financed projects). It barely mentioned the upstream elements of an MTEF (macro-fiscal framework, policy and expenditure review) that are conventionally seen as the initial priorities in establishing a robust MTEF process. Implementation of the MTEF reform largely reflected this specification, except that the model chosen emphasised a more detailed activity based budgeting approach. • In a narrow sense the outputs of reform, measured against the initial specification, were to a considerable extent met, and after the initial donor funding was finished have subsequently been sustained. However, in broader sense the outputs, measured against the requirement to establish a more realistic and strategic medium-term budgeting process have not been achieved. Moreover, the weaknesses in the approach had been identified early on and elaborated in both the ICR for PUFMARP, and the 2003 ODI case study of Ghana's MTEF. It is perhaps surprising that the core activity based budgeting reform continued largely unchanged and that measures taken subsequently to support a more strategic approach, such as the introduction of MDA policy hearings, were not sustained. • In the view study team a major reason was that with activity based budgeting having been fully implemented across all MDAs and significant investment made in the ACTIVATE budget software, MoFEP was understandably reluctant to introduce further substantial changes. Furthermore the buy-in to a wider MTEF reform process was insufficient for MoFEP to force through changes. This lack of buy-in would appear to reflect two main factors: – There was tendency for "silo-working" whereby a reform initiative is seen as belonging to a particular department within MoFEP which then proceeds to implement it with limited inputs from other departments. For example, it should have been expected that the Economic Policy and Forecasting Division in MoFEP should have played a much stronger role in the MTEF reforms. – The skills and capacities in the Budget Division did not fully adjust to accommodate the more strategic under an MTEF that sees budgeting as primarily a policy-led planning function. Elsewhere MTEF reforms have been accompanied by the merging of former sector planning departments into a combined planning and budgeting department. The establishment of a Budget Development Unit and an Expenditure Monitoring Unit in the mid-2000s recognises this requirement, although it stops short of building more integrated planning and budgeting capacities at sector desk level.

Evaluation Question	Judgement criteria/ Possible indicators	Findings
A.8. What have been the binding external constraints on the delivery of PFM reform: political, financing or policy factors? How has this varied across the different PFM reform components?	• Degree of ownership of reforms at the administrative and political levels (narrow vs. broad; depth of commitment to reform and motivations for this commitment). • Quality of interaction between administrative and political cadres. • Extent and nature of political accountability (within ruling party, vis-à-vis Legislature, vis-à-vis Electorate & Civil Society) and extent to which this is patronage or performance-based. • Economic context and its influence on financing of PFM reform: per capita GDP and % growth in evaluation period, significance of domestic revenue, significance of aid, level of total and discretionary public spending; absence/ presence of macro crises.	• The MTEF reforms in Ghana have yet to establish a realistic policy-led, medium-term budgeting process. The primary reasons for this relate to weaknesses in the original design and roll-out of reform and the failure to address the problems with the approach when they were identified. The role of external constraints is less clear: – The initial strong political level support for the reform weakened as time went on. This may have reflected the perception the MTEF process had been effectively institutionalised and was no longer seen as a critical PFM reform. Within the donor community there appears to have a been a reluctance to emphasise the MTEF in the context of the MDBS dialogue when other PFM reforms, particularly those relating to BPEMS were seen as more pressing priority. – Similarly, the interest of external stakeholders and CSOs in the MTEF reforms has been limited. The dialogue between GoG and the CSOs on PFM reforms continues to be quite limited, and focused the transparency of the budget process, more accessible budget documentation, and improving the availability of budget data. – The MTEF reform has not been associated with a clear policy imperative (policy space). Relatively strong economic and fiscal performance through the mid-2000s weakened the pressure for expending planning and budget prioritisation reform. At the same time the absence of reliable budget execution data remained a more fundamental constraint to improved expenditure analysis and budget planning. – Financing for the MTEF reforms does not appear to have been a significant constraint. The reform was well funded through PUFMARP and subsequently the budget of the Budget Division in MoFEP has included substantial funding for PFM reform.

72 This is based on assumed expenditure of USD 1.9 million under the MTEF component of PUFMARP during the 2001 and 2002, and subsequent GoG financed spending assumed at around USD 0.5 million annually.

Evaluation Question	Judgement criteria/ Possible indicators	Findings
	• Has timeliness of funding been an issue? • Nature of "conventional wisdom" on PFM reforms: does prevailing thinking exclude certain reform options? • Has policy discussion on PFM reform been open in terms of range of participants and range of ideas? • Overall, what have been the binding constraints on the PFM production possibility frontier? • How has this varied between different reform components?	
C. Outcomes & overall assessment of PFM reform and of donor support to PFM reform		
C.1 -C.4		• (Addressed as part of the overall PFM review)

PFM Reform Component/Initiative: Revenue Management

Evaluation Question	Judgement criteria/ Possible indicators	Findings
A Inputs & Context: the design of PFM reform		
A.1. What has been the nature and scale of PFM reform inputs provided by Government and Donors?	• Government funds for PFM reforms committed and actually disbursed by year over the evaluation period. • Donor funds for PFM reforms committed and actually disbursed by year over the evaluation period • Nature of support provided to PFM reform efforts (equipment, training, TA, diagnostic work.) • Focal areas for reforms by function (based on PFM "clusters" as in Andrews 2010) • Focal areas for reforms by organisational location/ level of government (Ministry of Finance, Sector ministries, Local Governments, Parliament, CSOs, etc.)	**PUFMARP (1997-2003)** • During the period studied, reform of revenue management was part of the PUFMARP suite of reforms. Reforms were concentrated on: (i) improving income tax administration through introducing a unique income taxpayer code; and (ii) improving the efficiency of the institutional structure administering revenue collections. • The main problem that the reforms attempted to solve was the fact that there was a significant tax gap, i.e. that actual revenue collections (e.g. as a % of GDP) were lower than their potential. This was due to the fact that: (i) taxpayer compliance (particularly, income tax, but also customs) was considered to be low; and (ii) efficiency of collections was weak, as was revenue reporting and forecasting. • Whilst the reforms were originally targeted at both income tax and customs duties, and institutional support to the different revenue services, the PUFMARP project subsequently concentrated its support on income tax and indirect tax measures, and reallocated other originally-planned project resources to BPEMS. • Specifically, the revenue management reforms during this period covered: (i) introduction of a unique Taxpayer Identification Number; (ii) the re-introduction of VAT, whose introduction had been stalled since 1995; and (iii) staff training. • DP support under PUFMARP included a limited amount of IDA funding, which took the form of: technical assistance, training support, and limited equipment. **Reforms to RAGB (2003-2008)** • Following PUFMARP, reforms to revenue administration continued under GoG support and GTZ (BMZ), as part of the latter's Good Financial Governance programme. • These were focussed on the following measures: (i) establishment and defining the strategic operations of a Tax Policy Unit in MoFEP through the provision of capacity building, equipment and analytical software;

Evaluation Question	Judgement criteria/ Possible indicators	Findings
		(ii) improving the efficiency of operations of the Internal Revenue Service through computerisation and organisational changes; and (iii) restructuring of the 3 separate revenues services into a unified Ghana Revenue Authority, including organisational development and HR changes (on-going). • Total GTZ funding support (in two 3-year phases, 2003-2005, and 2006-2008) amounted to €€6.8 mn (BMZ) + €2 mn (SECO). • The support mainly took the form of technical assistance and training support. **Introduction of GRA (2010-2013)** • BMZ continued to support the RAGB (and subsequent form the GRA) through the continuation of its Good Financial Governance programme. Total support for the current phase is €9 mn. • The Swiss State Secretariat for Economic Affairs (SECO) is providing supporting assistance of €2.096 mn for 2010-2013.
A.2. What type of structures have been used for the design and management of these reform inputs? Have these structures served to provide a co-ordinated and harmonised delivery framework?	• Structure of design team and related consultation process: Balance of inputs by Donors/ Govt/ Consultants; Extent of input/ consultation with end users of PFM system (Sector ministries, LGs and service institutions). • Management & co-ordination structure for PFM reforms (Ad hoc Project Units vs. Normal management structures; Govt-controlled vs. Shared Donor-Govt management; Use of consultants for managerial or purely advisory roles) • Arrangements for monitoring & evaluation. • Level of harmonisation and alignment of different donor contributions.	**Revenue management reforms supported by PUFMARP**: • In terms of design, the appraisal document highlighted the revenue management reform activities that would be undertaken, covering reforms in income tax, indirect tax, and customs, as well as support to the National Revenue Secretariat (whose duties were subsequently subsumed into the Revenue Agencies Governing Board). The scope of the reform activities was very ambitious, and was scaled back during project implementation to focus on measures for income and indirect taxes. • As with other PUFMARP areas, the revenue reforms operated as a distinct sub-project. Detailed arrangements for responsibility for management and monitoring of the revenue reform activities are not clearly spelt out separately in the project document. In practice, as the reforms are focussed on specific individual revenue services (specifically, the Internal Revenue Service (IRS), and the VAT Service (VATS)), it was senior management in these agencies who had responsibility for managing and monitoring the reform activities.

Evaluation Question	Judgement criteria/ Possible indicators	Findings
		• There were no specific consultancy arrangements for management of revenue reform activities, and, beyond the overall PUFMARP project management unit, there did not appear to be a specific project unit covering revenue reforms. • Harmonisation of reforms amongst DPs was simplified by the delineation in responsibility amongst the two DPs (WB and ODA/DFID) involved in supporting the revenue activities (direct and indirect tax, respectively). **Revenue management reforms supported by GFG programme**: • Revenue management reform measures were designed by BMZ staff in consultation with GoG. • The reforms were managed by staff of the RAGB, and subsequently the GRA.
A.3. What types of complementary actions have Donors taken to support PFM reforms and what has been their significance? Have they had any influence on the external constraints to reform?	• Use of country systems: extent to which external aid is 'on plan', 'on budget' and 'on treasury'? • Ranking of donor efforts to support national systems as expressed in Paris Declaration monitoring reports and PEFA indicators D2 and D3. • Scale and evolution over the evaluation period of aid flows provided as GBS, SBS or debt relief and relative contribution to reduction of treasury management costs and to discretionary resources available to Government, (including effect on financing constraints for PFM reform outputs). • Nature and evolution over time of dialogue on PFM within GBS/PRSC, SBS structures or similar donor-govt fora, including use of PFM reform conditions in GBS/ SBS disbursement conditions. • Influence of dialogue on the "political" and "policy space" constraints restricting choice of PFM reform outputs. • (Consistency of actual changes with PFM reform triggers and/or points of emphasis in GBS/ PRSC dialogue).	• Both the PUFMARP and GFG programmes were designed and implemented as external project-type interventions; thus, use of country systems was limited. • The revenue reform measures were largely self-contained, and followed one after the other (i.e. the BMZ-supported reforms followed logically on from where the PUFMARP reforms had ended). • There have been no specific revenue-related MDBS triggers or targets. • The other issues related to this question are dealt with in the discussion of PFM as a whole.

Evaluation Question	Judgement criteria/ Possible indicators	Findings
	• Consideration of counter-factual: • Outputs: would PFM reforms have evolved differently in absence of GBS and related policy dialogue structures? • Outcomes: Would intermediate outcomes have been different if use of country systems had been lower?	
A.4. To what extent has there been domestic public pressure or regional institutional pressure in support of PFM reform and what has been the influence on the external constraints to reform?	• Nature of engagement with PFM reform issues within civil society, academia and the media. • Extent of participation of CSOs in policy dialogue on PFM reform. • Presence/ absence of specific research and advocacy by CSOs on PFM reform issues. • Relevance of PFM issues to political outcomes: – Discussion of PFM issues within election campaigns – Discussion of service delivery issues related to PFM in election campaigns – Voter concerns during elections (from Afro Barometer and other relevant publications) – Existence of regional or international bodies (e.g. WAEMU, EITI) promoting specific norms on PFM issues, and their relative influence on domestic political discourse. – Evolution in the quality of public/ CSO engagement with PFM issues over time and its influence on PFM reform outputs. • Consideration of counter-factual: would PFM reform outputs have evolved differently in absence of domestic public pressure or pressure from regional/ international institutions?	• The revenue reforms under PUFMARP did not involve explicit interactions or specific activities with civil society. This was probably due to the technical nature of reforms to tax administration. • In contrast to other PFM areas, there are very limited numbers of civil society organisations or academic institutions who deal with revenue issues; the ones that do are mostly concerned with revenue as part of overall fiscal analysis. This will likely change with the implementation of the EITI and the greater emphasis on oil revenue, as there is a greater emphasis on accountability for the use of oil revenue. • The evaluation of Phase II of the BMZ support to the revenue agencies cited exposure to "international best practice" as being important in influencing Ghana's tax administration reforms. • The remaining issues related to this question are dealt with in the discussion of PFM as a whole.

Evaluation Question	Judgement criteria/ Possible indicators	Findings
A.5. How relevant was the PFM reform programme to the needs and the institutional context? Was donor support consistent with national priorities? To what extent were adaptations made in response to the context and the changing national priorities?	• Scale and focus of support in relation to identified PFM weaknesses at start and during implementation of reforms (including weaknesses in HR endowments, quality of institutions & rules, quality of systems & business processes, and quality of organisations). • Consistency of donor-funded support with Government PFM reform efforts, with ongoing public administration reforms and overall Govt policies. • Extent to which scope and focus of support were adapted to the context, especially to the level of ownership and the capacity for reform implementation. • Consistency & coherence with wider Donor policies in country • Consistency with the Paris Declaration objectives as regards ownership, harmonisation and alignment. • Flexibility in design of support and existence of adequate feed-back/ learning mechanisms in order to adapt the design and implementation of support to changing needs.	• In the absence of any formal GoG PFM strategy document outlining GoG priorities in the period studied prior to the Growth and Poverty Reduction Strategy (GPRS I and II) and the Short-Term/Medium-term Action Plan (ST/MTAP), in practice, the DP PFM programme documents (specifically, those for PUFMARP and the GTZ/BMZ Good Financial Governance [GFG] programme), prepared in consultation with GoG, served to proxy as such. • The PUFMARP programme document provides a relevant, if limited, analysis of the institutional and operational challenges facing the revenue agencies but there is less explanation of how the programme measures will address these challenges. • The GTZ/BMZ GFG programme was prepared on the basis of a needs analysis undertaken with GTZ support. • The main change to the PUFMARP measures for revenue management. In practice, external and GoG support PUFMARP measures was very limited, as resources originally intended for revenue management were diverted to support BPEMS. • Within the long-term support committed by GTZ/BMZ (covering 2003-2015), each 3-year phase ended with an evaluation, leading to the design of the next 3-year phase. This was appreciated by GoG stakeholders. • In terms of the consistency of revenue measures with GPRS and ST/MTAP, the GPRS documents are insufficiently specific on revenue management.
B. Outputs: the delivery of PFM reforms		
B.1. What have been the outputs of the PFM reform process and to what extent has direct donor support contributed to these outputs?	• Documentation of outputs : • by PFM function (according to PFM clusters in Andrews 2010) and • by type of output (People & Skills; Laws & Rules; Systems & Business processes; Organisational changes) • Matching of outputs to PFM reform inputs, differentiating if possible Government & Donor inputs. • Analysis of chronology of events to determine causal links between donor support to reform and observed changes at output level.	• Introduction of Tax Identification Numbering System, covering all types of tax • Introduction of a new indirect tax regime (VAT) • Establishment of Large Taxpayer Unit in MoFEP (originally, in IRS?) • Establishment of Tax Policy Unit in MoFEP • Automation of operations in 6 IRS pilot offices • Training/capacity development of staff • The establishment of the GRA • Passage of the GRA Act, 2009

Evaluation Question	Judgement criteria/ Possible indicators	Findings
	• Consideration of counterfactual: would these outputs have been generated in absence of donor support to PFM reform?	
B.2. How efficiently were these outputs generated? Was the pacing and sequencing of reforms appropriate and cost-effective? Was the cost per output acceptable?	• Consistency of outputs produced with planned programme (quantity and timing) • Extent of coordination between outputs • Quality of pacing and sequencing of output production: • internally coherent/ efficient? • Consistent with capacity endowments? • Appropriate to degree of ownership/ nature of political & admin support for reform? • Relative cost of outputs in relation to budgeted costs. • Influence of external support to PFM reform upon pacing and sequencing. • Counterfactual: would pacing & sequencing of outputs have been different in absence of external PFM support?	• It may be argued that the efficiency of investment is relatively high, given that a relatively modest investment has led to outputs that have been sustained, particularly in terms of VAT (which had experienced a false start in the mid-1990s) and the Taxpayer Identification Number.
B.3. What have been the binding external constraints on the delivery of PFM reform: political, financing or policy factors? How has this varied across the different PFM reform components?	• Degree of ownership of reforms at the administrative and political levels (narrow vs. broad; depth of commitment to reform and motivations for this commitment). • Quality of interaction between administrative and political cadres. • Extent and nature of political accountability (within ruling party, vis-à-vis Legislature, vis-à-vis Electorate & Civil Society) and extent to which this is patronage or performance-based. • Economic context and its influence on financing of PFM reform: per capita GDP and % growth in evaluation period, significance of domestic revenue, significance of aid, level of total and discretionary public spending; absence/ presence of macro crises. • Has timeliness of funding been an issue?	• The binding external constraint was primarily political commitment, particularly in terms of organisational changes related to the integration of the revenue agencies. • The change in government may have facilitated the demonstration of political commitment and thereby energised the reforms. The way that the reforms were designed, such that each phase was designed taking into account the current situation and the lessons learnt from the previous phase, helped to enable the reforms to monitor and respond to availability (or not) of policy space.

Evaluation Question	Judgement criteria/ Possible indicators	Findings
	• Nature of "conventional wisdom" on PFM reforms: does prevailing thinking exclude certain reform options? • Has policy discussion on PFM reform been open in terms of range of participants and range of ideas? • Overall, what have been the binding constraints on the PFM production possibility frontier? • How has this varied between different reform components?	
C. Outcomes & overall assessment of PFM reform and of donor support to PFM reform		
C.1. What have been the intermediate outcomes of PFM reforms, in terms of changes in the quality of PFM systems ?	• Changes in performance of PFM system over period as measured by HIPC AAP indicators and PEFA indicators. • Nature of PFM system changes identified: • By PFM function (according to PFM cluster) • By nature of change (Upstream, De jure, Concentrated vs. Downstream, De facto, Deconcentrated).	• The reforms were intended to increase the efficiency of revenue collection. The reforms enabled a significant increase in revenues during the period. • In terms of systems, whilst there are three PEFA indicators (including total 9 dimensions) on tax administration, in reality, many of the dimensions refer to the underlying legislative basis, or to other areas that are affected by the type of administrative reforms undertaken in Ghana.
C.2. To what extent are the outcomes generated relevant to improvements in the quality of service delivery, particularly for women and vulnerable groups?	• Changes in quality of PFM system directly relevant to service delivery, especially for women & vulnerable groups: • Classification of the budget (PI-5): does this permit protection/ prioritisation of specific functions or programmes? • Information in Budget documentation (PI-6): does this include performance data or targets for priority programmes? • Does the quality of in-year reports and final accounts (PI-24 & 25) and the access of the public (PI-10) permit analysis and discussion of spending & performance for priority programmes? • Is the predictability of funds for commitment of expenditure (PI-16) improving?	• As the reforms relate to improving the efficiency of revenue administration, and thus on revenue collections, they provide the means with which MDAs and MMDAs undertake their service provision.

Evaluation Question	Judgement criteria/ Possible indicators	Findings
	• Is the quality of information on resources received by service delivery units (PI-23) improving? • Extent to which improvements may be attributed to the PFM reform programme, and particularly to external support? • Consider counterfactual: would these changes have happened in the absence of the reform programme/ the externally supported component of the reform programme?	
C.3. Have reform efforts been effective? If not, why not? If yes, to what extent PFM reform outputs been a causal factor in the changes identified in intermediate outcomes?	• Causes of changes, specifically contribution of identified PFM reform outputs. • Consistency of actual changes with objectives and outcome targets of PFM reform programme. • Extent to which external constraints (political, financial, policy) have undermined effectiveness of PFM reform. • Consider counterfactual: what change could have been expected at Intermediate Outcome level in absence of PFM reform as a whole, and in absence of external support to PFM reform?	• Effectiveness is measured in terms of whether or not the reforms were implemented as planned. By this measure, the outputs achieved matched those expected; nevertheless, given greater political commitment, the speed of implementation of organisational reform in particular may have been faster.
C.4. To what extent do the gains identified at the Intermediate Outcome levels appear sustainable? Is the process of PFM reform sustainable?	• Recent trends in Outcomes: do these suggest past gains will be sustained? • Is there a commitment (at political and administrative levels) to continue PFM reforms? • Are there organisational structures in place (on supply & demand sides) to sustain PFM reforms? • Is there the financial and technical capacity within Government to sustain PFM reform in the absence of external support? • If not, is there a framework in place for continuing external support while building local capacity?	• The fact that many of the reforms (e.g. TIN, functional VAT) have been sustained indicates the level of sustainability. This is particularly the case with the latter, since an earlier (mid-1990s) introduction of VAT was not successful. Changes in the specification of the system (including a more appropriate VAT rate) enabled it to gain traction.

PFM Reform Component/Initiative: Internal Audit

Evaluation Question	Judgement criteria/ Possible indicators	Findings
A Inputs & Context: the design of PFM reform		
A.1. What has been the nature and scale of PFM reform inputs provided by Government and Donors?	• Government funds for PFM reforms committed and actually disbursed by year over the evaluation period. • Donor funds for PFM reforms committed and actually disbursed by year over the evaluation period • Nature of support provided to PFM reform efforts (equipment, training, TA, diagnostic work.) • Focal areas for reforms by function (based on PFM "clusters" as in Andrews 2010) • Focal areas for reforms by organisational location/ level of government (Ministry of Finance, Sector ministries, Local Governments, Parliament, CSOs, etc.)	• Inputs were primarily GoG-based, at approximately ¢12 mn annually. External funding of less than an estimated €<0.5 mn was provided by the EU, mainly for on-site training. • IAA provided capacity building to IAU staff, including preparation of audit manuals, training, on-site support programmes – going to the field to help internal auditors, do risk assessment, plan and implement management observations and response to the observations.
A.2. What type of structures have been used for the design and management of these reform inputs? Have these structures served to provide a co-ordinated and harmonised delivery framework?	• Structure of design team and related consultation process: Balance of inputs by Donors/ Govt/ Consultants; Extent of input/ consultation with end users of PFM system (Sector ministries, LGs and service institutions). • Management & co-ordination structure for PFM reforms (Ad hoc Project Units vs. Normal management structures; Govt-controlled vs. Shared Donor-Govt management; Use of consultants for managerial or purely advisory roles) • Arrangements for monitoring & evaluation. • Level of harmonisation and alignment of different donor contributions.	• The introduction of the internal audit function was designed and managed by the IAU with little external support.
A.3. What types of complementary actions have Donors taken to support PFM reforms and what has been their	• Use of country systems: extent to which external aid is 'on plan', 'on budget' and 'on treasury'? • Ranking of donor efforts to support national systems as expressed in Paris Declaration monitoring reports and PEFA indicators D2 and D3.	• There were little/no complementary actions taken by DPs.

Evaluation Question	Judgement criteria/ Possible indicators	Findings
significance? Have they had any influence on the external constraints to reform?	• Scale and evolution over the evaluation period of aid flows provided as GBS, SBS or debt relief and relative contribution to reduction of treasury management costs and to discretionary resources available to Government, (including effect on financing constraints for PFM reform outputs). • Nature and evolution over time of dialogue on PFM within GBS/PRSC, SBS structures or similar donor-govt fora, including use of PFM reform conditions in GBS/ SBS disbursement conditions. • Influence of dialogue on the "political" and "policy space" constraints restricting choice of PFM reform outputs. • (Consistency of actual changes with PFM reform triggers and/or points of emphasis in GBS/ PRSC dialogue) • Consideration of counter-factual: • Outputs: would PFM reforms have evolved differently in absence of GBS and related policy dialogue structures? • Outcomes: Would intermediate outcomes have been different if use of country systems had been lower?	
A.4. To what extent has there been domestic public pressure or regional institutional pressure in support of PFM reform and what has been the influence on the external constraints to reform?	• Nature of engagement with PFM reform issues within civil society, academia and the media. • Extent of participation of CSOs in policy dialogue on PFM reform. • Presence/ absence of specific research and advocacy by CSOs on PFM reform issues. • Relevance of PFM issues to political outcomes: – Discussion of PFM issues within election campaigns – Discussion of service delivery issues related to PFM in election campaigns	• There was little or no external or regional pressure for reform.

Evaluation Question	Judgement criteria/ Possible indicators	Findings
	– Voter concerns during elections (from Afro Barometer and other relevant publications) – Existence of regional or international bodies (e.g. WAEMU, EITI) promoting specific norms on PFM issues, and their relative influence on domestic political discourse. – Evolution in the quality of public/ CSO engagement with PFM issues over time and its influence on PFM reform outputs. • Consideration of counter-factual: would PFM reform outputs have evolved differently in absence of domestic public pressure or pressure from regional/ international institutions?	
A.5. How relevant was the PFM reform programme to the needs and the institutional context? Was donor support consistent with national priorities? To what extent were adaptations made in response to the context and the changing national priorities?	• Scale and focus of support in relation to identified PFM weaknesses at start and during implementation of reforms (including weaknesses in HR endowments, quality of institutions & rules, quality of systems & business processes, and quality of organisations). • Consistency of donor-funded support with Government PFM reform efforts, with ongoing public administration reforms and overall Govt policies. • Extent to which scope and focus of support were adapted to the context, especially to the level of ownership and the capacity for reform implementation. • Consistency & coherence with wider Donor policies in country • Consistency with the Paris Declaration objectives as regards ownership, harmonisation and alignment. • Flexibility in design of support and existence of adequate feed-back/ learning mechanisms in order to adapt the design and implementation of support to changing needs.	• Internal audit was a new function. Prior to the reform, internal auditing was restricted to compliance checking of payment vouchers (pre-audit), rather than on systemic reviews on behalf of management of internal control systems. The reporting relationship was with the Controller and Accountant General. Under PUFMARP, the audit function was separated into internal and external audits. • The Internal Audit Agency Act specified the new function in broad terms, and this guided the design of the reforms. • With little DP support, there were no DP harmonisation issues.

Evaluation Question	Judgement criteria/ Possible indicators	Findings
B. Outputs: the delivery of PFM reforms		

B.1. What have been the outputs of the PFM reform process and to what extent has direct donor support contributed to these outputs?	• Documentation of outputs :
	• by PFM function (according to PFM clusters in Andrews 2010) and
	• by type of output (People & Skills; Laws & Rules; Systems & Business processes; Organisational changes)
	• Matching of outputs to PFM reform inputs, differentiating if possible Government & Donor inputs.
	• Analysis of chronology of events to determine causal links between donor support to reform and observed changes at output level.
	• Consideration of counterfactual: would these outputs have been generated in absence of donor support to PFM reform?
		The main outputs during the study period include:
		• Passage of the Internal Audit Agency Act, 2003
		• Establishment of the Internal Audit Agency (IAA) to co-ordinate, facilitate and provide quality assurance for internal audit activities within MDAs and MMDAs. The operational framework of the internal audit units had been enhanced by the adoption of public sector internal audit regulations and standards and the use of an internal audit manual and programmes.
		• Internal audit standards adopted from INTOSAI and AFROSAI E.
		• Establishment of Internal Audit Units (IAUs) in MDAs, MMDAs, as follows:
		– Ministries: 21 established (out of 23);
		– Departments and agencies: 125 (out of 149);
		– MMDAs: 155 (out of 170).
		• The operational efficiency of the MDAs and MMDAs has been measured and monitored by the IAA by reviewing the submissions received relating to the: (i) internal audit charters; (ii) annual audit plans and (iii) quarterly audit reports. Data for 2010 show:
		– Annual audit plans: 216 (72%) had been prepared, comprising 14 Ministries, 95 Departments and Agencies and 107 MMDAs.
		– Signed charters: 14 Ministries, 64 Departments and Agencies, 124 MMDAs (total of 67%)
		– Around 27% of quarterly Internal Audit reports were received:
		  – Ministries: 27 reports
		  – Departments and agencies: 124 reports
		  – MMDAs: 172.
		• Responsibility to enforce and follow up on auditing findings, including for internal audit, is given to the Audit Reports Implementation Committees (ARICs) (80% of total).
		– Ministries: 22
		– Departments and agencies: 113
		– MMDAs: 124

Evaluation Question	Judgement criteria/ Possible indicators	Findings
B.2. How <u>efficiently</u> were these outputs generated? Was the pacing and sequencing of reforms appropriate and cost-effective? Was the cost per output acceptable?	• Consistency of outputs produced with planned programme (quantity and timing) • Extent of coordination between outputs • Quality of pacing and sequencing of output production: • internally coherent/ efficient? • Consistent with capacity endowments? • Appropriate to degree of ownership/ nature of political & admin support for reform? • Relative cost of outputs in relation to budgeted costs. • Influence of external support to PFM reform upon pacing and sequencing. • Counterfactual: would pacing & sequencing of outputs have been different in absence of external PFM support?	• The efficiency of the reforms has been hampered by the unclear reporting relationships of the IAUs in MDAs and MMDAs. At MDA and MMDA levels, IAUs have dual reporting responsibilities between the IAA and MDA and between IAA and MMDA. The IAA posts the Internal Auditors to MDAs and MMDAs and, although they report directly to the IAA, they are expected to be part of the MDA/MMDA. This dual allegiance creates tensions and suspicion among the IAs, MDAs and MMDAs, which has reduced the efficiency of reform. • As internal and external audit need to work together, the efficiency of internal audit reforms depends on a good working relationship between the IAA and Ghana Audit Service (GAS). To this end, attempts to strengthen co-operation has been led by a formal dialogue between the two institutions to examine areas of commonality. Formal dialogue has been established with a Memorandum of Understanding that spells out the shared planning of audit work, dialogue processes and use of outcomes to enhance effectiveness and efficiency. GAS has tried to use the work of IAA wherever possible in cases where the standards adopted by the internal audits are sufficiently robust to permit the external auditor to place reliance on that work.
B.3. What have been the binding external constraints on the delivery of PFM reform: political, financing or policy factors? How has this varied across the different PFM reform components?	• Degree of ownership of reforms at the administrative and political levels (narrow vs. broad; depth of commitment to reform and motivations for this commitment). • Quality of interaction between administrative and political cadres. • Extent and nature of political accountability (within ruling party, vis-à-vis Legislature, vis-à-vis Electorate & Civil Society) and extent to which this is patronage or performance-based. • Economic context and its influence on financing of PFM reform: per capita GDP and % growth in evaluation period, significance of domestic revenue, significance of aid, level of total and discretionary public spending; absence/ presence of macro crises.	• Main external constraint has been political commitment, with IAA reports being delayed at the senior Executive level (Office of the President) before being passed to Parliament. Slow responses from political leadership, as well as weak administrative decision-making, affected negatively the pace of reform. • Effectiveness of internal audit constrained by inaction (insufficient follow-up to audit reports) rather than funding constraints. • In addition, the IAA indicates that its main challenge in obtaining higher IAU compliance is capacity constraints amongst IAU staff to undertake their duties to the required standard. • Financial resources have not been a binding constraint.

Evaluation Question	Judgement criteria/ Possible indicators	Findings
	• Has timeliness of funding been an issue? • Nature of "conventional wisdom" on PFM reforms: does prevailing thinking exclude certain reform options? • Has policy discussion on PFM reform been open in terms of range of participants and range of ideas? • Overall, what have been the binding constraints on the PFM production possibility frontier? • How has this varied between different reform components?	
C. Outcomes & overall assessment of PFM reform and of donor support to PFM reform		
C.1. What have been the intermediate outcomes of PFM reforms, in terms of changes in the quality of PFM systems?	• Changes in performance of PFM system over period as measured by HIPC AAP indicators and PEFA indicators. • Nature of PFM system changes identified: • By PFM function (according to PFM cluster) • By nature of change (Upstream, De jure, Concentrated vs. Downstream, De facto, Deconcentrated).	• The 2006 PEFA did not score the internal audit indicator, as it was felt that it was too early to assess the internal audit function • The 2009 PEFA assessed internal audit as follows: PI-21 (i) – coverage and quality of internal audit function: C; PI-21(ii) – frequency and distribution of reports: B; and PI-21(iii) – extent of management response to IA findings: D. • These results follow a pattern common elsewhere of reports being issued regularly, but with a lacklustre follow-up (implementation of recommendations more difficult than setting out what the changes should be).
C.2. To what extent are the outcomes generated relevant to improvements in the quality of service delivery, particularly for women and vulnerable groups?	• Changes in quality of PFM system directly relevant to service delivery, especially for women & vulnerable groups: • Classification of the budget (PI-5): does this permit protection/ prioritisation of specific functions or programmes? • Information in Budget documentation (PI-6): does this include performance data or targets for priority programmes? • Does the quality of in-year reports and final accounts (PI-24 & 25) and the access of the public (PI-10)	• Not applicable. As internal audit is a management tool to ensure internal control systems are operating effectively, it serves to facilitate greater efficiency of MDAs' expenditures.

Evaluation Question	Judgement criteria/ Possible indicators	Findings
	permit analysis and discussion of spending & performance for priority programmes? • Is the predictability of funds for commitment of expenditure (PI-16) improving? • Is the quality of information on resources received by service delivery units (PI-23) improving? • Extent to which improvements may be attributed to the PFM reform programme, and particularly to external support? • Consider counterfactual: would these changes have happened in the absence of the reform programme/ the externally supported component of the reform programme?	
C.3. Have reform efforts been effective? If not, why not? If yes, to what extent PFM reform outputs been a causal factor in the changes identified in intermediate outcomes?	• Causes of changes, specifically contribution of identified PFM reform outputs. • Consistency of actual changes with objectives and outcome targets of PFM reform programme. • Extent to which external constraints (political, financial, policy) have undermined effectiveness of PFM reform. • Consider counterfactual: what change could have been expected at Intermediate Outcome level in absence of PFM reform as a whole, and in absence of external support to PFM reform?	• Effectiveness of reform is measured by whether or not reforms have been implemented as intended. In this case, it is arguably too early to assess the quality of the internal audit function, as opposed to its organisational establishment, which is still being implemented. As the PEFA assessment made clear, there are challenges with the follow-up to audit recommendations.
C.4. To what extent do the gains identified at the Intermediate Outcome levels appear sustainable? Is the process of PFM reform sustainable?	• Recent trends in Outcomes: do these suggest past gains will be sustained? • Is there a commitment (at political and administrative levels) to continue PFM reforms? • Are there organisational structures in place (on supply & demand sides) to sustain PFM reforms? • Is there the financial and technical capacity within Government to sustain PFM reform in the absence of external support? • If not, is there a framework in place for continuing external support while building local capacity?	• As indicated, the internal audit function is in the process of being implemented. • Sustainability of the function will depend on political commitment, particularly in terms of demanding results and follow-up to actions.

Annex B: List of Persons Consulted

Name	Organisation & Position
Adam Hussein	DFO, Gomoa West District Assembly
Angela Peasah	Head, Research & Development, CAGD
B.G. Godjoe	Asst. A-G, GAS
Baptiste Mandouze	Programme Officer, Macro-Economic and Trade Section, EU Delegation
Brigid	KfW
Charlotte Afudego	Policy Analyst, IFP
D.B. Tenkorang	DPO, Gomoa West District Assembly
Dan Boakye	Sr. Economist and Former PFM Country Lead, World Bank
Daniel Atwere Nuer	Principal Research Analyst, Ghana Revenue Authority
Daniel Chachu	IFPI/ISODEC Policy Analyst
David Pedley	Governance Adviser, DFID
Dennis Nchor	Policy Analyst, ISODEC
Edmund Barimah-Sarpong	Head, GIFMIS, MoH
Edward Fiawoyife	Dep. Director, Audit, MoH
Eline Okudzeto	Macroeconomist, AfDB
Emmanuel Akrofi-Tibo	Asst Clerk to the Committee on Finance, Parliament
Enoch Hemans	Chief Director, MoFEP
Eric Lampley	GAS Board Member and Advisor to Auditor General
Eva Mends	Director of Budget Development Unit, Budget Division, MoFEP
F. G. Dakpallah	Director, PPME, MoH
Gabriel Tandoh	Dep. Director, PPME, Min of Tourism
Grace Adzroe	Deputy CAG (F&A), CAGD
H. A. Mustapha	Ag. Dep. Director, Finance
Harald Küppers	Programme Manager, Good Financial Governance, BMZ

Helmut Schön	KfW
Hemis Ussif	Macroeconomist, Swiss Co-operation
Herman Dusu	DOF, MoH
Hon. Albert Kan Dapaah	Chairman, Public Accounts Committee, Parliament
Hon. James Klutse Avedzi	Chairman, Public Finance Committee, Parliament
Humphrey A. Kuma	Director, PPME, Min of Tourism
Irene Nordjo	Danida
Isaac Agyare	Head of PFM Reform Unit, Budget Division, MoFEP
Ismaila Ceesay	World Bank, FM Advisor
James N. Amponsah	Deputy CAG (T), CAGD
K. K. Kufe	Ag. DCAG (FMS), CAGD
K.E. Ghansah	Ag. DAG, GAS
Kafui Ken-Seneya	Head, PBU, MoH
Kirsten Richter	BMZ
Kwabena Adjei Mensah	Former Budget Director (MoFEP) and Former Deputy Controller, CAGD
Kwabena Boadu Oku-Afari	Director – ERFD, MoFEP
Kwabena Gyan Kwakye	Asst Economist, ERFD, MoFEP
Kwame Gyesaw	Asst Economist, ERFD, MoFEP
Kwame Quandahor	PPME, GHS, Head of Budget
Kwasi Owusu	Director, Adm, CAGD
Leonard Shong-Quartey	Policy Asst II, ISODEC
Linda Laroson	DBA, Gomoa West District Assembly
Marie-Laure Akin-Olugbade	Res Rep AfDB
Mohummed Museah	A/D, Gomoa West District Assembly
Nana Juaben-Boaten Siriboe	Former Chief Director, MoFEP
Osa Ahinakwah	IMF
Patrick Nomo	Head of Internal Audit Agency (currently on leave)
Peace Fiawoyife	Clerk to the Committee on Finance, Parliament

Peter Aidoo	Economic Planning Officer, MoFEP
Philomena Johnson	Co-ordinator, Institute of Fiscal Policy (IFP)
Ramatu Ude Umanta	Ag. Director, Finance, GHS
Ranford Agyei	Ag. Director General, Internal Audit Agency
Rapheal Tufour	Controller and Accountant General (CAG)
Richard Asamoah Asiedu	Deputy Auditor General, Audit Service
Robert Quarshie	Ag. DAG/GAD, GAS
Sally Lake	Senior Adviser, MoH
Sam K. Boateng	Head, Fin Reporting and Monitoring, MoH
Sammy Arkhurst	Head of Public Expenditure Monitoring Unit, Budget Division, MoFEP
Samuel Boateng	Director, Procurement & Supply, MoH
Seidu Kotomah	Director, GIFMIS, CAGD
Smart Chegabatia	Dep. Director, HRD, Min of Tourism
Solomon Otoo	Head, FMS, MoH
Steve Gur	Senior Advisor, IMF
Sulemana B. Bening	Principal Planner, MoH
Theophilus Aidoo-Mensah	DCE, Gomoa West District Assembly
Thomas Peasah	Budget Division, MoFEP
Yakubu Zakaria	ISODEC
Yaw Sifah	Ag. DAG/PSAD, GAS
Yukiyo Oda	Project Formulation Adviser, JICA

Annex C: List of References

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Annex D: Summary of PFM reform inputs, outputs, and intermediate outcomes

PFM focal area	Inputs[1]	Specific reform	Outputs[2]	Causal factors in positive/negative progress	Role of DP Contributions[3,4]	Intermediate outcomes
Strategic budgeting	Support to MTEF: TA, design of MTEF, software. Funding of $4.6 mn (WB) (and GoG of $0.2 mn). Co-financing from DFID and CIDA. More comprehensive budget info, more timely budget calendar: solely GoG inputs	MTEF	Partial (e.g. excludes salary-related costs) activity-based MDA budgets	Weaknesses in, & ambitiousness of, MTEF design. Pressure to roll out early.	Direct (design, implementation)	Deterioration in credibility of multi-year framework
		Composite budgets	Pilot phase has lasted nearly 10 years.	Differences in classification systems between central, local not resolved prior to piloting	Indirect (policy dialogue)	
Budget preparation	GoG inputs	Legislative basis for PFM	Finance and Administration Act Financial Administration Regulations	Commitment by GoG	N/A/indirect (policy dialogue)	Improvement in budget calendar, More transparency in budget information (greater accountability to the public)
		Budget contents	More comprehensive budget information	Commitment by GoG	N/A/indirect (policy dialog)	
		Timing of budget submission to Parliament	Approp. Act passed before beginning of fiscal year	Commitment by GoG	N/A/indirect (policy dialogue)	
		More communication with public on budget	Citizens' Guides Pre-budget consultations w/ public Budget information on website	Commitment by GoG	N/A	

PFM focal area	Inputs[1]	Specific reform	Outputs[2]	Causal factors in positive/negative progress	Role of DP Contributions[3,4]	Intermediate outcomes
Resource management – revenues[73]	TA, training, software, hardware Funding of €6.8 mn (BMZ) + €2 mn (SECO). Prior funding from DFID.	Direct taxes	TIN introduced	Commitment by GoG, with DP support	Direct (design, implementation)	Significant increase in revenues, not clear to what extent this was due to improved efficiency
		Indirect taxes	VAT re-introduced	Commitment by GoG, with DP support	Direct (design, implementation)	
		Greater administrative efficiency	GRA Act Tax Policy Unit established in MoFEP Large Taxpayers Unit established in MoFEP Beginning the process of integrating revenue services	Commitment by GoG, with DP support	Direct (design, implementation)	

73 The Petroleum Revenue Management Act is not included in this analysis, since its promulgation (April 2011) occurred after the period being assessed and thus its effect on tax efficiency was beyond the scope of the study.

PFM focal area	Inputs[1]	Specific reform	Outputs[2]	Causal factors in positive/negative progress	Role of DP Contributions[3,4]	Intermediate outcomes
Resource management – Treasury, aid & debt	Advisory support, software Funding of $0.2 mn (WB) + $0.03 mn (GoG) (debt management), $0.2 mn (WB) + $0.03 mn (GoG) (cash mngmt). Other funding from US Treasury, WB, and IMF	Aid, debt management	Regular reports on amt, composition of public debt, guarantees of ext. loans to parastatals	Commitment by GoG under PUFMARP reforms External technical support (software)	Direct (design, software)	Slippage in fiscal discipline (weaknesses in commitment controls)
		Commitment controls	New commitment control system introduced (not sustained)	GoG-DP policy dialogue (to initiate) Commitment/Institutional factors/ inter-agency co-operation (to sustain)	Direct (limited, not sustained)	
		Treasury realignment	Establishment of separate Treasuries in some MDAs, regions (improvements in cash flows not comprehensive or sustained)	GoG-DP policy dialogue Commitment/Institutional factors/ inter-agency co-operation	N/A/indirect (policy dialogue)	
		Single Treasury account	Closing of a number of redundant bank accounts (though this still leaves many in place)	GoG-DP policy dialogue Commitment/Institutional factors/ inter-agency co-operation	Direct (but not fully effective), indirect (policy dialogue)	

PFM focal area	Inputs[1]	Specific reform	Outputs[2]	Causal factors in positive/negative progress	Role of DP Contributions[3,4]	Intermediate outcomes
Resource management -expenditures	Advisory support Funding from CIDA, WB, IMF, DFID, DKK, and UNICEF.	Cash management	Attempts to improve information on cash flows to/from MDAs not comprehensive or sustained	GoG-DP policy dialogue, DP trigger Commitment/Institutional factors/ inter-agency co-operation	Direct (but not fully effective), indirect (policy dialogue)	Slippage in fiscal discipline
		Procurement	Procurement Act passed; challenges with implementation	GoG-DP policy dialogue, DP trigger Institutional factors (implementation)	Direct (design), indirect (implementation)	
Internal controls, audit, & monitoring	Training Funding of €<0.5 mn (EU). Other funding from DFID and France.	Payroll controls	IPPD2 being used for ministries, depts. but only some agencies	Commitment by GoG, GoG-DP policy dialogue, DP trigger	Indirect (policy dialogue)	Internal audit function initiated
		Internal audit	Internal Audit Agency Act passed Internal Audit Agency established Standards, manual produced IAUs established ARICs established	Under PUFMARP reforms	N/A, indirect (policy dialogue)	
Accounting and reporting	Funding of $15.3 mn (WB)+ $4.6 mn (GoG) (BPEMS)	FMIS/BPEMS	Implementation in 6 pilot MDAs not sustained. System abandoned.	Ambitiousness of design, insuff. high-level commitment in practice, seen primarily as technol. reform, management problems (agency ownership), technical problems	Direct (under PUFMARP), then indirect (policy dialogue)	Slippage in fiscal discipline
		Timeliness of in-year budget execution reports	More timely gazetting	GoG-DP policy dialogue, DP trigger	N/A/ indirect (policy dialogue)	

PFM focal area	Inputs[1]	Specific reform	Outputs[2]	Causal factors in positive/negative progress	Role of DP Contributions[3,4]	Intermediate outcomes
External accountability	TA/capacity building (GAS), training, audits of selected flows. Funding of €8 mn (EU) (External audit), €0.5 mn/yr (BMZ) (PAC), DFID (GAS, PAC) £0.4 mn, KfW, CIDA, DANIDA (DKK 0.5 mn/yr)	External audit	External Audit Agency Act Standards, manual produced Performance, VfM audits begun Clearance of audit backlog	Commitment by GoG under PUFMARP reforms, with DP support GoG-DP policy dialogue, DP trigger	Direct (design, TA support)	Improved accountability to the public for public finances
		Parliamentary scrutiny of public finance	More timely PAC review of audit reports Public access to PAC debates	Commitment by GoG, public pressure	N/A/indirect (policy dialogue)	

[1] DP funding only. GoG funding not available to match this breakdown.
[2] Main outputs shown. Does not include staff training, considered an input. Where outputs have not been sustained, this has been noted.
[3] Analysis from Box 7 above.
[4] DP support shown may not be comprehensive due to non-availability of data.

Annex E: Consultant Terms of Reference

1. Introduction

These Terms of Reference are for case studies to be carried out in Burkina Faso, Ghana and Malawi on the reform of public financial management (PFM) systems, the results achieved, the role played by donors and other institutional and contextual factors that may contribute to or hinder PFM reform outcomes. The case studies will build on empirical analysis that investigates where and why PFM reform has delivered results and, conversely, where and why it has not. The main focus of the case studies will be to investigate whether and how donor behaviour and the design and implementation of PFM reform makes a difference to the achievement of results, or whether other domestic contextual factors carry more weight.

2. Background

The Paris Declaration on Aid Effectiveness and the associated emphasis on the use of country systems, budget support, and governance and anti-corruption have triggered increased attention on the reform of PFM. Strong PFM systems are a key element of the institutional and governance framework needed for building peaceful and stable societies and successful economic and social development, essential to improved service delivery and to the achievement of the Millennium Development Goals.

Nevertheless, PFM systems in many developing countries remain weak and there is lack of certainty or consensus on the role of donors and the context under which external support can best assist the process of PFM reform.

To address this, the evaluation departments of DANIDA (Denmark), Sida (Sweden) and the AfDB (African Development Bank) have agreed, in consultation with the OECD-DAC Evaluation Network, to manage a joint evaluation of PFM reforms in developing countries. This and other planned joint evaluations, including the joint evaluation of the impact of budget support, public sector governance reform, support to anti-corruption programmes, and the implementation of the Paris Declaration,will feed into discussions prior to the next High Level Forum on Aid Effectiveness (HLF-4) in Busan (29 November – 1 December 2011).

The PFM evaluation is interested in finding answers to two related questions:

(a) Where and why do PFM reforms deliver results (i.e. improvement in the quality of budget systems); and

(b) Where and how does donor support to PFM reform efforts contribute most effectively to results?

To answer these questions the evaluation design is made up of several components outlined in summary below.

First, **analytical background work** has been undertaken both to:

- define what is meant by PFM reform results; and
- consider how results can be measured across countries and over time to assess the degree to which change in the quality of PFM systems has occurred (see Lawson/De Renzio Approach and Methodology for the Evaluation of Donor Support to PFM in Developing Countries Part A July 2009 and Part B September 2009).

- Second a **literature review** has been completed looking at the range of approaches to PFM reform, donor support and existing evidence on success/failure of PFM reform approaches[74].
- Third, a **quantitative analysis** has been undertaken to identify countries where PFM reform has delivered results in the quality of PFM systems; where it hasn't, and the contextual factors that might explain these differences as well as the correlation with donor support[75].
- Fourth, **country case studies** will follow up the findings from the quantitative analysis and explore why, in some cases, donor support appears correlated with results, and why in others it does not. The case studies will explore whether and how donor behaviour and the approach to PFM reform design and implementation makes a difference to results. Five case studies are planned in Sub-Saharan Africa starting with Burkina Faso, Ghana and Malawi.
- **Finally, a regional Africa synthesis report** will be compiled that will bring together findings from each of the evaluation products outlined above.

Country case studies have been selected on the basis of data availability (see below) and because they provide examples where budget institutions improved with: (i) high donor effort; (ii) low donor effort; and where regardless of donor effort, budget institutions did not improve.

3. Purpose

The purpose of the evaluation is to identify what factors – institutional and contextual – contribute to successful PFM reform and how donors can best support PFM reform processes given the influence of contextual factors on the process of change. Conversely, the case studies will also identify where PFM reform has not worked, and whether the application of aid effectiveness principles to PFM reform is important to results. The evaluation findings are intended for Governments, donors and PFM practitioners. The intention is to improve the design of external support for country led PFM reform efforts.

74 Pretorius, C and Pretorius, N. (2008) Review of the Public Financial Management Literature. London: DFID.

75 de Renzio, P., M. Andrews and Z. Mills (2010) Evaluation of Donor Support to Public Financial Management (PFM) Reform in Developing Countries. Analytical study of quantitative cross-country evidence.London: Overseas Development Institute.

4. Scope and Limitations

Country case studies cover the period from 2001–2009.[76] The period represents a time in which donors became increasingly interested in PFM and agreed to increase the effectiveness of aid expenditure, including by using country systems to channel and deliver aid finance.

As PFM performance information is only widely available for central government, the scope of the case studies is restricted to central government organisations. Nevertheless, country visits may provide an opportunity to gather information (in addition to that contained in PEFA) on the extent to which PFM reforms are beginning to extend beyond central government institutions to local government and to service providers. The extent to which the government is taking a lead in this may indicate ownership and reform sustainability.

The quantitative analysis found a positive and significant, albeit weak, correlation between donor support to PFM reforms and improvements in PFM systems. It also found some positive correlations between the way aid is provided and the strength of PFM systems. However, these average effects cannot be taken as causal and universal, and need to be further investigated. Therefore the main purpose of the country case studies is to unpack the nature of PFM reform in different cases where there is found to be: (i) a positive correlation with donor support; (ii) a negative correlation with donor support; and (iii) no correlation between PFM results and donor support. As such, case studies will focus on the history of PFM reform inputs; what has been provided, for what purpose, in what sequence, for how long and at what cost that might help to explain the correlation (positive or negative) with PFM results or lack of them. The case studies will therefore not investigate the impact of PFM reform (particularly on service delivery) but will instead focus on inputs in the evaluation framework; how they have been identified, designed and delivered and the significance of this for the delivery of intermediate outcomes (explained in detail below). In countries where there has been high donor support to PFM, a key line of enquiry is the extent to which the application of aid effectiveness principles is found to make a difference to results.

However, given the range of factors that contribute to PFM results, it may be difficult to directly attribute results to donor support.[77]PFM reform interventions are treated as inputs in the evaluation framework and the case study methodology is centred on the ability to assess the institutional and contextual factors that helped to support success and/or failure of these inputs at each stage of the evaluation framework. It may also be possible to link intermediate outcomes to outputs and donor inputs. For example, one dimension of PFM reform – linking policy to planning and budget (an intermediate outcome in the evaluation framework) – may receive substantial donor support because while it is difficult from a technical perspective it may be relatively easier from a political perspective. Donor support for the achievement of the other inter-

76 Or the date of the second PEFA report, which might be earlier than 2009.

77 In fact, the quantitative analysis highlights how economic factors in particular explain a large part of variation in the successful implementation of PFM reforms.

mediary outcomes – greater transparency and comprehensiveness and control, oversight and accountability – may not be as strong because the political costs of these reforms may be higher despite their relative technical ease. It will therefore be important for the evaluation case studies to explore the wider context of reform intervention and whether certain reforms are pursed because they are politically more palatable than others. In other words, the case studies would examine the extent to which donor support is concentrated at particular phases of the budget cycle.

While the evaluation framework identifies final outcomes including the operational efficiency of public spending, it may be too soon to draw conclusions about the impact and sustainability of results. This is largely due to the fact that the evaluation period is relatively short and while quality PFM is necessary for the quantity and quality of service delivery, it is not sufficient. Nevertheless, it may be useful to consider what factors help to support on going reform and what factors risk sustainability e.g. is PFM reform supported by civil society, the Parliament and the business community; implemented in a stable and growing economy; building and developing the capacity of the Ministry of Finance as a key central government body; and spreading further than the centre to include sector Ministries, local government and service delivery units; and supported by on going donor support and technical assistance?

5. Methodology for the Selection of Case Studies

Case study countries have been selected on the basis of data availability. All case studies have at least two Public Expenditure and Financial Accountability (PEFA) assessments available (which covers a period of at least three years) plus World Bank and IMF HIPC assessments which extends the evaluation period by at least another four years (or more depending on the date of the HIPC assessments) which may be sufficient to observe changes in the quality of PFM systems.

The table below separates the 14 countries in Sub-Saharan Africa that meet the data requirements, into countries where reforms have delivered results (i.e. an increase in HIPC/PEFA scores between 2001 and 2007 – or the date of the second PEFA assessment – and countries where reforms did not bring about any improvement or where the quality of PFM systems deteriorated.

PEFA Performance in 14 African Countries 2001–2007

Countries where budget institutions improved	Countries where budget institutions did not improve or deteriorated
Burkina Faso, Ethiopia, Ghana, Mali, Tanzania, Zambia	Benin, Guinea, Madagascar, Malawi, Mozambique, Rwanda, Sao Tome and Principe, Uganda

Source: PFM Evaluation Approach Paper Part A: Assessing Budget Institutions and Budget Reforms in Developing Countries

Of these countries, case studies will be selected so that three types of situation can be examined:

- One in which donor support appears to be positively correlated with PFM improvement;
- One in which donor support appears to be negatively correlated with PFM improvement; and
- One in which significant PFM improvements appear to have occurred despite relatively low levels of donor support.

This suggests that countries are selected from across the following table.

Relative Impact of Donor Support to PFM reforms in SSA (1998–2007)

PFM Reform	Countries where Budget Institutions Improved	Budget Institutions did not improve
High donor support	Burkina Faso, Tanzania, Zambia	Benin, Malawi, Mozambique, Rwanda, Sao Tome and Principe, Uganda
Low donor support	Ethiopia, Ghana, Mali	

Source: As above

However, as stated above, donor support is not the only factor influencing the design and implementation of PFM reform measures and their results. Other factors, notably a range of domestic economic, political and institutional factors, are likely to determine the dynamic of the reform process as well as the results achieved. Hence, country case studies have been specifically selected to include cases where budget performance has improved with little or no donor support for PFM reform to highlight what specific factors contributed to reform outcomes and to provide a relevant counter factual.

6. Analytical Approach

The first step in answering the related questions of where and why do PFM reforms deliver results and where and how does donor support contribute most effectively to results, is to build a common definition of what is meant by results. The second step is to identify empirical information that might help to measure results and compare them across countries and over time (see Assessing Budget Institutions and Budget Reforms in Developing Countries: Overview of theoretical approaches and empirical evidence. Paolo de Renzio July 2009).

For the purpose of this evaluation, the following three dimensions of budget institutions provide a basis for assessing their overall quality:

- **Transparency and comprehensiveness:** looks at issues related to the quality of budget information, from the classification system to the coverage and clarity of budget documents; accessibility to budget information by the Legislature, the general public, media and civil society

- **Linking budgeting, planning and policy:** assesses the extent to which the budget is effective in converting policy objectives into relevant taxation and spending actions; budgets are derived from accurate medium term forecasts and contain a policy perspective
- **Control, oversight and accountability:** considers whether adequate mechanisms are in place to promote overall accountability for the use of public resources

Quality budget institutions are defined as those that exhibit higher degrees of transparency; policy orientation and control/accountability (see Table 1 below). At the opposite end, weak budget institutions are identified by their opacity, their lack of linkages with planning and policy, and the absence or weakness of mechanisms for monitoring and accounting for the use of public funds.

These dimensions are consistent with parts of the PEFA assessment as well as with indicators developed for HIPC assessments (Table 1).

Table 1 PEFA Indicators of Budget Performance

Intermediate Outcome	Definition	PEFA Indicators
Transparency and Comprehensiveness	The quality of budget information, from the classification system to the coverage and clarity of budget documents; accessibility to budget information by the Legislature, the general public, media and civil society	HIPC 1, 2, 4, 5 PEFA 5, 6, 7, 8, 9, 10, 13, 14, 15
Links between planning, policy and budget	Budget is effective in converting policy objectives into relevant taxation and spending actions; budgets are derived from accurate medium term forecasts and contain a policy perspective	HIPC 7, 10 PEFA 11, 12, 16, 23
Control oversight and accountability	Adequate mechanisms are in place to promote overall accountability for the use of public resources	HIPC 8, 9, 11, 15 PEFA 17, 18, 19, 20, 21, 22, 24, 25, 26, 27, 28

Unsurprisingly, there are limited sources of information and cross-country data which can be relied on to assess and compare the quality of budget institutions. The most comprehensive attempt at constructing a framework to assess the quality of budget institutions is the PEFA PFM Performance Measurement Framework (PEFA 2005) based on 31 indicators, which cover institutional arrangements at all phases of the budget cycle. Moreover, the framework contains all the information needed to measure the quality of budget institutions long the three dimensions identified above.

The country case studies will explore the extent to which PFM reform is more likely to produce results when there is an enabling environment for reform, when donor behaviour follows the principles of aid effectiveness, and when PFM reform interventions follow certain principles.[78] This suggests that PFM reform is more likely to produce results in the following circumstances:

- **Economic Growth and Political Stability:** PFM reforms take place in a stable environment that allows for the time, policy space and flexibility needed to implement complex governance reforms, and the additional public funds generated by growth.
- **Reform Planning and Design:** PFM reform inputs consider the local context taking into account the strength of existing institutions. Reform plans have been prioritized and sequenced to implement basics first and do not overwhelm existing administrative capacity.
- **Strengthened Approach:** reforms are country owned and managed through existing processes; with donor support harmonized and aligned behind country led reform programmes and aid is channeled through country PFM systems[79].
- **Political Economy:** PFM reforms have sustained high level political support for governance reforms in general (including civil service reform) and reflect political priorities and feasibility; political economy factors (such as patronage networks) are less powerful.
- **Demand side governance:** PFM reforms build on existing public demand for improved PFM through strengthening transparency of decision making and financial information, and there is greater accountability to the public and users of public services. Countries where these processes exist are more likely to deliver results in PFM reform, but this could also be a necessary pre-condition to more difficult or politically sensitive PFM reforms.

The relevance of these factors to the PFM change process has been incorporated into an evaluation framework. The purpose of the pilot country case studies is to test the evaluation framework and to elaborate further on where and why PFM reforms deliver results and how donor support can more effectively support the PFM change processes.

7. Evaluation Questions

Detailed questions for each country case study regarding PFM reforms are listed below against the OECD DAC evaluation criteria of relevance, efficiency and effectiveness of PFM reform. The questions have been structured to reflect the theory of change set out in the evaluation framework in Annex 1. At each

78 See Paolo de Renzio (July 2009): PFM Evaluation Approach Paper, Part A chapter 6: "Explaining success in budget reforms: lessons from the political economy of government reforms." The theory of change largely draws on the lessons learnt from first generation structural adjustment reforms, rather than second generation governance reforms. However, the theory closely suggests that the principles of aid effectiveness also apply to PFM reform.

79 While this may appear tautological, there can often be several PFM reform project interventions and TA initiatives (World Bank, IMF, ADB and so on) operating within one institution, usually the Ministry of Finance with no single agreed strategy for PFM reform,

level of the evaluation framework (inputs, outputs, intermediate and final outcomes) the evaluation will consider the institutional and contextual factors that influenced the design and implementation of PFM reform and their significance in delivering reform success.[80] It is important to note that these questions refer to all PFM reform inputs whether or not they are financed by external donors.

- **How relevant is PFM reform to local context and existing systems?**
  - Is there a government led PFM reform programme that has high level political support?
  - Does PFM reform respond to domestic priorities, e.g. politically driven public sector reform agendas, macroeconomic and fiscal needs, political priorioties for improved service delivery?
  - Is donor support designed and structured to support government led and government managed initiatives?
  - Do PFM reform programmes include a component aimed at strengthening budget reporting e.g. to the public. Or do PFM reform programmes include components to include the public in resource allocation decisions?
  - Is external support to PFM reform designed to fit with the nature of political support for reform, to the institutional strengths and weaknesses of the existing PFM system, and to the organisational capability of the lead agencies (e.g. finance ministry) in PFM reform? Are international models of PFM reform transplanted on a "one-size fits all" basis or is PFM reform developed incrementally to fit with existing administrative capacity?[81]
  - Are PFM reforms consistent with on-going public administration reforms?
  - Is donor support based on building existing PFM systems rather than creating new ones?
  - Is there evidence that donor supported reforms have overwhelmed existing institutional capacity?
  - What is the role of technical assistance in PFM reform design?
  - Are PFM reform and management processes supported by or include active consultation and communication with a wide range of stakeholders involved in the reforms, as well as active measures to broaden support for reform?
- **How efficient and cost effective is PFM reform?**
  - Efficiency should look at the ratio between costs and output or outcomes. It will be important to estimate what PFM reform costs? How much has been spent by Government initiatives and by donors e.g. on personnel and equipment, to achieve particular PFM objectives?

80 These questions are a summary of a much longer list of questions taken from Lawson/ de Renzio

81 Assessing political support is not straightforward but evidence could be gathered through interviews (TA, donor, government officials, and civil society) and through the ability of the Ministry of Finance (and the Minister of Finance) to lead and implement PFM reforms across government with strong support from Cabinet and Parliament.

- Is donor support for PFM reform coordinated around a single PFM reform plan or strategy or is support fragmented across several initiatives?
- Have donor efforts been slow at getting started or taken longer than expected, requiring on-going TA support?
- Is donor support reliant on specifically designed PFM reform management units (project implementation units)?

- **How effective is PFM reform?**
  - Is there any additional evidence of PFM reform that is not captured in the PEFA framework e.g. reforms extending beyond central government institutions?
  - Have PFM reforms (including donor support to reforms) moved beyond de jure reform aspects, such as approving laws and regulations, to de facto aspects, such as changes in actual budget practices, and have these elements of PFM systems improved?
  - Have PFM reforms extended beyond the centre (e.g. Central Finance Agencies) to include, for example, sector Ministries, local government and service delivery units and what explains this spread? Have reforms been effective in improving PFM performance beyond central finance agencies?
  - In aid dependent countries, to what extent has the use of general budget support, PFM-related conditionality, and efforts to reduce aid fragmentation contributed to strengthening PFM performance? Have these efforts impacted across all aspects of PFM, or on specific areas such as de jure and concentrated PFM processes?
  - Are country systems for financial reporting and accountability utilised by donors?
  - To what extent is aid expenditure included in different stages of the budget process[82]?

8. Tasks

The consultants will conduct country case studies in Burkina Faso, Ghana and Malawi.

Task 1: Inception Phase

- Organise consultation workshop (in Tunis) as part of the inception phase involving key users and stakeholders of the evaluation.

Prepare an Inception Report that would:

- Further develop the evaluation questions, evaluation framework, analytical tools and overall work plan for the country case studies that builds on the original approach papers and the literature review to ensure complementarities and the best possible synthesis report[83].

82 For instance see CABRI – dimensions of aid on budget including procurement

83 Lawson/De Renzio Approach and Methodology for the Evaluation of Donor Support to Public Financial Management (PFM) in Development Countries Part A July 2009 and Part B September 2009

- Incorporate an approach to test the findings and hypotheses emerging from the quantitative study.

Task 2: Desk Review

- Review existing PEFA/HIPC assessments and performance data (for the three case study countries) – what does the evidence tell us about PFM reform progress over the evaluation period? What specific reforms have been followed and is it possible to track them over time?
- Gather information on donor support to PFM reform over the evaluation period (including project documents where these are available). While 2001 is the date of the first HIPC assessment, it might also make sense to extend that period backwards to capture earlier donor PFM support, and initial reforms that took place in the mid to late 1990s.
- Identify the level and character of government initiatives, and (changes in) the level of political will to undertake PFM reforms during the evaluation period, classifying it according to the following categories:
  - Stage of the budget cycle (e.g. preparation, approval, execution, audit)
  - Budgeting time horizon (e.g. annual budget, MTEF)
  - Involved stakeholders (e.g. Parliament, CSOs, DPs)
  - Type of input (e.g. legislative, human capital, infrastructure)
  - Cost (direct and indirect) and time
- Identify donor support (inputs in the evaluation framework) to PFM reform during the evaluation period in each country case study and classify it according to the three dimensions of quality PFM (described above) and the following:
  - its phase in the budget cycle e.g. preparation, approval, execution, audit
  - type e.g. technical assistance, training, capacity building, software and computer installation, budget support, dialogue on PFM reform;
  - process of delivery e.g. project management unit, or through Government systems;
  - donor providing the support e.g. World Bank, IMF, AFDB, and bilaterals and whether it is joined up or implemented through separate project agreements;
  - cost and time;
- Using project documents, identify the outputs that support interventions are intended to deliver e.g. people, skills and organizational capacity; changes in laws, rules and procedures; improved information systems and business processes; and changes in incentives and controls (see evaluation framework);
- Compile a timeline of support showing the sequencing of donor supported reform activities (plus investments). Can results in PEFA assessments be linked to specific reforms that have been supported by donors?

Task 3: Undertake country visits

The purpose of the country visits is to assess the relevance, efficiency, effectiveness and sustainability aspects of the theory of change framework and how donor support has been designed and implemented.

The evaluation team would be expected to carry out structured and semi structured interviews with Ministry of Finance officials, other officials in government, sector ministries, local government, politicians, civil society and a range of donors both those involved in PFM reform and those that are not. The consultants could consider sending a limited number of questions in advance of the country visit to both donors and government officials. If a joint donor/government budget support or PFM group exists detailed discussion should be held with these groups to review experience over time.

Task 4: Report drafting

The consultants will be expected to produce stand alone reports for each country case study. Reports should be no longer than 30 pages with additional information included as annexes as necessary. Reports should be succinct as it is important to produce written information which is accessible to a wide audience and to readers whose first language may not be English (or conversely French). As far as possible, the initial findings of the evaluation should be discussed with the participating government, with donor partners and other stakeholders in country for comment and feedback before the evaluation team departs. Draft reports would be presented to the Management Group and Evaluation Reference group for comments and feedback before the final report is produced.

9. Budget

The total cost (fees and reimbursables) for the evaluation must not exceed SEK 3,500,000.

10. Deliverables[84] and timetable

The consultant will undertake the following tasks within the timeline set out below:

Deliverable	Submit by
Inception phase consultation workshop in Tunis	March 2011
Prepare an Inception Report setting out the approach to the case studies. Undertake in country consultations during the inception stage	31st March 2011
Undertake a desk based review of PEFA reports and other available evidence about PFM reforms in the case study countries. The objective is to develop a preliminary overview of and hypotheses about how the reforms have been undertaken, partner government initiatives and the level and character of the external support.	30th April 2011

84 All deliverables will be submitted electronically in English and French

Deliverable	Submit by
Visit case study countries and undertake a range of interviews, workshops, and a de-briefing workshops at the end of the field visit (following a common evaluation approach)	May–June 2011
Briefing report with preliminary findings from country visits	30th June 2011
Country case study reports submitted (following a common format)	31st August 2011
Final Synthesis Submitted	30th September 2011

11. Consultant qualifications and skills

The work will require a small team of consultants who have experience in PFM reform, with part of that experience being in the evaluation of development policy, programs or project operations. Support may be required to gather information on donor support in both case studies including project documents, PEFA reports and HIPC data and to provide support with the desk study. Two consultants will be required for each case study and it will be important that the team leader is fluent in both English and French (in reading and writing) and involved in all three case studies. Consultants would be expected to be familiar with reform approaches, partner government initiatives and interventions of donor agencies in African countries particularly in the area of PFM. Familiarity with PEFA assessment systems will be important.

Compulsory requirements for personnel are specified in section 4.2.1 for team leader and 4.2.2 for other personnel. Evaluation criteria for qualification and competence are specified in 7.2.1 for the team leader and 7.2.2 for other team members.

Final reports should be submitted in both English and French. All reports submitted should be professionally edited.

12. Management and Administration

The consultant will report to the evaluation task manager for methodological guidance, preparation and drafting of the report. Draft reports will be submitted to the Management Committee made up of Sida, DANIDA and AFDB evaluation departments. Drafts may be circulated to PFM professional staff in these institutions including country specialists for comments. Final drafts will also be circulated to a wider group of stakeholders mainly including bilateral and multilateral donors and PFM experts who may submit further comments. In country support would be provided by donor country offices.

Joint Evaluations

1996:1 **The international response to conflict and genocide: lessons from the Rwanda experience: Synthesis Report**

John Eriksson, Howard Adelman, John Borton, Krishna Kumar, Hanne Christensen, Astri Suhrke, David Tardif-Douglin, Stein Villumstad, Lennart Wohlgemuth

Steering Committee of the Joint Evaluation of Emergency Assistance to Rwanda,1996.

1997:1 **Searching for Impact and Methods: NGO Evaluation Synthesis Study.**

Stein-Erik Kruse, Timo Kyllönen, Satu Ojanperä, Roger C. Riddell, Jean-Louis Vielajus

Min of Foreign Affairs Finland, OECD-DAC, Sida, 1997.

1997:2 **Measuring and Managing Results: Lessons for Development Cooperation: Performance Management**

Derek Poate

UNDP/OESP Sida, 1997.

2003:1 **Local Solutions to Global Challenges: Towards Effective Partnership in Basic Education. Final Report. Joint Evaluation of External Support to Basic Education in Developing Countries.**

Ted Freeman, Sheila Dohoo Faure

Netherlands Ministry of Foreign Affairs, CIDA, DFID, Department for Foreign Affairs Ireland, EU, BMZ, JICA, Ministry of Basic Education and Literacy Burkina Faso, Danida, Norad, Sida, UNESCO, UNICEF, World Bank. 2003.

2003:2 **Toward Country-led Development : a Multi-Partner Evaluation of the Comprehensive Development Framework : Synthesis report**

Carol Lancaster, Alison Scott, Laura Kullenberg, Paul Collier, Charles Soludo, Mirafe Marcos, John Eriksson, Alison Scott; Ibrahim Elbadawi; John Randa,

World Bank, OED, CIDA, Danida, Norad, ODI, JICA, Sida, 2003.

2005:1 **Support to Internally Displaced Persons: Learning from Evaluation. Synthesis Report of a Joint Evaluation Programme.**

John Borton, Margie Buchanan Smith, Ralf Otto

Sida, 2005.

2005:2 **Support to Internally Displaced Persons: Learning from Evaluation. Synthesis Report of a Joint Evaluation Programme: Summary Version**

John Borton, Margie Buchanan Smith, Ralf Otto

Sida, 2005.

2005:3 **Humanitarian and Reconstruction Assistance to Afghanistan 2001–2005: From Denmark, Ireland, the Netherlands, Sweden and the United Kingdom; A Joint Evaluation. Main report**

Danida, Sida, Chr. Michelsen Institute, Copenhagen, DFID, Development Cooperation Ireland, BMZ, 2005.

2005:4 **Humanitarian and Reconstruction Assistance to Afghanistan 2001–2005: From Denmark, Ireland, the Netherlands, Sweden and the United Kingdom; A Joint Evaluation. Summary**

Danida, Sida, Chr. Michelsen Institute, Copenhagen, DFID, Development Cooperation Ireland, BMZ, 2005.

2005:5 **An Independent External Evaluation of the International Fund or Agricultural Development**

Derek Poate, team leader, Charles Parker, Margaret Slettevold …

IFAD, Sida, CIDA, 2005.

2006:1 **Joint Evaluation of the International response to the Indian Ocean tsunami: Synthesis Report**

John Telford, John Cosgrave, contribution Rachel Houghton

Tsunami Evaluation Coalition (TEC) Action aid, AusAID, BMZ CIDA, Cordaid, Danida, Dara, Irish Aid, DFID, FAO, IFRD, Federal Min for Economic Cooperation and Development Germany, JICA, Min des Affaires Étrangères France, Min des Affaires Étrangères Luxembourg, Norad, NZAID, DEZA, Sida, UN, UNDP, UNFPA, Unicef, Usaid, WFP, WHO, World Vision, 2006.

2006:2 **Impact of the tsunami response on local and national capacities**

Elisabeth Scheper, Arjuna Parakrama, Smruti Patel, contribution Tony Vaux

Tsunami Evaluation Coalition (TEC) Actionaid, AusAID, BMZ, CIDA, Cordaid, Danida, Dara, Irish Aid, DFID, FAO, IFRD, Federal Min for Economic Cooperation and Development Germany, JICA, Min des Affaires Étrangères France, Min des Affaires Étrangères Luxembourg, Norad, NZAID, DEZA, Sida, UN, UNDP, UNFPA, Unicef, Usaid, WFP, WHO, World Vision, 2006.

2006:3 **Coordination of International Humanitarian Assistance in Tsunami-affected countries**

Jon Bennett, William Bertrand, Clare Harkin, Stanley Samarasinghe, Hemantha Wickramatillake

Tsunami Evaluation Coalition (TEC) Actionaid, AusAID, BMZ, CIDA, Cordaid, Danida, Dara, Irish Aid, DFID, FAO, IFRD, Federal Min for Economic Cooperation and Development Germany, JICA, Min des Affaires Étrangères France, Min des Affaires Étrangères Luxembourg, Norad, NZAID, DEZA, Sida, UN, UNDP, UNFPA, Unicef, Usaid, WFP, WHO, World Vision, 2006.

2006:4 **Funding the Tsunami Response: A synthesis of findings**

Michael Flint, Hugh Goyder

Tsunami Evaluation Coalition (TEC) Actionaid, AusAID, BMZm CIDA, Cordaid, Danida, Dara, Irish Aid, DFID, FAO, IFRD, Federal Min for Economic Cooperation and Development Germany, JICA, Min des Affaires Étrangères France, Min des Affaires Étrangères Luxembourg, Norad, NZAID, DEZA, Sida, UN, UNDP, UNFPA, Unicef, Usaid, WFP, WHO, World Vision, 2006.

2006:5 **Links between relief, rehabilitation and development in the Tsunami response: A synthesis of initial findings**

Ian Christoplos

Tsunami Evaluation Coalition (TEC) Actionaid, AusAID, BMZm CIDA, Cordaid, Danida, Dara, Irish Aid, DFID, FAO, IFRD, Federal Min for Economic Cooperation and Development Germany, JICA, Min des Affaires Étrangères France, Min des Affaires Étrangères Luxembourg, Norad, NZAID, DEZA, Sida, UN, UNDP, UNFPA, Unicef, Usaid, WFP, WHO, World Vision, 2006.

2006:6 **The role of needs assessment in the Tsunami response – Executive summary**

Claude de Ville de Goyet, Lezlie C Morinière

Tsunami Evaluation Coalition (TEC) Actionaid, AusAID, BMZm CIDA, Cordaid, Danida, Dara, Irish Aid, DFID, FAO, IFRD, Federal Min for Economic Cooperation and Development Germany, JICA, Min des Affaires Étrangères France, Min des Affaires Étrangères

Luxembourg, Norad, NZAID, DEZA, Sida, UN, UNDP, UNFPA, Unicef, Usaid, WFP, WHO, World Vision, 2006.

2006:7 **Evaluation of Coordination and Complementarity of European Assistance to Local Development: with Reference to the 3C Principles of the Maastricht Treaty**

Robert N. LeBlanc and Paul Beaulieu

Sida, Ministry for Foreign Affairs, Austria, Ministry for Foreign Affairs, Department for International Development Cooperation. Belgium, Min. des Affairs étrangères/Direction General de la Cooperation International, France, Department of Foreign Affairs Development Co-operation Division, Ireland and Ministry of Foreign Affairs/Directorate-General for International Cooperation, the Netherlands, 2006.

2007:1 **Evaluation of General Budget Support – Note on Approach and Methods. Joint Evaluation of General Budget Support 1994–2004**

AFD, DFID, MOFA, NZAID, USAID, AusAID, BMZ, JBIC, NORAD, Danida, SECO, CIDA, JICA, Min of Foreign Affairs Spain, Portuguese Development Cooperation, Sida, 2007.

2007:2 **Evaluating Co-ordination, Complementarity and Coherence in EU development policy: a synthesis**

Evaluation Services of the European Union, Sida, Ministry for Foreign Affairs, Austria,

Ministry for Foreign Affairs, Department for International Development Cooperation. Belgium, Min. des Affairs étrangères/Direction General de la Cooperation International, France, Department of Foreign Affairs Development Co-operation Division, Ireland and Ministry of Foreign Affairs/Directorate-General for International Cooperation, Netherlands, 2007.

2007:3 **Evaluating Democracy Support: Methods and Experiences.**

Sida, Department for Evaluation and Internal Audit and International Institute for Democracy and Electoral Assistance (IDEA), 2007.

2007:4 **Peer Review Evaluation Function at the World Food**

Programme (WFP). Peer Panel Members: Jock Baker, Stefan Dahlgren, Susanne Frueh, Ted Kliest, Zenda Ofir.Advisors to the Panel: Ian Christoplos, Peta Sandison Sida, BMZ, UNEG, WFP, 2007.

2008:1 **Managing Aid Exit and Transformation: Lessons from Botswana, Eritrea, India, Malawi and South Africa: Synthesis Report**

Anneke Slob, Alf Morten Jerve

Sida, Netherland's Ministry of Foreign Affairs, Danida and Norad, 2008.

2008:1:1 **Managing Aid Exit and Transformation: Summary of a Joint Donor Evaluation**

Jesper Heldgaar

Sida, Netherland's Ministry of Foreign Affairs, Danida and Norad, 2008.

2008:1:2 **Managing Aid Exit and Transformation: India Country Case Study**

Albert de Groot, CK Ramachandran, Anneke Slob, Anja Willemsen, Alf Morten Jerve

Sida, Netherland's Ministry of Foreign Affairs, Danida and Norad, 2008.

2008:1:3 **Managing Aid Exit and Transformation: South Africa Country Case Study**

Elling N Tjønneland, Pundy Pillay, Anneke Slob, Anje Willemsen, Alf Morten Jerve

Sida, Netherland's Ministry of Foreign Affairs, Danida and Norad, 2008.

2008:1:4 **Managing Aid Exit and Transformation: Eritrea Country Case Study**

Teferi Michael, Rudy Ooijen, Anneke Slob, Alf Morten Jerve

Sida, Netherland's Ministry of Foreign Affairs, Danida and Norad, 2008.

2008:1:5 **Managing Aid Exit and Transformation: Malawi Country Case Study**

Esther van der Meer, Arne Tostensen, Anneke Slob, Alf Morten Jerve

Sida, Netherland's Ministry of Foreign Affairs, Danida and Norad, 2008.

2008:1:6 **Managing Aid Exit and Transformation: Botswana Country Case Study**

Sida, Netherland's Ministry of Foreign Affairs, Danida and Norad, 2008.

Charity Kerapeletswe, Jan Isaksen, Anneke Slob, Alf Morten Jerve

2008:2 **Evaluation of the Implementation of the Paris Declaration: Phase One Synthesis Report**

Bernard Wood, Dorte Kabell, Nansozi Muwanda, Francisco Sagasti

International Reference Group comprising members of the DAC Network on Development Evaluation, 2008.

2008:3 **Joint Evaluation of Citizen's Voice and Accountability: Synthesis Report**

Alina Rocha Menocal, Bhavna Sharma

Commissioned by Directorate-General for Development Cooperation (Belgium) – DGCD, Danish International Development Assistance – Danida, Federal Ministry for Economic Cooperation and Developmen (Germany) – BMZ, Norwegian Agency for Development Cooperation – Norad, Swedish International Development Cooperation Agency – Sida, Swiss Agency for Development and Cooperation – SDC, Department for International Development – DFID, 2008.

2009:1 **Anti-Corruption Approaches: A Literature Review**

Arne Disch, Endre Vigeland, Geir Sundet

Commissioned by Asian Development Bank – ADB, Danish International Development Assistance – Danida, Department for International Development – DFID, Norwegian Agency for Development Cooperation – Norad, Swedish Agency for Development Evaluation – SADEV, Swedish International Development Cooperation Agency – Sida, 2009.

2009:2 **Public Financial Management Reform Literature Review**

Carole Pretorius, Nico Pretorius (Evaluation Report EV698)

Commissioned by Department for International Development – DFID, Dutch Ministry of Foreign Affairs, Swedish International Development Cooperation Agency – Sida, Canadian International Development Agency – CIDA, African Development Bank – AfDB, 2009.

2009:3 **A ripple in development? Long term perspectives on the response to the Indian Ocean Tsunami: A joint follow-up evaluation of the links between relief, rehabilitation and development (LRRD)**

Emery Brusset (team leader), Mihir Bhatt, Karen Bjornestad, John Cosgrave, Anne Davies, Adrian Ferf, Yashwant Deshmukh, Joohi Haleem, Silvia Hidalgo, Yulia Immajati, Ramani Jayasundere, Annina Mattsson, Naushan Muhaimin, Adam Pain, Riccardo Polastro, Treena Wu.

Commissioned by LRRD2 Joint Steering Committee, Sida, Norad, Danida, the Netherlands Ministry for Foreign Affairs, CIDA, BAPPENAS, Indonesia; BRR, Indonesia;

Ministry for Plan Implementation, Sri Lanka, Ministry for National Building, Sri Lanka; ISDR, Bangkok; IFRC, Bangkok; CARE International;OCHA; UNICEF, 2009.

2009:3:1 A ripple in development? Document review: Annotated bibliography prepared for the joint follow-up evaluation of the links between relief, rehabilitation and development (LRRD) in responses to the Indian Ocean tsunami

John Cosgrave, with the assistance of: Emery Brusset, Mihir Bhatt, Yashwant Deshmukh, Lucia Fernandez, Yulia Immajati, Ramani Jayasundere, Annina Mattsson, Naushan Muhaimin, Riccardo Polastro

Commissioned by LRRD2 Joint Steering Committee, Sida; Norad; Danida; the Netherlands Ministry for Foreign Affairs; CIDA; BAPPENAS, Indonesia; BRR, Indonesia; Ministry for Plan Implementation, Sri Lanka; Ministry for National Building, Sri Lanka; ISDR, Bangkok; IFRC, Bangkok; CARE International; OCHA; UNICEF, 2009.

2009:3:2 A ripple in development? Long term perspectives on the response to the Indian Ocean Tsunami: A joint follow-up evaluation of the links between relief, rehabilitation and development (LRRD) – Summary Report

Emery Brusset (team leader), Mihir Bhatt, Karen Bjornestad, John Cosgrave, Anne Davies, Adrian Ferf, Yashwant Deshmukh, Joohi Haleem, Silvia Hidalgo, Yulia Immajati, Ramani Jayasundere, Annina Mattsson, Naushan Muhaimin, Adam Pain, Riccardo Polastro, Treena Wu.

Commissioned by LRRD2 Joint Steering Committee, Sida; Norad; Danida; the Netherlands Ministry for Foreign Affairs; CIDA; BAPPENAS, Indonesia; BRR, Indonesia; Ministry for Plan Implementation, Sri Lanka; Ministry for National Building, Sri Lanka; ISDR, Bangkok; IFRC, Bangkok; CARE International; OCHA; UNICEF, 2009.

2010:1 Evaluation of the Joint Assistance Strategy for Zambia (JASZ) 2007–2010.

Anne Thomson, Dennis Chiwele, Oliver Saasa, Sam Gibson

Commissioned by Ministry of Foreign Affairs of Denmark – Danida, Swedish International Development Cooperation Agency – Sida, Irish Aid, 2010.

2011:1 **Supporting Child Rights – Synthesis of Lessons Learned in Four Countries: Final Report**

Arne Tostesen, Hugo Stokke, Sven Trygged, Kate Halvorsen

Commisioned by Swedish International Development Agency – Sida and Norwegian Agency for Development Cooperation – Norad, 2011.

2011:2 **Aiding the Peace. A Multi-Donor Evaluation of Support to Conflict Prevention and Peacebuilding in Southern Sudan 2005–2010. Final Report**

Jon Bennett, Emery Brusset, Chris Barnett, Sara Pantuliano, Wendy Fenton, Anthony Vaux

Commissioned by the Evaluation Departments of Norwegian Agency for Development Cooperation – NORAD, United Kingdom Department for International Development – DFID, Asian Development Bank – ADB, Swedish Agency for Development Evaluation –Sadev, Swedish International Development Cooperation Agency – Sida and the Ministry of Foreign Affairs of Denmark – Danida, 2011.

2012:1 **Joint Evaluation of Support to Anti-Corruption Efforts Synthesis 2002–2009**

Derek Poate, Charlotte Vaillant

Commissioned by the Evaluation Departments of Norwegian Agency for Development Cooperation – NORAD, United Kingdom Department for International Development – DFID, Asian Development Bank – ADB, Swedish Agency for Development Evaluation – Sadev, Swedish International Development Cooperation Agency – Sida and the Ministry of Foreign Affairs of Denmark – Danida, 2012.

2012:2 **Joint Evaluation of Support to Anti-Corruption Efforts Bangladesh Country Report**

Derek Poate, Charlotte Vaillant , Imran Ahmed, Deborah Mansfield, Mozammel Hoque, Zarina Rahman Khan

Commissioned by the Evaluation Departments of Norwegian Agency for Development Cooperation – NORAD, United Kingdom Department for International Development – DFID, Asian Development Bank – ADB, Swedish Agency for Development Evaluation – Sadev, Swedish International Development

Cooperation Agency – Sida and the Ministry of Foreign Affairs of Denmark – Danida, 2012.

2012:3 Joint Evaluation of Support to Anti-Corruption Efforts Nicaragua Country Report

Derek Poate, Paul Harnett, Imran Ahmed, Mignone Vega, Jose Luis Velasquez

Commissioned by the Evaluation Departments of Norwegian Agency for Development Cooperation – NORAD, United Kingdom Department for International Development – DFID, Asian Development Bank – ADB, Swedish Agency for Development Evaluation – Sadev, Swedish International Development Cooperation Agency – Sida and the Ministry of Foreign Affairs of Denmark – Danida, 2012.

2012:4 Joint Evaluation of Support to Anti-Corruption Efforts Tanzania Country Report

Charlotte Vaillant, Imran Ahmed, Deborah Mansfield, Anne Bartholomew, Isaac Kiwango

Commissioned by the Evaluation Departments of Norwegian Agency for Development Cooperation – NORAD, United Kingdom Department for International Development – DFID, Asian Development Bank – ADB, Swedish Agency for Development Evaluation – Sadev, Swedish International Development Cooperation Agency – Sida and the Ministry of Foreign Affairs of Denmark – Danida, 2012.

2012:5 Joint Evaluation of Support to Anti-Corruption Efforts Vietnam Country Report

Derek Poate, Edmund Attridge, Tim McGrath, Dang Ngoc Dung, Nguyen Thi Minh Hai

Commissioned by the Evaluation Departments of Norwegian Agency for Development Cooperation – NORAD, United Kingdom Department for International Development – DFID, Asian Development Bank – ADB, Swedish Agency for Development Evaluation – Sadev, Swedish International Development Cooperation Agency – Sida and the Ministry of Foreign Affairs of Denmark – Danida, 2012.

2012:6 Joint Evaluation of Support to Anti-Corruption Efforts Zambia Country Report

Charlotte Vaillant, Imran Ahmed, Paul Harnett, Deborah Mansfield, Gilbert Mudenda, Stephen Tembo

Commissioned by the Evaluation Departments of Norwegian Agency for Development Cooperation – NORAD, United Kingdom Department for International Development – DFID, Asian Development Bank – ADB, Swedish Agency for Development Evaluation – Sadev, Swedish International Development Cooperation Agency – Sida and the Ministry of Foreign Affairs of Denmark – Danida, 2012.

2012:7 **Evaluation of Public Financial Management Reform in Burkina Faso, Ghana and Malawi 2001–2010 Final Synthesis Report**

Andrew Lawson

Commissioned by the African Development Bank – AfDB, the Swedish International Development Cooperation Agency – Sida, and the Danish International Development Assistance – DANIDA, 2012.

2012:8 **Evaluation of Public Financial Management Reform 2001–2010 Ghana Country Report**

Mary Betley, Andrew Bird, Adom Ghartey

Commissioned by the African Development Bank – AfDB, the Swedish International Development Cooperation Agency – Sida, and the Danish International Development Assistance – DANIDA, 2012.

2012:9 **Evaluation of Public Financial Management Reform in Malawi 2001–2010 Final Country Case Study Report**

Alta Fölscher, Alex Mkandawire, Ruth Faragher

Commissioned by the African Development Bank – AfDB, the Swedish International Development Cooperation Agency – Sida, and the Danish International Development Assistance – DANIDA, 2012.

2012:10 **Evaluation of Public Financial Management Reform in Burkina Faso 2001–2010 Final Country Case Study Report**

Andrew Lawson, Mailan Chiche, Idrissa Ouedraogo

Commissioned by the African Development Bank – AfDB, the Swedish International Development Cooperation Agency – Sida, and the Danish International Development Assistance – DANIDA, 2012.

Evaluation of Public Financial Management Reform in Ghana, 2001–2010

Final Country Case Study Report

Where and why do Public Financial Management (PFM) reforms succeed? Where and how does donor support to PFM reform contribute most effectively to results? To answer these questions, an evaluation of PFM reforms has been carried out, primarily based on country studies of Burkina Faso, Ghana and Malawi. An international quantitative study and a literature review were also undertaken. This report presents the findings of the study in Burkina Faso

The findings from the three country studies are summarised in a separate synthesis report, concluding that results tend to be good when there is a strong commitment at both political and technical levels, when reform designs and implementation models are well tailored to the context and when strong, government-led coordination arrangements are in place to monitor and guide reforms.

Donor funding for PFM reform has been effective in those countries where the context and mechanisms were right for success, and where external funding was focused on the Government's own reform programme. The willingness of some Governments to fund PFM reforms directly shows that external funding may not be the deciding factor, however. Donor pressure to develop comprehensive PFM reform plans has been a positive influence in countries receiving Budget Support, but attempts to overtly influence either the pace or the content of PFM reforms were found to be ineffective and often counter-productive. Key lessons for donor agencies are thus to focus on where the right preconditions exist, to align to government programmes and, under all circumstances, to ensure that aid works in favour of the PFM system and not against it.

The evaluation has been commissioned jointly by the African Development Bank (AfDB), the Swedish International Development Cooperation Agency (Sida) and the Danish International Development Assistance (DANIDA).

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