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ACRONYMS AND ABBREVIATIONS

AFD	Agence Française de Développement
A-G	Auditor-General
AGA	Autonomous Government Agencies
APRM	Africa Peer Review Mechanism
BoG	Bank of Ghana
BPEMS	Budget and Public Expenditure Management System
CAGD	Controller and Accountant General's Department
CAS	Country Assistance Strategy
CCO	Commitment Control Officer
CCS	Commitment Control System
CEPS	Customs, Excise and Preventive Service
CF	Consolidated Fund
CFAA	Country Financial Accountability Assessment
CHRAJ	Commission on Human Rights and Administrative Justice
CIDA	Canadian International Development Agency
CMIC	Cash Management Implementation Committee
COFOG	Classification of the Functions of Government, GFS Manual
CPAR	Country Procurement Assessment Report
DACF	District Assemblies Common Fund
DANIDA	Danish International Development Agency
DFID	UK Department for International Development
DSA	Debt Sustainability Analysis
ERPFM	External Review of Public Financial Management
FAA	Financial Administration Act (2003)
FAR	Financial Administration Regulations
GAS	Ghana Audit Service
GDP	Gross Domestic Product
GES	Ghana Education Service
GETF	Ghana Education Trust Fund
GFS	Government Finance Statistics
GHA	Ghana Highways Authority
GoG	Government of Ghana
GPRS	Ghana Poverty Reduction Strategy
HIPC	Heavily Indebted Poor Countries (debt relief)
IAA	Internal Audit Agency
IAU	Internal Audit Unit
IDA	International Development Association
IGF	Internally-Generated Funds
IMF	International Monetary Fund

INTOSAI	International Organisation of Supreme Audit Institutions
IPPD	Integrated Personnel and Payroll Database
IPSAS	International Public Sector Accounting Standards
IRS	Internal Revenue Service
KfW	German Kreditanstalt für Wiederaufbau (KFW)
MDAs	Ministries, Departments, and Agencies of Central Government
MDBS	Multi-Donor Budget Support
MDRI	Multilateral Debt Relief Initiative
MoLGRD	Ministry of Local Government and Rural Development
MMDA	Metropolitan, Municipal, and District Assemblies
MoFEP	Ministry of Finance and Economic Planning
MoH	Ministry of Health
MTEF	Medium Term Expenditure Framework
NDPC	National Development Planning Commission
NEPAD	New Partnership for Africa's Development
NETS	National Expenditure Tracking System
NTR	Non-Tax Revenues
NTRU	Non Tax Revenue Unit
OAG	Office of the Auditor-General
OECD	Organization for Economic Co-operation and Development
OHCS	Office of the Head of the Civil Service
PAC	Public Accounts Committee
PE	Personal emoluments
PEFA	Public Expenditure and Financial Accountability
PEM	Public Expenditure Management
PEMU	Public Expenditure Management Unit, MoFEP
PETS	Public Expenditure Tracking Survey
PI	Performance Indicator
PFM	Public Financial Management
PPB	Public Procurement Board
PRGF	Poverty Reduction and Growth Facility
PSC	Public Service Commission
PUFMARP	Public Financial Management Reform Programme
RAGB	Revenue Agencies Governing Board
RF	Road Fund
RSDP	Road Sector Development Programme
USAID	United States Agency for International Development
SEC	State Enterprises Commission
SF	Statutory Funds
SN	Sub-National (level of Government)
SOE	State-Owned Enterprises
VAT	Value Added Tax
VATS	Value Added Tax Service

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SUMMARY ASSESSMENT

1. The Public Expenditure and Financial Accountability (PEFA) assessment has been undertaken as a joint exercise together with the Government of Ghana (GoG). It was carried out in the context of the 2006 External Review of Public Financial Management (ERPFM), conducted annually with other donors involved in the Ghana Multi-Donor Budget Support framework. The assessment was prepared on the basis of: (i) guidance on the Public Financial Management (PFM) Performance Measurement Framework issued by the PEFA multi-donor programme in June 2005; and (ii) the demonstrated and observable PFM practices at the time of the assessment. Extensive discussions were held with stakeholders to determine the appropriate scoring for each indicator. A large amount of documentary evidence was provided by the Government to support the scores. Where possible, corroborating evidence was sought from a variety of sources. Whilst the overwhelming majority of scores were agreed by the joint team, there were a few dimensions where agreement was not reached. These have been noted in the text of the PFM Performance Report (PFM PR) below.

2. The purpose of the PFM PR is to assess the status of Ghana's current PFM system in order to determine a baseline for the continued use of the 31 high-level indicators in the PEFA performance measurement framework. This assessment is particularly timely as the Government has recently adopted its Short and Medium-Term Action Plan (S&MT AP), and the PEFA framework could be used potentially to refine the action plan and to track progress in its implementation. It is important to underline that the objective of the assessment has not been to evaluate and score the performance of different institutions or individuals but rather to assess the PFM systems themselves against international best practice.

(i) Integrated assessment of PFM performance

3. Ghana's Public Financial Management (PFM) system is based on a solid legal and regulatory framework which sets out appropriate budget and accountability structures. These include: (i) responsibility and accountability for public funds delegated to individuals through the system; (ii) appropriate oversight by the legislature; (iii) clear statement of the powers and duties for the Ministry of Finance and Economic Planning (MoFEP), the Controller and Accountant General's Department (CAGD), and the Auditor-General; and (iv) clear and well-documented roles and responsibilities for all stakeholders. The legal framework for PFM is underpinned by an established set of expenditure control procedures covering the wagebill, non-salary items, and procurement. Clear rules and procedures are in place, and these tend to be followed.

4. Overall, the PFM system is performing at an average standard, and in some areas at an above average level.[1] Table A below summarises the overall assessment against the PEFA Performance Indicators benchmarks. Whilst predictability of overall revenues and expenditures has been maintained in aggregate over the last three years, credibility of the budget is undermined by significant in-year variations across budget heads. There is an increased emphasis on budget transparency and comprehensiveness, particularly in the Budget Statement,

[1] Taking a C as the average level, nearly half of the indicators are above this level (i.e. C+ or above).

and external scrutiny has been strengthened through more timely completion of the Auditor-General's reports.

5. Measured against the six core PFM objectives examined by the assessment, it is clear that the system works reasonably well. There have been significant improvements in recent years, which have served to reinforce transparency and comprehensiveness of fiscal management. Further improvements will be needed to achieve better budget outcomes as follows:

- ***Credibility of the budget.*** In aggregate, expenditure and revenue outturns have broadly matched budget plans over the past three years. However, the credibility of the budget is adversely affected by significant variances in the use of resources across budget heads (both economic and administrative). These variances reflect weaknesses in budget formulation as well as insufficiently disaggregated reporting of contingency amounts;

- ***Comprehensiveness and transparency of the budget***. The transparency of the budget documentation has improved considerably over the last two years, especially by incorporation in the Budget Statement for 2005 and 2006 of information for Ministries, Departments and Agencies (MDAs) on internally generated funds (IGFs), donor disbursements, and HIPC funds, as well as information on incomes and expenditures for the Statutory Funds. Whilst comprehensive information is available on the intended use of public resources, in-year reporting on the utilisation of those resources is less comprehensive, hampering the monitoring of budget performance and reducing the efficient management of overall budget operations;
- ***Policy-based budget***. Whilst the budget is centred on the Medium Term Expenditure Framework (MTEF), particularly in terms of the macro/fiscal framework, weaknesses in budget planning exist due to limited analytical capacities to cost strategies and the lack of comprehensive information on budget parameters, namely, the lack of effective wagebill planning, during budget formulation. At the same time, the MTEF is difficult to implement as planned, with no clear mechanism to follow the link from detailed activities to actual budget execution. Improvements in the use of forward estimates and the linking of the bottom-up planning and budgeting processes with the top down resource framework will be required in order to make the budget a more effective tool for government policy;
- ***Predictability and control in budget execution***. Strengthened commitment controls during the past two years have improved aggregate budget discipline. Whilst a reasonably comprehensive set of internal controls are in place and tend to be respected, the Government has recognised weaknesses in management and oversight of control systems, and consequently improvements are under way in internal audit. In particular, capacity constraints can lead to potential compliance issues with internal control rules. At the same time, effective expenditure controls are potentially undermined by data inaccuracies and non-timely information (e.g. with the processing of personnel records, particularly new recruitments, leading to delays in integrating them onto the payroll);
- ***Accounting, recording and reporting***. The paper-based nature of many of the financial management systems leads to delays in the processing of financial information and can affect data accuracy, while analytical capacity constraints undermine the ability of both

MoFEP and MDAs to monitor budget performance. In terms of monitoring flows through the system, there is limited information on the extent of resources reaching front-line services in health and education; and

- ***External scrutiny and audit***. External oversight has improved through the more timely preparation and submission of Auditor-General reports to Parliament and the clearance of the backlog of outstanding reports. Reported progress has been facilitated by the timely submission of the Report and Financial Statements of the Consolidated Fund by CAGD. Parliament has taken a more active role in scrutinising the budget, although it is not clear how effectively the Executive takes remedial action.

(ii) Assessment of the impact of PFM strengths and weaknesses

6. Public financial management concerns the efficiency and effectiveness of the use of public resources. The interdependence of the components of the budget cycle mean that weaknesses in one part can adversely affect other parts and can constrain the achievement of better budgetary outcomes. At the same time, improvements in one area which are not matched by corresponding changes in other areas can undermine the initial reforms.

7. The Government's focus on controlling overall expenditure levels, through improved commitment controls, has helped to maintain aggregate fiscal discipline. At the same time, the Government's success in gaining Parliamentary approval for the 2006 Budget before the beginning of the fiscal year has contributed to increased certainty around public expenditure and is reportedly having a positive impact on inflationary expectations. Finally, clearing the backlog of external audits has enabled the Public Accounts Committee (PAC) to have a more active role and thereby has contributed to improved external scrutiny.

8. Whilst significant progress has been made, the assessment indicates areas which require continued attention. First, weaknesses in budget planning prevent resources from being effectively utilised to meet Government policy priorities. Incomplete costing of sector strategies makes it difficult to allocate resources across and within sectors appropriately. At the same time, significant contingency amounts are included during the budget formulation stage, some of which are subsequently allocated to meet mostly higher salary awards agreed after the completion of the budget; this might require the reallocation of planned resources within MDAs and undermines the *ex ante* budget plans. The resulting large expenditure deviations across budget heads reduce budget credibility and potentially undermine the legitimacy of these original budget plans.

9. Second, the use of fragmented data sources to report on the use of resources hampers MoFEP and MDAs in monitoring the achievement of budget policy objectives since it is difficult to have a clear view of comprehensive spending in a given sector. Third, weaknesses in the collection of tax arrears prevent these resources from being available for priority public services. Finally, the current format for presentation of budget information, in terms of excessive detail of the activity-level information and the absence of a clear trend from actual outturns through the current year's revised estimates to the budget proposals, potentially weakens the external oversight role by both Parliament and civil society.

(iii) Prospects for reform planning and implementation

10. The Government has shown commitment to reform by undertaking a number of measures in recent years which have strengthened the PFM system considerably. These include:

- a stronger legislative/regulatory framework, including the adoption of new laws on overall financial management, internal audit, and procurement;
- more comprehensive information in the Budget Statement on the detailed use of resources, including those not passing through the Consolidated Fund, such as externally-financed project expenditures and retained IGFs;
- improved timing of the approval of the Budget by Parliament;
- increased availability of information on budget implementation to the public, with more timely gazetting of monthly budget execution reports;
- stronger commitment controls in line with the availability of cash resources;
- clearing of the backlog of external audit reports and hence a more active role for the PAC; and
- more transparent procurement procedures.

11. Building on these measures, the Government is currently working to strengthen the timeliness and accuracy of information and resource flows through implementing an improved integrated computerized payroll and personnel management system, introducing an integrated computerized budget planning and implementation system, and decentralising treasury offices of CAGD to MDA level. It also intends to build on initial steps already under way to improve internal audit and procurement management.

12. Institutionally, the reforms are directed and owned by senior management within MoFEP, a strategy which has proved effective, as evidenced by the success of a number of reform measures. As the reforms continue, it will be important for GoG to ensure that sufficient analytical capacities exist to lead and manage the reform process.

Table A: Summary of PEFA PFM Performance Scores

		D	C	B	A
A. Credibility of the Budget					
PI-1	Aggregate expenditure out-turn compared to original approved budget				
PI-2	Composition of expenditure out-turn compared to original approved budget				
PI-3	Aggregate revenue out-turn compared to original approved budget				
PI-4	Stock and monitoring of expenditure payment arrears				
B. Comprehensiveness and Transparency					
PI-5	Classification of the budget				
PI-6	Comprehensiveness of information included in budget documentation				
PI-7	Extent of unreported government operations				
PI-8	Transparency of Inter-Governmental Fiscal Relations				
PI-9	Oversight of aggregate fiscal risk from other public sector entities				
PI-10	Public Access to key fiscal information				
C(i) Policy-Based Budgeting					
PI-11	Orderliness and participation in the annual budget process				
PI-12	Multi-year perspective in fiscal planning, expenditure policy and budgeting				
C (ii) Predictability and Control in Budget Execution					
PI-13	Transparency of taxpayer obligations and liabilities				
PI-14	Effectiveness of measures for taxpayer registration and tax assessment				
PI-15	Effectiveness in collection of tax payment				
PI-16	Predictability in the availability of funds for commitment of expenditures				
PI-17	Recording and management of cash balances, debt and guarantees				
PI-18	Effectiveness of payroll controls				
PI-19	Competition, value for money and controls in procurement				
PI-20	Effectiveness of internal audit controls for non-salary expenditure				
PI-21	Effectiveness of internal audit				
C (iii) Accounting, Recording and Reporting					
PI-22	Timeliness and regularity of accounts reconciliation				
PI-23	Availability of information on resources received by service delivery units				
PI-24	Quality and timeliness of in-year budget reports				
PI-25	Quality and timeliness of annual financial statements				
C (iv) External Scrutiny and Audit					
PI-26	Scope, nature and follow-up of external audit				
PI-27	Legislative scrutiny of the annual budget law				
PI-28	Legislative scrutiny of external audit reports				
D. Donor Practices					
D-1	Predictability of Direct Budget Support				
D-2	Financial info provided by donors for budget, reporting on project, programme aid				
D-3	Proportion of aid that is managed by use of national procedures				

Note: The scores range from A (highest) to D (lowest). Shaded patterns indicate a "+" score (e.g. PI-4 is a B+). PI-19 is not scored. This Table is based on PFM Performance Indicator Table in Annex A.

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The assessment involved very informative meetings with members of the Parliamentary Finance and Public Accounts Committees, and their Clerks. It also builds on invaluable information coming from discussions with non-governmental organisations (Ghana Anti-Corruption Coalition, Association of Ghana Industries, ISODEC and SEND Foundation).

The Public Financial Management Performance Report (PFM PR) for Ghana was prepared in the context of the 2006 External Review of Public Financial Management (ERPFM) by a team led by Marcelo Andrade, and involving Carlos Cavalcanti (Co-Chair MDBS, World Bank), Daniel Boakye and Simplice Zouhon-Bi (AFTP4), Edward Olowo-Okere and Fred Yankey (AFTFM), Smile Kwawukume (AFTPR), Tsri Apronti and Anthony Mensa-Bonsu (AFTPC), Ruby Bentsi (DFID), Kofi Tsikata (AFREX), Kofi Marrah (WBIRC), Michael Stevens (Consultant), Mary Betley (Consultant, Mokoro - main contributor to the PFM PR report), and Peter Fairman (Consultant, Oxford Policy Management). Administrative and secretarial support to the team was provided by Emmabel Hammond (AFC10) and Marta Berhane and Pierre Lenaud (AFTP4). DFID and DANIDA financing for consultants' support to the preparation of the 2006 ERPFM is gratefully acknowledged.

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1. INTRODUCTION

1.1 The Government of Ghana (GoG) has made significant progress in strengthening fiscal discipline and improving the efficiency of its public financial management (PFM) system in recent years. Along with achieving macroeconomic stabilisation, the Government has strengthened the legislative base, increased the transparency of budget information, improved control over expenditures, and strengthened budget oversight.

1.2 The Public Financial Management Performance Report (PFM-PR) is aimed at providing a value-neutral baseline assessment of Ghana's PFM system in order to measure future progress in reforming its budget preparation, execution and oversight systems. The Government is committed to improving its fiscal management in order to achieve its national goal of becoming a middle-income country over the medium term. As such, the Government wants public resources to be used as efficiently and effectively as possible in order to enable more resources to be directed towards boosting Ghana's growth potential.

1.3 The PFM-PR assessment was undertaken as a joint exercise together with Government officials as part of the 2006 External Review of Public Financial Management (ERPFM). The ERPFM is a World-Bank led exercise carried out annually with several donors involved in the Multi-Donor Budget Support (MDBS) framework. Prior to field work launched in February 2006, consultations took place with the Government to clarify the objectives of PEFA's Strengthened Approach to PFM and its linkages to the PFM Performance Measurement Framework and the 2005 OECD/DAC Paris Declaration on Aid Effectiveness. In addition, the Government was provided guidance on evidence required to support the assessment of the PEFA set of high-level performance indicators. To prepare the assessment, extensive and open consultations were held with relevant MoFEP and line ministry staff, as well as the Auditor-General's office, officials from the three Revenue Agencies, the Public Procurement Board (PPB), the Internal Audit Agency (IAA), the Controller and Accountant General's Department (CAGD), the Bank of Ghana, the National Development Planning Commission (NDPC), the State Enterprises Commission, the District Assemblies Common Fund (DACF), the Ghana Education Trust Fund (GETF) and the Road Fund (RF). The assessment greatly benefited from meeting with members of the Parliamentary Finance Committee and the Public Accounts Committee. Roundtable meetings were also held with civil society organisations. MDBS development partners were actively involved in the meetings. In particular, the Resident Representative of the International Monetary Fund in Accra participated in most of the meetings.

1.4 The PFM-PR assessment was made on the basis of available evidence and corroborating information was sought from a variety of sources. For each indicator, the Government made its own assessment and indicated its basis for scoring. These issues were discussed, together with the relevant evidence, before an initial conclusion was reached. A first draft of the report in the form of the Summary Assessment, the indicator scores and the accompanying context was circulated and discussed with the group. This version of the PFM-PR report has taken into account the comments which were received.

1.5 Consistent with the PEFA Guidelines, the PFM-PR assessment concentrates on the operations of central government institutions, which represent the overwhelming majority of public expenditures. Information on operations at sub-national government level is also included in the report.

1.6 The rest of the assessment contains background information on Ghana (Chapter 2), an explanation of the scores for each performance indicator (Chapter 3), and a summary description of the government's reform programme (Chapter 4). A series of Annexes include: a summary of the performance indicator scores (Annex A), specific information sources behind each indicator (Annex B), a document reference list (Annex C), calculation of deviations by budget head for the period 2003-2005 (Annex D), the list of participants in PEFA assessment meetings (Annex E) and a description of the PEFA scoring calibration for each indicator (Annex F).

2. BACKGROUND

A. ECONOMIC SITUATION AND GENERAL BACKGROUND

Country Context

2.1 Formed from the merger of the British colony of the Gold Coast and the Togoland trust territory, Ghana gained independence in 1957. Following a period of political instability, the current Constitution was approved in 1992. Well endowed with natural resources, Ghana's per capita output is higher than average for HIPC countries.

2.2 Ghana's economy has traditionally been centred on primary production and exports, particularly of gold, cocoa and timber. Together, exports of these commodities account for the bulk of total merchandise exports. Agriculture is the dominant sector, accounting for around two-thirds of employment and around 40 percent of total GDP. Agricultural production is predominantly small-scale and is concentrated on cocoa and staple food crops. Services comprise the second largest sector in the economy, accounting for an increasing share of GDP. There is a small industrial sector. Recent trends in macroeconomic indicators are summarised in Table 2.1.

Table 2.1: Macroeconomic Trends, 2000-2005

	2000	2001	2002	2003	2004	2005[1]
GDP in current prices (bn Cedis)	27,153	38,071	49,293	66,158	79,804	97,018
Real GDP Growth (%)	3.7	4.2	4.5	5.2	5.8	5.8
Real GDP Growth by sector (%)						
Agriculture	35.3	4.0	4.4	6.1	7.5	6.5
Industry	25.4	2.9	4.7	5.1	5.1	5.8
Services	28.8	5.1	4.7	4.7	4.7	5.4
Gross external reserves (months of imports of G&S)	0.9	1.2	1.9	3.2	3.3	3.2
External debt (% of GDP)	76.4	74.5	64.1	71.5	35.3	27.8
Inflation (annual average CPI %)	25.2	32.9	14.8	26.7	12.6	15.1
Exchange Rate Cedi/US$	6,889	7,255	7,933	8,677	9,005	9,073

1/ Preliminary data.
Source: MoFEP

2.3 Classified currently as a lower-income country, Ghana's per-capita income stood at US$380[2] in 2004 with a population of around 21 million. About a third of the population is estimated to live below the poverty line. In 2005, robust receipts from the gold sector helped sustain GDP growth along with favourable prices for Ghana's robust cocoa crop. Government's progress in restoring aggregate fiscal discipline and implementing economic reforms facilitated the earning of substantial HIPC debt relief in 2004 and qualification for debt relief under the Multilateral Debt Relief Initiative (MDRI) in 2005. Improved control over monetary aggregates has led to a halving in the rate of inflation since 2001, to about 15 percent by 2005. The stronger economy has also encouraged greater levels of remittances from expatriate Ghanaians, to the point that these are rivalling commodity exports as a source of foreign exchange earnings.

2.4 GoG receives substantial financial and technical assistance from the international community, including significant amounts (US$282 million, or around 11 percent of total budgeted expenditure in 2005) of Multi-Donor Budget Support (MDBS). Ghana's success in attracting budget support has paid dividends in the form of greater predictability of external funds and lower transaction costs.

Overall Government Reform Programme

2.5 Ghana's Poverty Reduction Strategy (GPRS), which represents the Government's medium-term development strategy, provides the framework for the government's overall reform programme. The first GPRS covered the years 2003-2005 and concentrated on macroeconomic stabilisation, improving key poverty indicators, especially in health and education and in the most deprived areas, utilising public sector resources more efficiently, and strengthening economic governance.

2.6 Under GPRS I (2003-05), accelerated economic growth coincided with macroeconomic stabilisation and progress in expanding access to education and health services. Indicators of a stronger economy include: growth averaged 5.6 percent, rising from 4 percent a year during 2000-02; inflation at the end of the 2005 had nearly halved to 14.3 percent from an average of 24.3 percent during 2000-02; the goal of halving the end 2002 stock of government domestic debt relative to GDP - a key anchor in the fiscal programme aimed at "crowding in" private sector access to financial resources - was achieved. Moreover, gross primary enrolment rates are rising at the national level, reaching 87 percent by mid-2005 from 81 percent two years earlier; and supervised maternal deliveries are slowly improving, by almost 2 percentage points to about 54 percent from 2002 to 2005. Although other key health indicators have shown little improvement; the HIV/AIDS prevalence rate among pregnant women fell slightly from 3.6 percent in 2003 to 3.1 percent in 2005. In both gross primary enrolment and supervised maternal deliveries, marked improvements occurred in the three relatively deprived regions (Northern, Upper East and Upper West). These outcomes have been influenced by the strengthening of PFM in recent years. Specifically, the reforms have resulted in: greater confidence in the economy and in overall budget discipline; achievement of the HIPC completion point and eligibility to debt relief under the MDRI; reduction in the stock of debt and hence debt servicing costs; and greater resources provided to improving front-line priority services. In this regard,

[2] Gross National Income on a Purchasing Power Parity basis. Source: World Development Indicators, World Bank.

domestically-financed public spending on pro-poor basic services increased from 4.8 percent of GDP in 2002 to 8.5 percent in 2005.

2.7 Having stabilised the economy, the Government is focusing its efforts in the Growth and Poverty Reduction Strategy (GPRS II), covering the years 2006-2009, on wealth creation and enhancing growth in the population's disposable income. The Government's explicit objective is to double the size of the economy and to raise Ghana's per capita income to middle income level by 2015. It aims to achieve these objectives by focusing on strengthening private sector competitiveness, supporting human resource development, and promoting good governance and civic responsibility. The Government's continuing PFM reform programme is a key component of GPRS II and is discussed in more detail in Chapter 4 below.

Rationale for PFM Reforms

2.8 At the beginning of the decade, following an economic crisis in 1999, the economy was in a difficult state. The cedi had lost around half of its value against the US dollar. External reserves were very low, and external payment arrears were being built up. Headline inflation was more than double current levels, and the fiscal deficit was around 9 percent of GDP.

2.9 The new Government which came into power in 2001 committed itself to fiscal stability and the goal of becoming a middle-income country by 2015. In the context of GPRS I, the Government renewed its focus on a programme of economic stabilisation and of the restoration of fiscal discipline. As indicated above, this has had a positive impact on the economy, resulting in lower inflation, a stable exchange rate, increased private sector participation, notable reductions in the fiscal deficit, and an improvement in the country's sovereign credit risk rating.

B. BUDGETARY OUTCOMES

Fiscal Performance

2.10 Fiscal performance has improved over the last three years (Table 2.2). In particular, 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, and expenditures have been contained, partly through reductions in debt servicing requirements. Domestic revenues increased to nearly 24 percent 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 under 30 percent of GDP in 2005, up from 23 percent in 2002. Fiscal performance has also benefited from lower domestic interest rates. In recent years these have been falling as Government's borrowing requirement lessened and its prudent fiscal stance eased inflationary expectations.

Table 2.2: Overall Budgetary Trends, 2003-2005
(in % of GDP)

	2003 Actual	2004 Actual	2005 Prelim.
Total Revenues and Grants	**25.5**	**30.2**	**28.3**
Own revenue	20.8	23.8	23.0
Grants	4.7	6.4	5.3
Total Expenditures	**29.0**	**33.3**	**30.7**
Non-interest expenditure	22.6	29.0	27.2
Interest expenditure	6.2	4.4	3.6
Aggregate Deficit[1]	**3.6**	**3.1**	**2.5**
Primary balance[2]	2.9	1.2	1.1
Net Financing	**4.6**	**3.7**	**2.3**
of which : Net Domestic Borrowing	0.6	0.1	-1.7

1/ Before outstanding payments clearance, VAT refunds and including grants and discrepancy
2/ Total revenues and grants less non-interest expenditure.
Source: 2003 and 2004 Audited Annual Financial Statements of Consolidated Fund; 2005 Unaudited CAGD Report and Financial Statements.

Allocation of Resources

2.11 Reflecting the Government's priority on basic services, spending on social services represents the largest share (more than 50 percent) of domestic discretionary budgetary expenditures (Table 2.3).[3] Consistent with the Government's development priorities, relative spending on infrastructure has been increasing in recent years.

Table 2.3: Actual Budgetary Allocations by Broad Sector
(in % of GoG Discretionary Expenditures)[1]

	2003	2004	2005
General public administration (incl. revenue agencies)	16.8	20.4	18.9
Economic sectors	4.6	5.1	4.8
Infrastructure sectors	3.4	4.0	4.3
Social sectors	54.1	50.7	54.6
Public safety	14.6	13.1	12.6
Other (incl. utilities and contingency)	6.5	6.8	4.8
Total	**100.0**	**100.1**	**100.0**

1/ Refers to domestically-financed primary expenditures for Central Government. Discretionary expenditures exclude transfers to households and to Statutory Funds.
Source: 2003 and 2004 Audited Annual Financial Statements of Consolidated Fund; 2005 Unaudited CAGD Report and Financial Statements.

2.12 Expenditures by economic item are dominated by personal emoluments, which account for around 28 percent of total expenditures and almost three quarters of domestic discretionary expenditures (Table 2.4). The downward trend in interest payments as the result of reaching the HIPC completion point in 2005 and reducing the debt stock is evident during the period 2003-2005.

[3] Discretionary expenditures exclude interest payments, transfers to households and transfers to Statutory Funds.

Table 2.4: Actual Budgetary Allocations by Economic Classification
(in % of Total Expenditures)[1]

	2003	2004	2005
Current expenditures	**78.8**	**71.3**	**67.6**
- Wages and salaries	*29.2*	*26.3*	*27.7*
- Goods and services[2]	*10.8*	*10.3*	*11.2*
- Interest payments	*21.5*	*13.1*	*11.6*
of which: domestic	*17.2*	*9.6*	*8.8*
- Transfers[3]	*5.1*	*4.8*	*6.6*
- Subsidies[4]	*2.3*	*8.3*	*2.6*
- Other[5]	*9.8*	*8.6*	*7.9*
Capital expenditures	**21.2**	**28.6**	**32.4**

1/ Central Government
2/ Items 2 and 3 of GoG's economic classification
3/ Transfers to households
4/ Primarily, subsidies to Tema Oil Refinery, which are being phased out.
5/ Primarily, transfers to Statutory Funds

Source: 2003 and 2004 Audited Annual Financial Statements of Consolidated Fund; 2005 Unaudited CAGD Report and Financial Statements.

C. LEGAL AND INSTITUTIONAL FRAMEWORK FOR PFM

The Legal Framework for PFM

2.13 Ghana has a strong legislative framework for public financial management, following the promulgation of updated PFM laws and regulations in recent years. The Constitution sets out clearly the fiscal roles of the executive, legislative and judicial branches and provides the basis for the raising of resources and their expenditure. Within the framework of the Constitution, the laws governing the management of public funds include the Financial Administration Act of 2003 (FAA) and the Auditor-General Act of 2000. These are supplemented by the Financial Administration Regulation (FAR). The legislative and regulatory framework sets out the basic budget and accountability structures, including: (i) the requirement that all revenues, loans and grants be paid into the Consolidated Fund (CF), out of which only legally approved expenditures can be made; (ii) appropriate oversight by Parliament; (iii) clear statement of the powers and duties for the key players, including MoFEP, the Controller and Accountant-General's Department (CAGD), Chief Directors of MDAs, and the Auditor-General (AG); (iv) the delegation of responsibility and accountability for public resources to individuals through the system; and (v) clear and well-documented roles and responsibilities for all stakeholders. The CAGD is the Chief Accounting Officer of the Government and is responsible for keeping the public accounts.

2.14 The Constitution creates the Office of the Auditor General and requires it to audit and report on the public accounts of the state and all public offices. The Audit Service Act (2000) specifies the responsibilities of the Auditor General and the scope and time frame of the audits.

2.15 Parliament also recently approved the Public Procurement Act (2003). The Act establishes a Public Procurement Board to make administrative and institutional arrangements for public procurement in a fair, transparent and non-discriminate manner. The new board was inaugurated in August 2004. Also promulgated recently was the Internal Audit Agency Act (2003), which established the Internal Audit Agency to co-ordinate, facilitate and provide quality assurance for internal audit units being established in the MDAs and MMDAs. The IAA Board was inaugurated in August 2004.

The Institutional Framework for PFM

2.16 Ghana is a Constitutional democracy, centred on the 1992 Constitution. A system of checks and balances provides for power sharing between a President, a unicameral Parliament, a Council of State, and an independent judiciary.

Legislature

2.17 The legislative branch consists of a unicameral Parliament of 230 seats. Members are elected by direct, popular vote to serve four-year terms.

Executive

2.18 The President is Head of State and Head of Government. The President is elected by popular vote for a maximum of two four-year terms. The President nominates a Council of Ministers, including the Minister of Finance and Economic Planning, subject to approval by Parliament. According to the 1992 Constitution, more than half of the Ministers of State chosen by the President must be Members of Parliament. The Constitution also provides for two Presidential advisory bodies: (i) a Council of State, comprising Presidential nominees and regional representatives, which provide an advisory and consultative role to the President, especially consideration of bills published in the Gazette or passed by Parliament and in the area of public appointments; and (ii) a National Security Council, chaired by the Vice President.

2.19 The Ghanaian public sector comprises 39 ministries and departments, around 135 subvented agencies, 5 Statutory Funds[4], 34 State-Owned Enterprises and 138 MMDAs. The main central agencies are the Ministry of Finance and Economic Planning (MoFEP), the Public Service Commission (PSC), the Office of the Head of 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 PPB and the IAA, which have separate legal personality, and a statutory mandate. Table 2.5 shows the breakdown of the public sector by type of institution.

[4] Including District Assemblies Common Fund, Roads Fund, Ghana Education Trust Fund, Petroleum-Related Fund, and the National Health Fund.

Table 2.5: Structure of Public Sector Institutions

Institutions	Number of entities
Central Government[1]	174
Statutory Funds[2]	5
Wholly state-owned public enterprises	34
Sub-national governments[2]	138

1/ Includes 39 ministries and departments, and 135 subvented agencies.

2/ Includes District Assemblies Common Fund, Roads Fund, Ghana Education Trust Fund, Petroleum-Related Fund, and the National Health Fund.

3/ Comprises 5 Metropolitan, 8 Municipal and 125 District Assemblies.

2.20 Ministries have sector-wide responsibilities for policy, co-ordination and management. Departments and subvented agencies are responsible for execution of ministries' policy decisions. Ministries, departments and agencies are collectively referred to as MDAs.

Judiciary

2.21 There is a constitutionally independent judiciary, whose members have tenure. The Supreme Court has broad powers of judicial review. It is authorised to rule on the constitutionality of legislation or executive action.

Audit Service

2.22 The Auditor General (AG) manages the Audit Service. This is a constitutional body accountable to Parliament and whose function is to inspect, audit and report on the public accounts and on the control of, and transactions with, public resources

Parliamentary Committees – Public Accounts Committee and Finance Committee

2.23 The Public Accounts Committee (PAC) is a Standing Committee of Parliament. Comprising 25 MPs, and chaired by a member of the opposition, it is responsible for reviewing the Auditor-General's reports, including the Financial Statements, and making recommendations to Parliament. Whilst its sessions are private, PAC's reports to the Speaker are a matter of public record. The Finance Committee also has 25 members and is responsible for: (i) examining all bills with financial and tax implications; (ii) examining all loan agreements; (iii) discussing and approving budget estimates for all MDAs; and (iv) monitoring foreign exchange and receipts/transfers through the Bank of Ghana.

Local Government

2.24 Administratively, Ghana operates as a unitary state with one level of sub-national government, comprising 5 metropolitan assemblies, 8 municipal assemblies, and 125 district assemblies, and referred to collectively as MMDAs. Two-thirds of MMDA representatives are directly elected and one-third are appointed by the president. The MMDAs are headed by District Chief Executives who are appointed by the President and whose appointments are ratified by at least two-thirds of the members of the respective district assembly. The Ministry of Local Government and Rural Development (MoLGRD) is responsible for the MMDAs.

Other

2.25 The State Enterprises Commission (SEC) is responsible for overseeing public enterprises. The Constitution establishes a number of other oversight institutions, including the Judicial Commission, and the Commission on Human Rights and Administrative Justice (CHRAJ), and grants them constitutional independence. These bodies are charged with ensuring appropriate governance of public institutions.

The Key Features of the PFM System

2.26 Ghana's PFM system is highly centralised, with a relatively limited local government sector. The Ministry of Finance and Economic Planning is the central agency responsible for PFM, with CAGD in charge of the centralised payment system. The fiscal year runs from January 1 to December 31. Chapter 3 below provides details for each element of the PFM system.

3. ASSESSMENT OF PFM SYSTEMS, PROCESSES AND INSTITUTIONS

A. BUDGET CREDIBILITY

3.1 Good practice in public financial management emphasises the importance of the budget being credible so that planned Government policies can be achieved. Budget credibility requires actual budgetary releases to be similar to voted budgets and requires appropriate fiscal discipline to be in place. In aggregate, actual primary expenditures have differed by less than 10 percent from the overall planned levels in two out of the last three years (Table 3.1). This reflects the Government's efforts to control overall expenditures and has contributed to maintaining fiscal discipline and to improving macroeconomic stability.

Table 3.1: Comparison of Original Budgeted and Actual Expenditures, 2003-2005

	2003	2004	2005[2]
Budgeted primary expenditure[1] (bn cedis)	12,169.2	16,245.5	22,608.3
Actual primary expenditure (bn cedis)	12,447.7	18,265.9	20,809.3
Difference btwn actual & budgeted primary expenditure (bn cedis)	278.5	2,020.4	1,799.0
Difference as % of budgeted primary expenditure (%)	2.3	12.4	8.0

1/ Domestic primary expenditures.
2/ 2005 Unaudited CAGD Report.

3.2 However, a more detailed analysis of expenditure outturns against planned budgets for individual MDAs indicates that budget credibility within the overall amount was undermined by significant differences between what was intended during budget formulation and what MDAs actually spent, with total variance in MDA expenditure reaching an estimated 33 percent in 2005 (Table 3.2 and Annex D). Both priority and non-priority spending agencies were affected by the differences. Further analyses[5] indicate that during 2003-2005, across spending items, average variances were largest for items 2 and 4 (administration and investment) and smallest for personal emoluments (item 1).

3.3 These variances largely reflect weaknesses in the budget process, particularly on the planning side. In particular, there appears to be a disconnect between the plans contained in the Medium Term Expenditure Framework and the implementation of the budget (see discussion in PI-12 below). At the same time, relatively large contingency amounts are allocated during the year, primarily to cover anticipated and unanticipated increases in both salary levels (through wage bargaining agreements after the budget was planned) as well as anticipated increases in staffing levels which are not explicitly included in the original budget figures (e.g. the net intake of new teachers at the beginning of the academic year). With the emphasis on ensuring that overall expenditures are kept within planned limits, net increases in salary items must be matched either by the use of the contingency and/or by net decreases in the other items if overall revenues fall short. In particular, non-development investment (a sub-component of item 4) tends to be used as the adjusting item. Whilst this strategy is in line with Government policy both to meet payroll obligations and to fund development expenditures, particularly in the priority poverty-reduction sectors, nonetheless, it makes it difficult for MDAs to plan their expenditure programmes appropriately and in a timely fashion, particularly in terms of ensuring maintenance of investment expenditures and adequate materials and supplies.

3.4 At the same time, the lack of breakdown in reporting the use of the contingency means that these variances are overstated since the allocation of resources from contingency are not shown separately in the CAGD reports by MDA.

Table 3.2: Expenditure Deviations between Original Budgeted and Actual Outturns for 20 Largest Budget Heads, 2003-2005[1]

Budget Year	Total expenditure deviation (PI-1)[2]	Total expenditure variance[3]	Variance in excess of total deviation (PI-2)[4]
2003	2.3%	15.8%	13.6%
2004	12.4%	25.9%	13.4%
2005[5]	8.0%	33.3%	25.3%

1/ Data cover discretionary and statutory expenditures (see Annex D).

2/ Figures refer to the absolute value of the difference between actual outturns and original budgeted amount, expressed as % of original budgeted amount.

3/ Figures refer to the sum of the absolute value of deviations as a proportion of the total budgeted allocation for primary expenditure.

4/ Percentage difference between expenditure deviations and expenditure variations (previous two columns).

5/ 2005 Unaudited CAGD Report.

3.5 Turning to revenues, the Government's domestic receipts have been within 6 percentage points of projected levels during the last three years (Table 3.3). Actual revenues exceeded planned collections in 2004, whilst in 2003 and 2005 revenues were around 2 and 6 percent lower respectively than planned levels. In recent years, the revenue agencies have made progress

[5] See 2006 ERPFM report, Volume I, Annex A, Table 1, World Bank, June 2006.

in improving tax administration, including the introduction of the Ghana Community Network (GCNet) Services IT system (2002), the establishment of a Large Taxpayers Unit (2004), and in collecting and recording IGFs (Non-Tax Revenue Unit set up in 2002).

Table 3.3: Comparison of Original Budgeted and Actual Domestic Revenue Receipts, 2003-2005[1]

	2003	2004	2005[2]
Budgeted receipts (bn cedis)	13,888	18,187	23,739
Actual receipts (bn cedis)	13,582	18,994	22,316
Difference between actual and budgeted receipts (bn cedis)	-305	1,100	-1423
Difference as % of budgeted receipts (%)	-2.2	6.0	-6.0

1/ Data refer to total domestic receipts (tax revenue + non-tax revenue, excluding external grants and HIPC receipts) of the Central Government budget.

2/ 2005 Unaudited CAGD Report.

3.6 The level of arrears (legally defined as payments more than 90 days overdue) is relatively low and has been falling in recent years. Data on outstanding payments is generated annually by MoFEP and included in the Budget Statement. The estimate of these outstanding payments, is separated into roads and non-roads obligations. Whilst non-roads payments tend to be cleared within 90 days, a small number of payments in the roads sector can take more than 90 days to clear, particularly for obligations in remote areas. However, outstanding payments, at about 0.6 percent of total domestic primary expenditures, are a small proportion of overall expenditures and arrears would be even smaller.

3.7 Specifically, total arrears at the end of 2005 were 131 billion cedis, representing approximately 1 percent of total GoG discretionary expenditures. Between 2004 and 2005, total arrears more than halved. In 2004 and 2005, non-road arrears comprise delayed transfers to the DACF and GETF funds, legal obligations for which Government is implementing a five-year repayment plan. The small amount of roads arrears have built up due to the length of time it takes to process bills from remote districts.

Indicator	Score	Brief Explanation
A. Credibility of the Budget		
PI-1. Aggregate expenditure out-turn compared to original approved budget	**B**[6]	Based on domestically-financed primary expenditure, deviations between original budget and outturns were (according to the administrative classification): 2003 – 2. 3% 2004 – 12.4% 2005 – 8.0% Data sources: A-G report for 2003 and 2004; CAGD report to A-G for 2005
PI-2. Composition of expenditure out-turn compared to original approved budget	**D**	Deviations between original budget and outturns were (according to the administrative classification): 2003 – 13.6% 2004 – 13.4% 2005 – 25.3% Data sources: A-G report for 2003 and 2004; CAGD report to A-G for 2005
PI-3. Aggregate revenue out-turn compared to original approved budget	**A**	Actual revenue collections as a % of budgeted domestic revenue were: 2003 – 97.8% 2004 – 106.3% 2005 – 94.0% Data sources: A-G report for 2003 and 2004; CAGD report to A-G for 2005
PI-4. Stock and monitoring of expenditure payment arrears	**B+**	
(i) Stock of expenditure payment arrears (as a percentage of actual total expenditure for the corresponding fiscal year) and a recent change in the stock	*A*	In 2005, total arrears (roads plus non-roads) were 131 bn cedis, representing 1.1% of total GoG discretionary expenditure. This is a decrease from 2004, when total arrears (roads plus non-roads) were 280 bn cedis, representing 2.9% of total GoG discretionary expenditure.
(ii) Availability of data for monitoring the stock of expenditure payment arrears	*B*	MoFEP prepares an annual report on outstanding payments and includes in the Budget Statement the estimate of settlement of these outstanding payments, which are separated into roads and non-roads obligations. Whilst non-roads payments tend to be cleared within 90 days, a small number of payments in the roads sector can take more than 90 days to clear, particularly for obligations in remote areas. However, outstanding payments, at less than 1% of total payments, are a small proportion of overall expenditures.

B. COMPREHENSIVENESS AND TRANSPARENCY

Classification of the Budget

3.8 GoG's annual budget documentation comprises: (i) the Appropriation Act; (ii) the Budget Statement (containing the Minister's Budget Speech); and (iii) separate volumes containing the annual estimates for each MDA. The budget documents and in-year and end-year fiscal reports are presented annually on the basis of the administrative classification and by aggregated economic item (personal emoluments, non-salary administration, services, and investment). In addition, since the current Chart of Accounts is not fully consistent with the GFS, a bridge table, converting the budget by MDA to the 10 main COFOG functions, has been prepared for each of the last three budgets. This functional table is included in the individual volumes for MDA Estimates but is not shown in the Budget Statement. Domestic discretionary expenditures for 2005, financed by the Consolidated Fund, are also reported on a functional basis (posted on MoFEP's website).

[6] Following the main assessment exercise, during the subsequent review process and in consultation with other reviewers, a re-appraisal of the original scoring was made to ensure closer linkage with the PEFA Guidelines.

Indicator	Score	Brief Explanation
B. Comprehensiveness and Transparency		
PI-5. Classification of the budget	$\boxed{B}$	The budget documents, including in-year and end-year fiscal reports, are prepared consistently on the basis of aggregated economic, administrative and GFS-standard functional classification (the latter with the use of the bridge table).

Comprehensiveness of the Budget

3.9 The Government has increased significantly the amount of relevant information included with the budget documentation during the last two years, and, in line with the parameters defined by the Assessment Guidelines, the information submitted to Parliament with the 2006 Budget was reasonably comprehensive. The budget documents in Ghana are presented in the form of a medium-term expenditure framework since it provides information on budget estimates for the coming three years, although, as is usual, Parliament appropriates only for one year at a time.

3.10 The Budget Statement includes a discussion of the medium-term fiscal and economic outlook and provides details of the macroeconomic assumptions behind the budget estimates. The main budget aggregates include the outturns for the previous year, the revised estimates for the current year, planned amounts for the coming budget year, and indicative amounts for the following two forward years. The medium-term budget summary tables give appropriate information on the fiscal deficit and the composition of its financing. Details of domestic and external debt stock are provided.

3.11 Discretionary expenditures are shown in the budget statement by MDA and by source of funds (e.g. GoG, external financing, etc.) for the coming budget year and indicative ceilings are provided for the two forward years. In the volumes containing detailed estimates by MDA, only the proposed budget amounts are shown. Nonetheless, the details of the previous year's actual outturns by MDA and the expected amounts for the current year are not shown together with the amounts for the coming budget, which hampers overall budget scrutiny.

3.12 In addition, further analyses are provided of the formula for allocating HIPC funds, details of the collection of non-tax revenues (internally-generated funds) by MDA for the previous year (both lodged and retained), as well as projections for the coming budget year, planned poverty-related expenditures for the coming budget year, details of the previous year's disbursement of externally-financed programme aid and project grants and loans by creditor and MDA.

3.13 In terms of new expenditure policy initiatives, only limited analyses of the budgetary implications of new expenditure policy initiatives are shown in the budget documents. Whilst the Budget Statement lists the expenditure allocations made for each initiative, the detailed analyses leading to these allocations are not included (e.g. in a separate Fiscal Policy Report). The revenue policy measures are listed in detail in a separate section in the Budget Statement, but detailed analyses of the likely resulting revenues do not accompany the description of the measures. Finally, the budget documents do not include the government's financial asset position, including details at least for the beginning of the current year.

Indicator	Score	Brief Explanation
PI-6. Comprehensiveness of information included in budget documentation[7]	$\boxed{\text{C}}$	The budget documents include: (i) the main macro-economic assumptions behind the budget estimates; (ii) an analysis of the fiscal deficit; (iii) the composition of deficit financing; and (iv) and detailed analyses of the domestic and external debt stock. The budget documents do not yet currently include: (v) a full statement of Government's financial assets, including receivables; (vi) information on the previous year's budget outturns with the individual MDAs' Estimates (the previous year's outturns are included only for the budget aggregates); (vii) the current year's revised estimates with the individual MDAs' Estimates (as with the previous year's outturns, the current year's revised estimates are included only for the budget aggregates); (viii) summarised previous year's outturns and revised current year's budget estimates by MDA; and (ix) detailed analyses of the expenditure and revenue implications of new policy proposals. For (ix), the Budget Statement lists the expenditure allocations made for each initiative, but the detailed analyses leading to these allocations are not included (e.g. in a separate Fiscal Policy Report). The revenue policy measures are listed in detail in a separate section in the Budget Statement, but detailed analyses of likely resulting revenues do not accompany the description of the measures.

Extent of Unreported Government Operations

3.14 As indicated above, significant progress has been made during the last year in the comprehensiveness of reporting on domestic fiscal operations. In particular, the capture of non-tax revenues has improved substantially with the reporting of the collection and use of all internally-generated funds (IGFs) (both lodged and for the first time also the retained part) by MDA in the 2005 and 2006 Budget Statements.[8,9] The lodged portion of IGFs is paid into the Consolidated Fund (CF) as required by the FAA, and the use of these resources is reported in monthly CAGD reports as with ordinary budgetary resources.

3.15 The use of retained IGFs by MDAs and disbursements of grants by individual donor were also included in the 2005 CAGD annual report and financial statements for the first time. These are encouraging developments that should be consolidated. Since donor funds are only partially reported (grants included in the CAGD report represent about half of the amount estimated by ADMU) together with CF funds, retained IGF resources, and HIPC resources, there is not a single source for reporting on total Government fiscal operations. This hampers effective oversight of the use of public resources.

3.16 Reporting on the Statutory Funds is regulated by separate legislation, and their annual financial statements are sent directly to the Auditor-General, who then presents them to Parliament. Annexes in the 2005 and 2006 Budget Statements contained the income and expenditure statements for the last completed financial year (for 2004 in the case of the 2006 Budget) for the four Statutory Funds operating at that time.[10]

[7] The ERPFM team and MoFEP did not reach agreement on this score – the difference related to whether or not the Budget Statement included appropriately detailed analyses of the likely costs of new policy measures, which the assessment team felt was less detailed than required.

[8] Appendix 10 and 9 of the 2005 and 2006 Budget Statements contain details by MDA of both lodged and retained IGFs for actual (2004) and planned (2005), as well as actual (2005) and planned (2006) collections, respectively.

[9] As is the case in other countries, the Government allows MDAs to retain a proportion of its collections of fees-for-service payments levied to provide a limited source of additional, more flexible resources. Good PFM principles suggest that these should nonetheless be reported.

[10] The National Health Insurance Fund (NHIF) was established during 2004.

3.17 Whilst the fiscal reports do not include information on Government guarantees, these are relatively limited (representing around 3 percent of expenditures), and information on them is available from MoFEP.

3.18 Considerable progress has been made in recent years in capturing more information on donor resources in fiscal reports. On the basis of available data and estimates of unreported donor flows, ADMU indicates that currently around 94 percent of income and expenditure on donor-funded projects are captured in fiscal reports. A comparison of the Budget Statements for 2004, 2005 and 2006 indicates significantly greater coverage of donor flows in recent years, particularly grants. Nonetheless, there is still work to do, particularly on reconciling donor flows captured by MDAs with that provided by ADMU.

Indicator	**Score**	**Brief Explanation**
PI-7. Extent of unreported government operations	**A**	
(i) Level of unreported extra-budgetary expenditure	A	Whilst domestic fiscal data are not necessarily captured all in one place (i.e. through the Consolidated Fund), the data are reported in some form in fiscal reports. CAGD fiscal reports include information on the Consolidated Fund of MDAs, which includes the lodged part of IGFs. The 2005 and 2006 Budget Statements report the retained portion of IGF outturns in 2004 and 2005, respectively. Outturns on Statutory Funds are reported separately, with the reports going directly to Parliament. In addition, the 2005 and 2006 Budget Statements included the 2003 and 2004 income and expenditure statements, respectively, for the Statutory Funds. The fiscal reports do not include information on Government guarantees, although this information is available from MoFEP and is the amount is relatively limited (representing around 3 percent of expenditures).
(ii) Income/expenditure information on donor-funded projects	A	Available data from ADMU indicate that around 94 percent of income and expenditure on donor-funded projects are captured in fiscal reports. Capture of donor flows in fiscal reports has increased in recent years.

Inter-Governmental Fiscal Relations

3.19 Ghana is a unitary state with 138 sub-national governments, comprising 5 metropolitan assemblies, 8 municipal assemblies and 125 district assemblies, referred to collectively as the MMDAs. The legislative framework for inter-governmental fiscal relations is contained in the Local Government Act, which sets out the revenue and expenditure assignments for the sub-national governments, and the DACF Act (2003), which establishes the DACF, responsible for providing grants from central government to MMDAs for development expenditure.

3.20 Central government transfers to MMDAs comprise the District Assembly Common Fund (DACF) and HIPC funds directed to MMDAs through the MoLGRD (representing around 10 percent of total HIPC funds). In 2005, DACF and HIPC funds directed to MMDAs are estimated to have represented slightly more than 4 percent of total domestic primary expenditures. The DACF allocations to individual MMDAs are made on the basis of transparent and published criteria, endorsed by Parliament. The overall size of the transfer pool is determined as a share of planned tax revenues. Transfers to individual MMDAs from this pool are made on the basis of a formula which covers factors such as equality, needs (e.g. basic education facilities, trained teacher/pupil ratio), improvements in revenue collections, and population density. Each year, the

DACF proposes the specific formula around these criteria to Parliament for approval. Once it is presented to Parliament, the formula is gazetted and published. In 2006, the formula and horizontal allocations were approved by Parliament in late February 2006, after the start of the fiscal year. Moreover, consolidation of fiscal data for general government is not possible because the central and sub-national authorities use different classification systems.

3.21 Funds through HIPC disbursed to MMDAs represent around 20 percent of MMDAs' total transfers from central government. The allocation of these amounts is made to individual MMDAs based on investment applications made by MMDAs through MoLGRD and in accordance with published criteria for the use of these resources (as is the case for HIPC allocations through other MDAs); for the 2006 budget, these criteria were published in Appendix 8 of the Budget Statement.

Indicator	Score	Brief Explanation
PI-8. Transparency of Inter-Governmental Fiscal Relations	C	
(i) Transparency and objectivity in the horizontal allocation amongst sub-national governments	*A*	The allocations from the DACF to MMDAs are made on the basis of clear and published criteria. Funds through HIPC disbursed to MMDAs represent around 20 percent of their total transfers from central government. The allocation of these amounts is made to individual MMDAs based on investment applications made by MMDAs through MoLGRD and in accordance with published criteria for the use of these resources (as is the case for HIPC allocations through other MDAs).
(ii) Timeliness and reliable information to SN governments on their allocations[11]	*D*	For the 2006 Budget, the formula and the corresponding horizontal allocations were approved by Parliament in late February, after the start of MMDAs' fiscal year.
(iii) Extent of consolidation of fiscal data for general government	*D*	There is no consolidation of central and sub-national fiscal data for the general government sector, as the two levels use different classification systems.

Oversight of Aggregate Fiscal Risk

3.22 There is some oversight of aggregate fiscal risk. The State Enterprises Commission (SEC) receives reports from most SOEs at least on an annual basis, as well as quarterly reports from around 60 percent of them, but does not produce a consolidated overview, based on fiscal risk criteria, in order to facilitate a general financial oversight of these enterprises. The audited income and expenditure statements of the Statutory Funds are sent directly to Parliament via the Auditor-General, and subsequently are available to MoFEP to be included in the Budget Statement (e.g. the 2006 Budget Statement contains the 2004 annual statements for the Statutory Funds). Whilst information is collected on government guarantees and some other contingent liabilities, no assessment of the likely fiscal impact is presented in the documentation provided to Parliament.

3.23 Responsibility for oversight of MMDAs' fiscal position rests with the MoLGRD. MMDAs' budgets and outturns are provided to MoLGRD, but no consolidated report is

[11] The ERPFM team and MoFEP did not reach agreement on this score – the difference related to the timeliness of reliable information available to SN Governments, with the team's assessment that MMDAs did not rely on information prior to the approval of the final transfer amounts by Parliament.

prepared. At the same time, since central government and MMDAs use different classification systems, consolidated fiscal data for general government cannot currently be compiled.

Indicator	Score	Brief Explanation
PI-9. Oversight of aggregate fiscal risk from other public sector entities.	C	
(i) Extent of central government monitoring of AGAs/PEs	*C*	The State Enterprises Commission receives reports from the majority of SOEs, at least annually, but does not prepare a consolidated report.
(ii) Extent of central government monitoring of SN governments' fiscal position	*C*	MMDAs' budgets and outturns are provided to MoLGRD and subsequently to MoFEP, but no consolidated report is prepared.

Public Access to Fiscal Information

3.24 GoG has improved the public accessibility of fiscal information through the dissemination of its reports. Key fiscal information, including the FAA, the FAR, the annual Appropriations Act, the Budget Statement, the detailed MDA estimates, and the year-end financial statements are readily available to the public through the print media to buy (publishing houses) and/or the government website. CAGD's monthly budget execution reports are also publicly available to purchase through publishing houses, and data on expenditures funded by the CF are available on MoFEP's website. Nonetheless, as many of the publishing houses are in Accra, the availability of fiscal reports in outer regions is likely to be lower. Whilst reports of the Auditor General are not currently published, they are available through the Office of the Auditor-General's Public Relations Office and are provided to public libraries.

3.25 Civil society organisations have indicated that on request resources available to primary service units can be obtained. They have indicated that the understandability of the key budget messages could be improved. For example, no Citizen's Guide to the budget is published, and there is limited external budget analysis undertaken.

Indicator	Score	Brief Explanation
PI-10. Public Access to key fiscal information	B	Fiscal information available to the public in a timely fashion, through the print media for purchase and/or the Government's website, include: (i) the complete set of budget documents, including the Appropriations Act, the Budget Statement, and the detailed MDA Estimates; (iii) year-end financial statements; (iv) the reports of the Auditor-General (vi) on request, resources available to primary service units, such as schools.[12] The following are either not available or do not meet the appropriate timing: (ii) monthly CAGD reports are available to the public (Ghana Gazette or posted on MoFEP's website) after one month of their completion, and (v) a comprehensive list of procurement contract awards is not published.

[12] Indicator PI-23 refers to the extent to which this information is regularly provided.

C. POLICY-BASED BUDGETING

Orderliness and Participation

3.26 The procedures and responsibilities for preparation of the budget are regulated by the FAA and FAR. Until recently, including the 2005 Budget, the budget was approved annually in March of the budget year,[13] and expenditure was authorised under a Provisional Warrant. In 2005, this pattern changed with the 2006 Budget, and, for the first time, the budget was approved before the beginning of the fiscal year. The score focuses on the experience over the last three years (during two out of three years the budget was approved more than two months after the beginning of the fiscal year). An upward arrow has been recorded on this measure since the Government has launched the preparation of the 2007 Budget and decided to submit it to Parliament so that it can be enacted before the end of 2006.

3.27 A clear budget calendar is disseminated each year as part of the Budget Circular. For the 2006 Budget, the timetable gave MDAs up to 4 months to prepare their Estimates. This represents a significant improvement over the budgets for 2004 and 2005, when MDAs were given around three weeks to prepare their Estimates. For the 2007 Budget, the call circular issued on May 19, 2006 gives MDAs up to 10 weeks to prepare their Estimates.

3.28 For the 2006 Budget, Cabinet approved the budget ceilings at its retreat in Akosombo in July 2005, following the circulation of the budget circular in April but prior to the submission of detailed estimates by MDAs. Nonetheless, best PFM practice would suggest that the budget ceilings should be approved by Cabinet prior to the circulation of the Budget Circular so that the Circular contains the approved ceilings. These budget ceilings are largely enforced, with detailed MDA submissions close to their ceiling amount.

Indicator	Score	Brief Explanation
C(i) Policy-Based Budgeting		
PI-11. Orderliness and participation in the annual budget process	**B**	
(i) Existence of, and adherence to, a fixed budget calendar	*A*	A clear budget calendar is disseminated each year as part of the Budget Circular. For the 2006 Budget, the timetable gave MDAs up to 4 months to prepare their Estimates. This represents a significant improvement over the budgets for 2004 and 2005, when MDAs were given around 3 weeks to prepare their Estimates.
(ii) Guidance on the preparation of budget submissions	*B*	For the 2006 Budget, Cabinet approved the budget ceilings at the Akosombo retreat in July 2005, following the circulation of the budget circular in April but prior to the submission of detailed estimates by MDAs.
(iii) timely budget approval by the legislature	*D*▲	For the first time, the 2006 budget was approved before the beginning of the fiscal year. An upward arrow has been recorded on this measure since the Government has been bringing forward the date of approval of the budget over the past three years.

[13] For a fiscal year beginning in January 1.

Multi-Year Perspective

3.29 A medium-term expenditure framework (MTEF) has been in place since the PFM reforms that were launched in the mid-1990s. Currently, the budget is set within the context of the MTEF, which provides the aggregate fiscal framework on a rolling three-year basis, and determines the overall resource envelope for the medium term, as well as the indicative discretionary resource allocations amongst MDAs. [14] Each year, each MDA receives ceilings for each of the four items for CF resources and for externally-financed resources. In the Budget Statement, forward estimates are provided for aggregate expenditures, including for economic items, and the indicative totals for individual MDAs by source of funding. The detailed MDA Estimates (contained in separate volumes) include information only on the upcoming budget year and do not provide detail on indicative forward expenditures by activity.

3.30 There have been improvements in the process of MDAs' review of their sector policies, but analytical capacity constraints mean that many medium-term sector strategies are not fully costed and realistically incorporated into the forward budget estimates, particularly with multi-year investment expenditures. At the same time, in-year reductions in allocations in one year have an impact on the reliability of the estimates for forward years.

3.31 Nonetheless, there is concern about the operationality of the MTEF, with an apparent disconnect between the MTEF and budget implementation, as evidenced by the significant variances between budget plans and outturns discussed above. This reflects in part the large number of activities, making it difficult for Parliament and others to see how resources are allocated to meeting specific government policies. Until recently, the MTEF contained more than 17,000 activities. The number of activities has been reduced to 45 standard activities in preparation for the 2007 budget (and 2007-09 MTEF).

3.32 The disconnect also reflects the current lack of a mechanism to link activities to resources during budget implementation. The current classification system used by CAGD does not include the activity codes, so reporting on expenditures may not be done on the basis of planned activities. The individual MDA MTEF estimates are not comprehensive, since items 1 and 2, being less discretionary in practice, are not prioritised in line with items 3 and 4.

3.33 One Debt Sustainability Analysis (DSA) has been carried out in the last three years, focusing on external debt.

[14] The MTEF consists primarily of the 3-year aggregate fiscal framework, containing 3-year discretionary expenditure ceilings by MDA. There is not, as in some countries, a separate Budget Framework Paper prepared, which sets the wider strategic context for the ceilings.

Indicator	Score	Brief Explanation
PI- 12. Multi-year perspective in fiscal planning, expenditure policy and budgeting	$\boxed{\text{C}}$	
(i) multi-year fiscal forecasts and functional allocations	*C*	The budget is prepared within a 3-year framework. Appendix 5A of the 2006 Budget Statement gives a breakdown by economic item, and Appendix 7 gives indicative forward estimates for MDAs. As MDAs do not have complete information on which to base their forward estimates, there are weaknesses in the links between the indicative ceilings and subsequent annual budget ceilings.
(ii) scope and frequency of debt sustainability analysis	*C*	There has been only one DSA completed during the last three years (in 2004), but it covered only external debt.
(iii) existence of costed sector strategies	*C*	Whilst the majority of sectors have prepared sectoral strategies, they have not been fully costed.
(iv) linkages between investment budgets and forward expenditure estimates	*C*	There are weaknesses in the planning of investment expenditures, with in-year reductions in allocations in one year having a knock-on effect on the realism of the estimates for forward years.

D. PREDICTABILITY AND CONTROL IN BUDGET EXECUTION

3.34 Tax administration is centred on three revenue agencies (Internal Revenue Service - IRS, Customs, Excise and Preventive Service – CEPS, and Value Added Tax Service - VATS). Oversight and co-ordination of these three agencies is the responsibility of the Revenue Agencies Governing Board (RAGB). CEPS is the largest agency in terms of collections, followed by IRS and VATS, respectively. IRS is mainly responsible for collecting direct taxes. CEPS is mostly accountable for collecting taxes levied on international trade, and VATS collects the domestic value-added tax and excise duties. In 2002, the Ghana Community Network Services (GCNet) IT system was introduced into CEPS. In April 2004, the Large Taxpayers Unit was formed to provide approximately 360 large taxpayers with "one stop shop" services. As for non-tax revenue, progress in improving administration of these resources has been made following the setting up of the Non-Tax Revenue Unit (NTRU) in MoFEP in 2002. NTRU's mandate is: to facilitate the collection, accounting and timely reporting of non-tax revenues; work with all agencies to increase their revenue generation potential; ensure compliance with the policy on State Assets Management; and ensure that those institutions capable of generating sufficient IGFs for their operations are moved from subvention status.

Taxpayer Obligations/Liabilities

3.35 Much progress has been made in recent years in clarifying the legislative base. There is a clear legislative framework for the majority of key taxes, including Customs and Excise, VAT and income tax. Efforts are being made to regularise the legal basis of non-tax revenues/internally-generated funds through clarifying the regulatory framework for these funds. However, some discretionary powers remain for some taxes, and are used in practice.

3.36 The three revenue agencies have undertaken significant initiatives to inform the public about their tax liabilities and the procedures required to meet them, including the establishment of websites (for customs and excise and VAT), the publication of brochures, and the conducting of public awareness campaigns. However, in practice, there is anecdotal evidence to suggest that some procedures may not be sufficiently clear or completely understood to the public, nor is it always obvious where to get relevant information.

3.37 The system for tax appeals has been strengthened recently. From 2004, individuals wishing to appeal the assessments have recourse to the commercial courts. However, the new procedures have not been in place long enough to judge their effectiveness.

Indicator	**Score**	**Brief Explanation**
C(ii) Predictability and Control of Budget Execution		
PI-13. Transparency of taxpayer obligations and liabilities	**B**	
(i) Clarity and comprehensiveness of tax liabilities	*B*	Much progress has been made in recent years in clarifying the legislative base; there is a clear legislative framework for the majority of key taxes, including Customs and Excise, VAT and income tax. However, some discretionary powers remain and are used in practice.
(ii) Taxpayer access to information on tax liabilities and administrative procedures	*C*	The Revenue Agencies Governing Board has undertaken significant initiatives to inform the public about their tax liabilities and the procedures required to meet them, including the establishment of websites (for customs and excise and VAT), the publication of brochures, and the conducting of public awareness campaigns. However, in practice, anecdotal evidence suggests that there remain procedures which are not completely transparent to the public, and it is not always clear where to get relevant information.
(iii) Existence and functioning of a tax appeals mechanism	*B*	The system for tax appeals has been strengthened recently. From 2004, individuals wishing to appeal the assessments have recourse to the commercial courts. However, the new procedures have not been in place long enough to judge their effectiveness.

Taxpayer Registration/Assessment

3.38 The revenue agencies have been working to improve their revenue collections, and, as an incentive, they are currently entitled to retain 3 percent of their collected revenues to fund their costs. The establishment of the Revenue Agencies Governing Board has helped to co-ordinate activities across the three agencies. In particular, a unique taxpayer identification number for all business taxpayers operates across all of the agencies.

3.39 Nonetheless, efficiency of tax collection operations is hampered by manual processes. For IRS, for example, it is difficult to link taxpayers to the sources of their income. Taxpayer information is registered in separate systems for income tax, VAT, and customs and excise. The RAGB is in the process of linking the three systems, but the links are not yet operational.

3.40 Non-compliance is also an issue for the three agencies. For VAT, this involves under-registration, under-declaration of turnover and tax, and inflated claims for VAT refunds. Whilst penalties for infractions exist, enforcement appears to be patchy, and there continue to be breaches of taxpayer requirements for registration and declarations across the revenue sources. Penalties are reportedly set at high levels leading to problems with evasion. The authorities recognise that changes are required to make them work more effectively.

3.41 The revenue agencies have annual programmes on tax audit but they are carrying out less than one-quarter of this on an annual basis. The agencies have recently engaged private auditors to undertake referrals. However, there are no clear risk assessment criteria in place, and audits and fraud programmes are not chosen on the basis of these.

Indicator	Score	Brief Explanation
PI-14. Effectiveness of measures for taxpayer registration and tax assessment	**C**	
(i) Controls in taxpayer registration system	*C*	A unique Taxpayer Identification Number (TIN) exists. Taxpayer information is registered in separate systems for income tax, VAT, and customs and excise. The RAGB is in the process of linking the three systems, but the links are not yet operational.
(ii) Effectiveness of penalties for non-compliance with registration and declaration obligations	*C*	There continue to be breaches of taxpayer requirements for registration and declarations across the revenue sources. Penalties exist, but their high levels, coupled with weak enforcement, lead to problems with evasion.
(iii) Planning and monitoring of tax audit and fraud investigation programmes	*C*	The revenue agencies have annual programmes on tax audit. They are carrying out less than one-quarter of the programme on an annual basis. The agencies have recently engaged private auditors to undertake referrals. There are no clear risk assessment criteria in place, and audits and fraud programmes are not chosen on the basis of these.

Effectiveness in Collection of Tax Payments

3.42 Outstanding tax arrears are significant across the three revenue agencies: CEPS, VATS and IRS. For CEPS and VATS, arrears in 2005 amounted to 400 billion cedis (around 2.2 percent of 2005 total tax revenues). However, recovery of these amounts is relatively small.

3.43 Revenues are paid to commercial banks which transfer them to government bank accounts at the Bank of Ghana. Revenue amounts are reconciled with the commercial banks and Bank of Ghana to ensure that funds are being transferred. These transfers to the Government account at the Bank of Ghana take place either daily or up to every 3 days. Revenue agencies undertake reconciliations monthly on the basis of claims versus amounts lodged, whilst MoFEP reconciles these data with the amounts deposited in the Bank of Ghana accounts. However, complete reconciliation is limited by delays in the reconciliation of tax arrears.

Indicator	Score	Brief Explanation
PI-15. Effectiveness in collection of tax payments	C	
(i) Collection ratio for gross tax arrears, being percentage of tax arrears at the beginning of a fiscal year, which was collected during that fiscal year	*D*	Outstanding tax arrears are significant across the three revenue agencies: CEPS, VATS and IRS. For CEPS and VATS, arrears in 2005 amounted to 400 billion cedis (about 2.2 % of 2005 total tax revenues). Recovery of these amounts is relatively small.
ii) Effectiveness of transfer of tax collections to the Treasury by the revenue administration	*B*	Transfers to the Government account at the Bank of Ghana take place either daily or up to every 3 days.
(iii) Frequency of complete accounts reconciliation between tax assessments, collections, arrears records and receipts by the Treasury	*C*	Revenue agencies undertake reconciliations monthly on the basis of claims versus amounts lodged, whilst MoFEP reconciles these data with the amounts deposited in the Bank of Ghana accounts. However, complete reconciliation is limited by delays in the reconciliation of tax arrears.

Predictability in the Availability of Funds for Commitment

3.44 The Government has improved information on expenditure approvals provided to MDAs over the past three years. Most recently, this has entailed building a closer link between available cash resources and cash releases on the one hand, and improvements to the timing of cash releases in line with MDAs' expenditure needs on the other. The two processes, one for communicating MDAs' expenditure needs to MoFEP and the other for releasing expenditure authorisation and cash to MDAs, are overseen by two MoFEP committees. The Cash Management Implementation Committee (CMIC) in MoFEP examines the amount of cash available in the Bank of Ghana and provides monthly allocations to MDAs; the recently-established Expenditure Management Committee (EMC) examines the expenditure requirements of MDAs and the available cash in order to match more closely MDAs' expenditure needs and the cash releases. EMC bases its analysis of MDA expenditure needs on the annual cash expenditure plans, in line with approved allocations, provided by MDAs to MoFEP. MoFEP in turn does not receive evidence that these cash plans are subsequently updated by MDAs through the year, based on actual cash released. Nonetheless, both the monthly releases and the EMC processes are in their early days of operation, having begun in January 2006.

3.45 A network of decentralised Treasuries is being established to try to improve the speed of moving funds through the system. These are currently being trialed on a pilot basis in some MDAs, e.g. the Ministry of Education, who have reported that the new system has reduced the time taken to gain access to improved resources. Nevertheless, it will be important to ensure that the new structure does not weaken existing controls, which rely on multiple levels of verification.

Recording and Managing of Cash balances, Debt, Guarantees

3.46 Only the Minister of Finance and Economic Planning is authorised to make decisions on government borrowing and is the authority empowered to issue loan guarantees on behalf of government. The procedure for incurring debt requires the approval of Cabinet and the

Parliamentary Finance Committee of a loan (or credit) authorisation bill on the basis of which Parliament approves new external borrowing. These rules are respected in practice.

3.47 No formal limits have been set for the total level of debt to be incurred or of the level of guarantees to be issued. However, the Bank of Ghana sets a limit on the level of domestic borrowing. Government's current policies, in line with agreements with the IFIs, are designed to limit borrowing and to limit the financial demands of other sectors (e.g. SOEs and the MMDAs) which might lead to increases in its own borrowing.

3.48 Both domestic and external databases are comprehensive and are updated regularly. Data reconciliation is undertaken monthly (for domestic debt), quarterly (for external debt), and annually.

Indicator	Score	Brief Explanation
PI-16. Predictability in the availability of funds for commitment of expenditures	C	
(i) Extent to which cash flows are forecast and monitored	*C*	MDAs produce annual cash expenditure plans in line with approved allocations, which are communicated to MoFEP but MoFEP does not receive evidence that these are subsequently updated through the year, based on actual cash releases.
(ii) Reliability and horizon of periodic in-year information to spending agencies on ceilings for expenditure	*C*	MoFEP provides MDAs with cash ceilings (which establish an upper limit for expenditure commitment by MDAs) in line with cash releases on a month-by-month basis.
(iii) Frequency and transparency of adjustments to budget allocations which are decided above the level of management of spending agencies	*C*	Virement requests are made to the MoFEP regularly and on an as-needed basis (i.e. not once or twice per year). Nonetheless, there is an audit trail of the requests and approvals.
PI-17 Recording and management of cash balances, debt and guarantees	B	
(i) Quality of debt data recording and reporting	*B*	Both domestic and external databases are comprehensive and are updated regularly. Data reconciliation is undertaken monthly (for domestic debt), quarterly (for external debt), and annually. The score reflects the average of these.
(ii) Extent of consolidation of the government's cash balances	*B*	Cash balances are consolidated weekly. Some resources kept outside of the Bank of Ghana, e.g. retained IGFs, are not consolidated.
(iii) Systems for contracting loans and issuance of guarantees	*B*	Limits for guarantees exist but are not fixed (they are set in line with agreements with IFIs). No guarantees may be given without the agreement of the Minister of Finance and Economic Planning. All loans must be approved by Parliament through MoFEP.

Effectiveness of Payroll Controls

3.49 In the mid-1990s, an Integrated Payroll and Personnel Database system (IPPD1) was installed. It provides for the centralised processing of both payroll and personnel changes on a central IPPD server at CAGD. Those individual MDAs which use the system[15] input certain changes themselves, such as promotions, new appointments, and deductions on the central file;

[15]These include: CAGD, Audit Service, Head of Civil Service, Ministry of Local Government and Rural Development, Ministry of Health, Ministry of Food and Agriculture, Ministry of Lands and Forestry, and Ghana Education Service.

CAGD provides a report showing the changes, which the MDAs validate. However, since not all of the MDAs are part of the IPPD system, separate personnel and payroll databases continue to be maintained. Reconciliation of the information in the two databases is undertaken at least every six months.

3.50 One historical weakness concerning data on personnel was the lack of coverage of subvented agencies (SAs) in the database, which led to weaknesses in control of payroll for these agencies. To tackle this issue, during 2005, a full census of the number of personnel working in SAs was completed.

3.51 The majority of changes to personnel records take up to three months to complete. Some changes, particularly the inputting of new teacher recruits at the beginning of the school year (representing around 3% of total public employees), can take longer (up to five months for the teachers recruited during 2005/2006). This can lead to retroactive changes being required.

3.52 The integrity of the payroll and personnel database systems is underpinned by data input controls such as the use of a unique employee reference number. However, the system continues to rely on extensive manual controls and oversight by MDAs and the CAGD to ensure the integrity of the payroll data. At the same time, the human resource management module is not being used; hence, only a subset of personnel information is included in the system.

3.53 Full effectiveness of the payroll and personnel system has been hampered due to technical problems, capacity constraints in managing the system, and weaknesses in security controls. Also, delays in the timely integration of new recruits onto the payroll continue to pose challenges. In terms of accuracy of the information in the database, the analysis of migrating data from the current system to the new system (see below) indicates an error rate on payroll of around 7 percent (over the last 3 months).[16] There are also limited instances of the use of resources intended for personal emoluments used for other purposes, as evidenced by the Auditor-General reports.

3.54 The Government commissioned a payroll audit, which was completed in September 2003. It covered staff in all central government entities (MDAs, including subvented agencies). It excluded the military, state-owned enterprises and casual labour. The results showed only limited instances of ghost workers.

3.55 In order to resolve these issues, the Government is currently testing a new integrated payroll and personnel computerized system, which it expects to be fully operational by the end of 2006.

[16] Many of these errors are explained by incomplete records. This highlights concerns about data accuracy of information in the current system.

Indicator	Score	Brief Explanation
PI-18. Effectiveness of payroll controls	C+	
(i) Degree of integration and reconciliation between personnel records and payroll data.	*C*	An integrated payroll and personnel database system is used for some MDAs. However, since not all of the MDAs are part of this system, separate personnel and payroll databases continue to be maintained. Reconciliation of the information in the two databases is undertaken at least every six months.
(ii) Timeliness of changes to personnel records and the payroll	*C*	The majority of changes to personnel records take up to three months to complete. Some changes, particularly the inputting of new teacher recruits at the beginning of the school year (representing around 3% of total public employees), can take longer (up to five months for the teachers recruited during 2005/2006). This can lead to retroactive changes being required.
(iii) Internal controls of changes to personnel records and the payroll.	*C*	Internal controls exist, but there are limited instances of the use of resources intended for personal emoluments used for other purposes, as evidenced by the A-G reports. Accuracy of data in the system is also an issue. The analysis of migrating data from the current system to the new system indicates an error rate on payroll of around 7 percent (over the last 3 months); many of these errors are due to incomplete records.
(iv) Existence of payroll audits to identify control weaknesses and/or ghost workers.	*B*[17]	A payroll audit was last completed in 2003. It showed limited instances of ghost workers.

Procurement

3.56 The Government has moved to strengthen procurement practices over the past two years. In 2004, a new Procurement Law came into force, which established the Public Procurement Board (PPB), designated procurement to be on the basis of transparent and fair competition, required clear and comprehensive procurement procedures and regulations to be set out, including criteria for the use of restricted competition, and established a procurement complaints mechanism.

3.57 The PPB is currently operational (since October 2005), governed by a Board of Directors. Its focus is on enforcing the use of open competition above the minimum threshold.[18] However, according to PPB's estimates, less than 50 percent of the contracts above the threshold are currently awarded on the basis of competitive tender.

3.58 Entities who wish to use less competitive procurement methods must request prior authorization from PPB, and there is evidence that they are doing so, with PPB receiving an average of 10-15 requests per month. According to PPB's analyses, around 40 percent of the requests are granted on the basis of the criteria set out in the Procurement Law. However, at present, the A-G does not report on what proportion of total tenders use less competitive procurement methods. Under plans announced by the A-G earlier this year, a procurement audit unit to look specifically at public service procurement to ensure effectiveness and transparency in service delivery is to be established.

[17] Following the main assessment exercise, during the subsequent review process and in consultation with other reviewers, a re-appraisal of the original scoring was made to ensure closer linkage with the PEFA Guidelines.
[18] For international competitive bidding, the thresholds are: above 15 bn Cedis (goods), above 20 bn Cedis (works) and above 2 bn Cedis (technical services).

3.59 Information on tenders and contract awards is publicized through the media but not yet in a systematic way. The PPB is currently working on a template for a monthly procurement bulletin which will include detailed information on upcoming tenders, contract awards, and the resolution of complaints.

3.60 The procurement complaints mechanism has only recently been established and involves directing complaints initially to the relevant entity in the first step, with details of the complaint copied to the PPB. If the complaint is not satisfactorily resolved within 21 days the complaint is referred to the PPB, together with the relevant documentation. Thereafter, the complainant has recourse to arbitration.

3.61 In order to improve the performance of public procurement, the PPB has developed and is testing a monitoring tool with 61 indicators covering the legal and regulatory framework, the institutional framework and capacity, procurement operations, and the integrity and transparency of the public procurement system. The set of indicators was developed in a manner to ensure consistency with the OECD-DAC baseline indicator set for procurement. One hundred entities were assessed during the testing phase (which has been completed), and these will be re-run, together with an additional 100 entities during 2006, using the finalised monitoring tool.

3.62 Overall, the impact of the new Law has been positive. External organisations have indicated a noticeable increase in the transparency of procurement operations.

Indicator	Score	Brief Explanation
PI-19. Competition, value for money and controls in procurement	**Not scored**	
(i) Use of open competition for award of contracts that exceed the nationally established monetary threshold for small purchases	*C*	According to PPB's estimates, less than 50 percent of the contracts above the threshold are currently awarded on the basis of competitive tender.
(ii) Justification for use of less competitive procurement methods	*Not scored*[19,20]	Entities who wish to use less competitive procurement methods must request prior authorisation from PPB. The PPB's decision is made on the basis of criteria which are set out in the new Procurement Law. According to PPB's analyses, around 40 percent of the requests are granted on the basis of the criteria. However, as it was not possible to determine what proportion of tenders not sent to PPB for authorisation were awarded on the basis of less competitive methods, there was insufficient information to assess this dimension.
(iii) Existence and operation of a procurement complaints mechanism	*Not scored*	This dimension was not scored, as the procurement complaints mechanism has recently been established, and it is too early to assess its effectiveness.

Internal Controls

3.63 The GoG has improved its control of commitments with the introduction of a new expenditure commitment control system (CCS) in September 2003. From the start of 2006, monthly commitment ceilings consistent with the cash releases are issued to ministries and

[19] Following the main assessment exercise, during the subsequent review process and in consultation with other reviewers, a re-appraisal of the original scoring was made to ensure closer linkage with the PEFA Guidelines.
[20] This indicator was originally scored during the original review

departments, who are responsible for issuing ceilings to their subvented agencies; prior to 2006, quarterly cash ceilings were provided. The ceilings and cash releases are provided separately for items 1, 2, 3 and 4, although the wagebill is processed automatically by CAGD, and those elements of item 2 that are linked to item 1 are also executed automatically. MDAs may not commit more than the amount of cash available, as indicated by the monthly cash ceiling. Each ministry must submit monthly CCS reports to MoFEP (indicating commitments entered into and cash spent against commitments) in order to obtain the next monthly cash release. MDAs with unused approved amounts are allowed to carry these over to the next month. At the MDA level, Commitment Control Officers maintain a Vote Book, which forms the basis of commitment control by each MDA for all items of expenditure. Further control over commitments is provided by the requirement to receive Commencement Certificates from MoFEP before entering into contracts for expenditure on items 3 and 4.

3.64 Whilst the new commitment control system has improved expenditure control for the majority of expenditures, a limited amount of expenditures remain outside of the CCS. According to data on the Ghana Highways Authority (GHA), more than 15 percent of domestically-financed investment expenditures are not routinely captured by the commitment register.

3.65 In general, internal rules and procedures appear to be understood by those directly and routinely involved but clear understanding of all of the rules is not necessarily widespread (e.g. amongst all of those with signatory responsibility).

Indicator	Score	Brief Explanation
PI-20. Effectiveness of internal controls for non-salary expenditure	C	
(i) Effectiveness of expenditure commitment controls.	*C*	Commitment controls are in place and are effective for many types of expenditures. However, according to data on the GHA, more than 15 percent of domestically-financed investment expenditures are not routinely captured by the commitment register.
(ii) Comprehensiveness, relevance and understanding of other internal control rules/ procedures.	*C*	Internal rules and procedures appear to be understood by those directly and routinely involved but clear understanding of all of the rules is not necessarily widespread (e.g. amongst all of those with signatory responsibility).
(iii) Degree of compliance with rules for processing and recording transactions.	*C*	MoFEP has some concerns with the application of rules and procedures, including the use of Item 1 for other purposes. Problems with the application of rules are indicated in A-G's reports.

Internal Audit

3.66 As with procurement, the Government has strengthened the legal framework for internal audit within the last three years, with the passage of the Internal Audit Act 2003. This Act establishes the Internal Audit Agency (IAA), supported by the creation of Internal Audit Units in the MDAs, staffed by personnel employed by the MDA. Previously, internal auditors were CAGD employees. To date, the Government has established Internal Audit Units (IAUs) in 23 out of the 27 MDAs,[21] as well as in 6 out of 138 MMDAs. The Board of the IAA has been established, and the Agency's Director was appointed in October 2005. The Agency undertook a review of internal audit operations and is currently working on procedures and standards to modernise internal audit, including by focusing on high risk areas.

3.67 When fully operational, internal audit operations should consist of four main types of audit: (i) pre-examination of payment orders; (ii) physical verification of goods received (equipment and stock); (iii) reviews of control systems; and (iv) ad hoc investigations. Insufficient understanding of the role of internal audit in ensuring appropriate control in an environment where the Accounting Officer is formally held accountable for his/her expenditure, combined with weak capacities amongst IAU staff in the MDAs, undermine the effectiveness of the internal audit function in carrying out these roles. Whilst the internal audit function is being established in Ghana, the majority of audit work at present is focused on pre-audit and financial compliance. The reporting system is currently being established. Some IAUs have prepared reports and sent them to IAA, but these have not been circulated to MoFEP.

Indicator	Score	Brief Explanation
PI-21. Effectiveness of internal audit	$\boxed{\text{D+}}$	
(i) Coverage and quality of the internal audit function	*D*[22]	In conjunction with the implementation of the new IA Law the Government has established Internal Audit Units (IAUs) to date in 23 out of the 27 MDAs, as well as in 6 out of 138 MMDAs. Internal audit operations should consist of four main types of audit: (i) pre-examination of payment orders; (ii) physical verification of goods received (equipment and stock); (iii) reviews of control systems; and (iv) ad hoc investigations. At present, whilst the new system is being established, the overwhelming focus is on the first two of these, with only limited time (estimated at less than 20% on average) spent on systemic issues
(ii) Frequency and distribution of reports.	*C*	A new reporting system is being put in place under the direction of the IAA. At present, reports are being issued by a number of IA Units, and, whilst they are being sent to IAA, they are not being copied to the MoFEP or to OAG.
(iii) Extent of management response to internal audit findings.	*D*[23]	At present, limited action on the findings of internal audit is taken by some managers, but it is not necessarily comprehensive or timely. New IAU recommendations on follow-up actions are currently in the process of being established

E. ACCOUNTING, REPORTING, AND RECORDING

Accounts Reconciliation

3.68 GoG's accounts are prepared on a modified-cash basis, with the majority of transactions recorded when funds are received or paid. The government's main accounting system consists of an automated General Ledger maintained by CAGD, and manual ledgers maintained by MDAs.

[21] The four MDAs that have not yet established IAUs are the Ministries of Forestry, Women and Children's Affairs, Parliamentary Affairs, and Government Machinery, which are recently established MDAs. In the meantime, these MDAs are relying on the support from IAUs in more established MDAs.

[22] Following the main assessment exercise, during the subsequent review process and in consultation with other reviewers, a re-appraisal of the original scoring was made to ensure closer linkage with the PEFA Guidelines.

[23] Ibid.

3.69 The Government has reduced the number of its bank accounts in recent years, closing redundant or unauthorized accounts; currently, each of the 38 ministries and departments holds one sub-account. Bank reconciliation takes place for all MDAs receiving funds through the Consolidated Fund on a monthly basis and is completed within 8 weeks of the end of the month. These reconciliation statements contain details of cash book and bank account balances, clearly identify the items not yet cleared and show that the majority of items are cleared within this time period.

3.70 Clearance of suspense accounts and travel advances can take more time. Information from CAGD/MoFEP indicates that most accounts are cleared within two months, but some accounts can take up to 3 months, which is the statutory time limit for completing accounts and finalising the annual financial statement.

Information Required by Service Delivery Units

3.71 CAGD collects data on flows to cost centres, e.g. districts, but not down to the level of a school or health centre. No public expenditure tracking surveys (PETS) have been carried out within the last three years, although the Government is preparing plans to undertake one in the education sector. The last PETS was undertaken in 2000.

Indicator	Score	Brief Explanation
C (iii) Accounting, Recording and Reporting		
PI-22. Timeliness and regularity of accounts reconciliation	**C**	
(i) Regularity of bank reconciliations	*C*	Bank reconciliation takes place for all MDAs on a monthly basis and is completed within 8 weeks of the end of the month.
(ii) Regularity of reconciliation and clearance of suspense accounts and advances	*C*	Clearance of suspense accounts and travel imprests can take time. Information from CAGD/MoFEP indicates that most accounts are cleared within two months, but some accounts can take up to 3 months, which is the statutory time limit for completing accounts and finalising the annual financial statement.
PI-23. Availability of information on resources received by service delivery units	**D**	No comprehensive surveys of resources (cash and in-kind) going down to the level of schools and/or health centres have been conducted during the last three years, although plans are currently being developed to undertake one in the education sector.

Quality and Timeliness of in-Year Budget Reports

3.72 GoG has made significant efforts recently to improve its in-year reporting. CAGD prepares monthly reports on the implementation of the budget by MDAs and by economic item against the planned amounts. The timeliness of the provision of information has improved, and, since August 2005, monthly budget execution reports from CAGD have generally been completed within 6 weeks of the end of the month.

3.73 However, the information is not comprehensive since it includes incomplete data on externally-financed project expenditures. Until the 2005 CAGD annual report, completed in March 2006, it also did not include data on retained IGFs, but this issue has now been addressed, thereby increasing the degree of comprehensiveness of in-year reporting by CAGD.

Indicator	Score	Brief Explanation
PI-24. Quality and timeliness of in-year budget reports	C+	
(i) Scope of reports in terms of coverage and compatibility with budget estimates	*C*	The in-year budget reports summarise information on MDAs. They cover expenditures at the payment stage but not commitments at present.
(ii) Timeliness of the issue of reports	*B*	In-year budget reports are prepared monthly, and they are issued within 6 weeks of the end of the month.
(iii) Quality of information	*C*	As most of the work is done manually, there are some issues with data accuracy, particularly given the fact that externally-financed project are not included.

Quality and Timeliness of Annual Financial Statements

3.74 The FAA requires CAGD to submit its Annual Financial Statements for audit within three months of the end of the year. During the last three years, the CAGD reports have been submitted to the Auditor General by the end of March of the following year. However, as discussed above, the information prepared by CAGD, based on the Consolidated Fund, does not include some revenue and expenditure information, such as externally-financed project resources. Until the recently submitted 2005 CAGD annual report and financial statements, retained IGFs were also not reported. There is some disclosure of standards in the Annual Financial Statements, on the basis of Ghana National Accounting Standards, although these are not equivalent to IPSAS.

Indicator	Score	Brief Explanation
PI-25. Quality and timeliness of annual financial statements	C+	
(i) Completeness of the financial statements	*C*	A consolidated Annual Financial Statement is prepared for central government, covering MDAs. However, the information is prepared by CAGD, based on the Consolidated Fund, and does not include some revenue and expenditure information, such as external project resources and, until 2005, retained IGFs.
(ii) Timeliness of submission of the financial statements	*A*	The Financial Administration Act stipulates that Annual Financial Statements must be submitted to the Auditor-General within three months. This requirement has been met in recent years.
(iii) Accounting standards used	*C*	There is some disclosure of standards in the Annual Financial Statements, on the basis of Ghana National Accounting Standards, although these are not equivalent to IPSAS.

F. EXTERNAL SCRUTINY AND AUDIT

Scope and Follow-up of External Audit

3.75 The Office of the Auditor-General (OAG) was established under the Constitution and its responsibilities, powers and timeframe for discharging its duties are set out in the Audit Service Act (2000). The Auditor General (AG) is appointed by the President in conjunction with advice from the Council of State. OAG is responsible for auditing the annual accounts of: (i) central government through the Consolidated Fund; (ii) the MDAs; (iii) the MMDAs; (iv) the Statutory Funds; and (v) SOEs. Audits are required be completed within six months of the end of the financial year, and submitted to Parliament. The focus is on transactional audits, i.e. whether accounts have been properly kept, rules and procedures followed, resources expended for the purposes appropriated, and records maintained, but some performance audits are also undertaken. The Auditor General is required to certify whether the annual accounts present financial information in accordance with government accounting policies and standards. The Auditor General's report is made available to the public through its Public Relations Office and public libraries when it is presented to the Speaker and laid before Parliament.

3.76 The audits broadly adhere to appropriate auditing standards (INTOSAI), including the independence of the A-G. The A-G's reports cover the full range of financial audit and focus on significant and systemic issues, as well as irregular transactions. In the audit of the CF financial statements, the Auditor-General does not cover retained IGFs, which represent around 5 percent of total revenue, and externally-financed project expenditures.

3.77 Whilst the quality of the audited statements submitted to Parliament is considered to be reasonable, the timeliness of producing these audited Government accounts in recent years has been less so. The annual financial statements of CF and the public accounts for the MDAs are required to be audited within 6 months of the year-end, but this is not taking place in practice. The OAG has made progress in eliminating the backlog of audits, which was cleared in 2005 with the help of private auditors. It is currently working on the 2005 reports, with the 2003 and 2004 accounts submitted to Parliament in 2005 (May and December, respectively, for the Consolidated Fund). These delays have largely been the result of staff capacity constraints and past delays in submitting the annual public accounts.

Indicator	Score	Brief Explanation
C(iv) External Scrutiny and Audit		
PI-26 Scope, nature and follow-up of external audit	$\boxed{\text{C+}}$	
(i) Scope/nature of audit performed	*B*	The Audit Service Act (2000) indicates that the Auditor-General is mandated to audit all public bodies, including MDA, Statutory Funds, SOEs and local government. OAG estimates indicate that the number of entities audited annually represents at least 75 percent of total central government expenditures. Transactional audits represent the majority of audits which the A-G carries out. In addition, the A-G has carried out a number of performance audits.
(ii) Timeliness of submission of audit reports to legislature	*C*▲	There was a backlog of submissions of audit reports to Parliament, primarily of SOEs and SFs, which was largely cleared in 2005 with the help of contracted private auditors. The 2004 Auditor-General's reports were submitted to Parliament in October (for MDAs) and December (for CF) 2005, which was within the 12-month range for a C score.
(iii) Evidence of follow-up on audit recommendations	*C*[24]	There is evidence of formal follow-up by audited entities to the Auditor-General's reports, although the A-G does not report on the follow-up to these responses, in terms of verifying actions undertaken, in its subsequent reports. It has indicated its plans to do so in future.

[24] Following the main assessment exercise, during the subsequent review process and in consultation with other reviewers, a re-appraisal of the original scoring was made to ensure closer linkage with the PEFA Guidelines.

3.78 As required, audited entities provide a formal response to A-G on its findings in the audit reports, although the responses vary in terms of extensiveness and their timeliness. The A-G keeps a record of its recommendations on audit reports, the response by the entity, and the actions undertaken by the entity against each recommendation. However, the A-G does not report on the follow-up to these responses, in terms of verifying actions undertaken, in its subsequent reports, although it has indicated its plans to do so in future, at the request of PAC.

Legislative Scrutiny of the Annual Budget Law

3.79 The powers of Parliament to approve the budget are contained in the Constitution, and the procedures are set out in detail in the Parliament's Standing Orders and are respected. The Budget, in the form of the detailed Estimates, is presented to the full House before being referred to the Parliamentary Finance Committee. Individual parts of the budget are considered by members of Select Committees covering specific sectors, and the head of each MDA is called to defend his/her allocation. The Parliamentary Finance Committee takes an active role in scrutinising the budget proposals; however, their work is hampered by (i) excessive detail in budget information for individual MDAs;[25] and (ii) the lack of recent trends (previous year's actual, current year's estimates and next year's budget plans) shown side-by-side for MDA expenditures.

3.80 Permission for the Executive to disburse is made only after the full House has voted on the detailed Budget Estimates and the Budget becomes an Act of Parliament through the passage of the Appropriations Bill, to which the Estimates are attached as a schedule. Following approval of the Budget, the Appropriation Bill is submitted to the President for signature before it is published in the Government Gazette and becomes the Appropriation Act. This process tends to take just over one month, and for the 2006 Budget took five weeks.[26]

3.81 The rules for in-year amendments to the budget are set out in the FAA. They give MoFEP and MDAs latitude to make extensive administrative reallocations (e.g. MDAs may make changes within economic items with the exception of Item 1, and across items by permission of MoFEP within the overall MDA total) without recourse to Parliament. If the aggregate expenditure ceiling is likely to be breached, the Law requires that a Supplementary Budget must be approved. In the last three years, one supplementary budget was issued, in 2003.

[25] The budget documents for each MDA can run to several volumes. There is limited strategic policy context included with the budget estimates; the volumes consist primarily of large quantities of numbers against, until recently, a very large number of activities.
[26] The 2006 Appropriation Bill was sent to Parliament on 7 November 2005 and was passed on 14th December. The 2006 Appropriation Act was published on 29 December.

Indicator	Score	Brief Explanation
PI-27 Legislative scrutiny of the annual budget law	$\boxed{\text{C+}}$	
(i) Scope of the legislature's scrutiny.	*C*	Parliament reviews the budget proposals only when it has reached the detailed Estimates stage.
(ii) Extent to which the legislature's procedures are well-established and respected.	*A*	Procedures are well-established and are generally followed. The rules are published in a book containing Parliament's Standing Orders.
(iii) Adequacy of time for the legislature to provide a response to budget proposals both the detailed estimates and, where applicable, for proposals on macro-fiscal aggregates earlier in the budget preparation cycle (time allowed in practice for all stages combined).	*B*	In November and December 2005, Parliament spent five weeks actively reviewing the 2006 Budget.
(iv) Rules for in-year amendments to the budget without ex-ante approval by the legislature.	*B*[27]	The rules for in-year amendments are clear and allow for extensive administrative reallocations in conjunction with MoFEP approval (specifically, MDAs may make changes within economic items with the exception of Item 1, and across items by permission of MoFEP within the overall MDA total). Expansion of the overall level of expenditure requires approval by Parliament in the form of a Supplementary Budget.

Legislative Scrutiny of External Audit Reports

3.82 The Auditor General's reports, including performance audits, are submitted to Parliament, where they are reviewed by the Public Accounts Committee (PAC). The PAC examines the audited accounts and the associated report, takes evidence from relevant officers and, on the basis of the examination, makes recommendations to the full House.

3.83 In recent years, PAC has completed its review of audit reports and submits its report to the House within 12 months of submission of the reports by the A-G. The PAC is currently considering the 2004 central government accounts, which were submitted in December 2005.

3.84 The PAC is active in its reviews of the Auditor-General's reports. It holds hearings when required and, although it may not call everyone to appear, is reasonably assiduous in calling relevant officials (i.e. those with adverse opinions) to appear before it. However, a lack of resources (including sufficient office accommodation) prevents it from being more comprehensive or from holding its sessions more regularly.

3.85 The PAC makes recommendations in its reports to Parliament; these are discussed in the House of Parliament when the report is presented. If accepted, the PAC recommendations are forwarded to the Executive to be implemented. It keeps a record of the actions undertaken by the entity against each recommendation, and these show that the audited entities are taking some action on PAC reports. PAC has recently asked the Auditor General to indicate in audit reports actions taken by MDAs to resolve issues raised in earlier PAC reports.

[27] Following the main assessment exercise, during the subsequent review process and in consultation with other reviewers, a re-appraisal of the original scoring was made to ensure closer linkage with the PEFA Guidelines.

Indicator	Score	Brief Explanation
PI-28 Legislative scrutiny of external audit reports	C+	
(i) Timeliness of examination of audit reports by the legislature (for reports received within the last three years).	*C*	PAC completes its review of audit reports and submits its report to the House within 12 months of submission of the reports by the A-G.
(ii) Extent of hearings on key findings undertaken by the legislature.	*B*	PAC holds hearings on key findings of the Auditor-General's reports and calls those officials with adverse opinions to appear before it. However, a lack of resources prevents it from being more comprehensive or from holding its sessions more regularly.
(iii) Issuance of recommended actions by the legislature and implementation by the executive.	*B*	The PAC makes recommendations in its reports to Parliament; these are discussed by MPs when the report is presented to the full House. If accepted, the PAC recommendations are forwarded to the Executive to be implemented. The PAC keeps a record of its recommendations, and the actions undertaken by the entity against each recommendation; these show that audited entities are taking some action on PAC reports. PAC has recently asked the Auditor General to indicate in audit reports actions taken by MDAs to resolve issues raised in earlier reports.

G. DONOR PRACTICES

3.86 During the last three years, the Government has made substantial progress in mobilizing external financial assistance on concessional terms (in either grants or soft loans) to implement its poverty reduction agenda. ADMU estimates indicate that around US$873 million (15 percent of total budgeted expenditure during this period) was contracted in budget support alone during the period 2003-2005.

3.87 Analyses of the provision of budget support against planned outputs over the past three years indicate that ADMU have reasonably good information in aggregate on the likely amount of budget support for the coming year. Donors provide projections of direct budget support, including any performance tranches, at least six weeks before the budget is finalised and presented to Parliament. As the data show, in aggregate, the actual provision of direct budget support has tended to be close to donor expectations, differing by no more than 3 percent of total budget support during the last three years. Within year, however, the flows are somewhat less predictable and delays of 1-2 quarters are not unusual, partly due to delays in meeting performance tranche targets and sometimes due to delays by donors resulting from their disbursement procedures. Nonetheless, this does not appear to affect the overall level of predictability of these flows for the budget.

3.88 The availability of information does not appear to be an issue for project assistance. Amongst the five largest donors (World Bank, EU, AfDB, Canada and Denmark), ADMU receives comprehensive and accurate quarterly information on disbursements of project flows for the coming year. These tend to be provided at least one quarter before the beginning of the fiscal year and are provided on the basis of donors' classification, rather than that used by the Government. The information is generally available within two months of the end of the quarter, particularly on grants.

3.89 ADMU data indicate that less than 50 percent of external finance, largely project aid, goes through national procedures. In particular, the largest donors use their own procedures.

Indicator	Score	Brief Explanation
D. Donor Practices		
D-1 Predictability of Direct Budget Support	$\boxed{\text{C+}}$	
(i) Annual deviation of actual budget support from the forecast provided by the donor agencies at least six weeks prior to the government submitting its budget proposals to the legislature.	*A*	Donor projections of budget support were close to actual outturns for the last three years, as indicated in the table below. 2003 2004 2005 Projections $281m $302m $285m Outturns $282m $309m $282m % Diff 0.1% 2.3% -1.2% Source: ADMU/MoFEP
(ii) In-year timeliness of donor disbursements.	*C*	The comparison of actual donor disbursements of budget support was analysed against the expected quarter of arrival of each disbursement. The cumulative amounts delayed as a share of the total were: 2003 -45.5% 2004 -22.3% 2005 -60.8% Source: ADMU/MoFEP
D-2 Financial information provided by donors for budgeting and reporting	$\boxed{\text{C}}$	
(i) Completeness and timeliness of budget estimates by donors for project support	*C*	Amongst the five largest donors (World Bank, EU, AfDB, Canada and Denmark), ADMU receives comprehensive and accurate information on disbursements of project flows for the coming year. These tend to be provided at least one quarter before the beginning of the fiscal year and are provided on the basis of donors' classification, which is different to that used by the Government.
(ii) Frequency and coverage of reporting by donors on actual donor flows for project support	*C*	Information is provided quarterly for most donors, and it is provided generally within two months of the end of the quarter, particularly on grants. The classification used by donors for aid flows is different from the Government's classification.
D-3 Proportion of aid that is managed by use of national procedures	$\boxed{\text{D}}$	ADMU data indicate that less than 50 percent of external finance, largely project aid, goes through national procedures. In particular, the largest donors use their own procedures.

4. GOVERNMENT REFORM PROCESS

A. DESCRIPTION OF RECENT AND ON-GOING REFORMS

4.1 The Government has demonstrated its commitment to improving its public financial management system in recent years through a series of measures aimed at improving the efficiency of resource use. The most recent reforms have built on those achieved as part of the measures introduced under the Public Financial Management Reform Programme (PUFMARP) initiated in the mid-1990s. Under PUFMARP, the Government introduced a medium term expenditure framework (MTEF) intended to improve the links between policy-making, and planning and budgeting systems.

4.2 Over the last few years, the Government has accelerated its implementation of PFM reforms through a number of measures intended to strengthen the legislative framework and improve oversight of the use of public sector resources. In particular, Government has promulgated a new FAA, an updated FAR, the Internal Audit Agency Act, and the Public Procurement Act. Improved oversight has been accomplished through ensuring a more timely budget approval (prior to the beginning of the fiscal year), clearing the backlog of audit reports, thereby strengthening the role of the PAC, and ensuring that the budget presentation is clearer and more comprehensive. At the same time, MoFEP has been strengthening its commitment controls to improve the overall monitoring of expenditures.

4.3 At the beginning of 2006, MoFEP published its three-year strategic plan and its short and medium-term Action Plan, covering the period 2006-2009. The short-term Action Plan sets out reforms being introduced in 2006, which focus on improving the efficiency of resource and information flows through the system. The specific measures currently under way include the on-going building of an improved computerized Integrated Personnel and Payroll Database system (IPPD), as well as the Government's integrated computerized financial management system, known as the Budget and Public Expenditure Management System (BPEMS). These improvements are intended to boost the accuracy and timeliness of expenditure information from budget plans through the expenditure commitment stage to making and recording payments.

4.4 In addition, a decentralised payment system is being introduced in a few pilot ministries, including the Ministry of Education. The new system is intended to improve the efficiency of the payment system through opening MDA-specific treasuries (and eventually regional and district treasuries under the control of the relevant regional/district financial officer). Funds are being released to these treasuries and on to the cost centres without recourse back to MoFEP. This has had the initial effect of speeding up the transfer of funds and reducing the amount of documentation required. Nevertheless, it is not clear what effect the new system will have on overall expenditure control.

4.5 Finally, internal audit and procurement processes are being strengthened through improved governance in terms of the operation of the Internal Audit Agency and the Public Procurement Board, as well as setting out rules-based operational procedures.

4.6 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.[28] Within each focal area, output targets are given, the main agency 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. However, the medium-term measures are not prioritised or sequenced nor has the action plan been costed.

[28] These include: fiscal management/macro stability, strengthening budget formulation/preparation, budget implementation, financial regulatory and management framework, integrated payroll and personnel system, aid and debt management, revenue management, financial sector programme and capacity building.

B. Institutional Factors Supporting Reform Planning and Implementation

4.7 The Government has an ambitious agenda to reform its public sector and encourage private sector growth to reach middle-income status by 2015. It has recognised that this target will require overcoming potentially significant institutional challenges. In his 2006 Budget Statement, the Minister of Finance and Economic Planning addressed a number of these challenges directly, including the need for leadership and accountability, overcoming low implementation capacity, and co-ordinating the reforms.

Leadership and Accountability

4.8 The achievement of recent improvements in the PFM system provides evidence of government commitment to the reforms. Suggesting that this commitment needs to be backed up by sufficient leadership capacities to carry through the reform measures, the 2006 Budget Statement indicates the need to strengthen such capacities and build adequate technical competences, particularly in districts. At present, leadership for the PFM reforms appears strongest in the MoFEP. The Government is developing plans to introduce and monitor results-based agreements between the Head of the Civil Service and Chief Directors of MDAs.

4.9 More accountable institutions improve the incentives for good leadership, and the Government has recognised that this implies changes in work ethics, attitudes and behaviour.[29] In this way, the increased emphasis on participation by the public in the budget is to be welcomed.[30]

Overcoming Low Implementation Capacity

4.10 The pace of reform is potentially hampered by constraints in implementation capacity, leading to delays in the execution of projects and programmes. MoFEP reports that the achievements of reform programmes are sometimes undermined by weaknesses in the efficient use of resources, with substantial balances often remaining un-utilised, and in some cases are cancelled at the close of programmes and projects. This issue is exacerbated by weaknesses in technical capacities, particularly in terms of financial management, as higher salaries in the private sector attract accounting and other professionals with marketable financial skills. The recruitment and retention of qualified accountants will be particularly important to sustain the Treasury decentralisation programme under way. In response, the Government has developed a capacity plan as part of the Public Sector Reform Programme to address these skill shortages.

Co-ordination of Reforms

4.11 The Ministry of Finance and Economic Planning, the National Development Planning Commission (NDPC) and the Ministry of Public Sector Reforms are at the heart of the public sector reform programme. Whilst the Government's medium-term plans for PFM reforms are set out in the MoFEP's Short and Medium-Term Action Plan, this does not appear to be sufficient to

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[29] See 2006 Budget Statement.

[30] For the first time with the 2006 Budget, the MoFEP through the national media requested comments from the public to the budget.

act as a road map for reforms since the plans do not contain a sequenced and costed work programme with realistic timelines. The implementation of such a comprehensive programme without appropriate sequencing may distract attention from focusing efforts on reaching priority objectives. There is a need for MoFEP to set priorities and expected results, identify timelines for the medium-term, monitor implementation, and ensure good communication and co-ordination between central and line agencies and sub-national administrations.

Annex A: Performance Indicators Summary

PFM Performance Indicator		Scoring Method[31]	Dimension Ratings[32]				Overall Rating	Explanation of Scores
			i.	ii.	iii	iv		
	A. PFM-OUT-TURNS: Credibility of the budget							
PI-1	Aggregate expenditure out-turn compared to original approved budget	M1	B				**B**	Page 23
PI-2	Composition of expenditure out-turn compared to original approved budget	M1	D				**D**	Page 23
PI-3	Aggregate revenue out-turn compared to original approved budget	M1	A				**A**	Page 23
PI-4	Stock and monitoring of expenditure payment arrears	M1	A	B			**B+**	Page 23
	B. KEY CROSS-CUTTING ISSUES: Comprehensiveness and Transparency							
PI-5	Classification of the budget	M1	B				**B**	Page 24
PI-6	Comprehensiveness of information included in budget documentation	M1	C				**C**	Page 25
PI-7	Extent of unreported government operations	M1	A	A			**A**	Page 26
PI-8	Transparency of inter-governmental fiscal relations	M2	A	D	D		**C**	Page 27
PI-9	Oversight of aggregate fiscal risk from other public sector entities	M1	C	C			**C**	Page 28
PI-10	Public access to key fiscal information	M1	B				**B**	Page 28
	C. BUDGET CYCLE							
	C(i) Policy-Based Budgeting							
PI-11	Orderliness and participation in the annual budget process	M2	A	B	D▲		**B**	Page 29
PI-12	Multi-year perspective in fiscal planning, expenditure policy and budgeting	M2	C	C	C	C	**C**	Page 31
	C(ii) Predictability and Control in Budget Execution							
PI-13	Transparency of taxpayer obligations and liabilities	M2	B	C	B		**B**	Page 32
PI-14	Effectiveness of measures for taxpayer registration and tax assessment	M2	C	C	C		**C**	Page 33
PI-15	Effectiveness in collection of tax payments	M1	D	B	C		**C**	Page 34
PI-16	Predictability in the availability of funds for commitment of expenditures	M1	C	C	C		**C**	Page 35
PI-17	Recording and management of cash balances, debt and guarantees	M2	B	B	B		**B**	Page 35
PI-18	Effectiveness of payroll controls	M1	C	C	C	B	**C+**	Page 37
PI-19	Competition, value for money and controls in procurement	M2	C	-	-		**-**	Page 38
PI-20	Effectiveness of internal controls for non-salary expenditure	M1	C	C	C		**C**	Page 39
PI-21	Effectiveness of internal audit	M1	D	C	D		**D+**	Page 40

[31] Scoring method M1 is used for indicators where poor performance on one dimension of the indicator is likely to undermine the impact of good performance of other dimensions of the same indicator. Scoring method M2 is used where a low score on one dimension of the indicator does not necessary undermine the impact of a high score on another dimension of the same indicator.

[32] Each indicator includes one or more dimensions. A separate score is given for each dimension. Where there is more than one dimension, the overall score for the indicator is arrived at by combining the dimension ratings according to the prescribed methodology (M1 or M2) for the indicator.

Annex A: Performance Indicators Summary (cont'd)

	PFM Performance Indicator	Scoring Method[33]	Dimension Ratings[34]				Overall Rating	Explanation of scores
			ii.	ii.	iii	iv		
	C(iii) Accounting, Recording and Reporting							
PI-22	Timeliness and regularity of accounts reconciliation	M2	C	C			**C**	Page 41
PI-23	Availability of information on resources received by service delivery units	M1	D				**D**	Page 41
PI-24	Quality and timeliness of in-year budget reports	M1	C	B	C		**C+**	Page 42
PI-25	Quality and timeliness of annual financial statements	M1	C	A	C		**C+**	Page 42
	C(iv) External Scrutiny and Audit							
PI-26	Scope, nature and follow-up of external audit	M1	B	C▲	C		**C+**	Page 43
PI-27	Legislative scrutiny of the annual budget law	M1	C	A	B	B	**C+**	Page 45
PI-28	Legislative scrutiny of external audit reports	M1	C	B	B		**C+**	Page 46
	D. DONOR PRACTICES							
D-1	Predictability of Direct Budget Support	M1	A	C			**C+**	Page 47
D-2	Financial information provided by donors for budgeting and reporting on project and program aid	M1	C	C			**C**	Page 47
D-3	Proportion of aid that is managed by use of national procedures	M1	D				**D**	Page 47

[33] Scoring method M1 is used for indicators where poor performance on one dimension of the indicator is likely to undermine the impact of good performance of other dimensions of the same indicator. Scoring method M2 is used where a low score on one dimension of the indicator does not necessary undermine the impact of a high score on another dimension of the same indicator.

[34] Each indicator includes one or more dimensions. A separate score is given for each dimension. Where there is more than one dimension, the overall score for the indicator is arrived at by combining the dimension ratings according to the prescribed methodology (M1 or M2) for the indicator. Where there is more than one dimension and one of them is not scored, the overall score has not been given.

Annex B: Sources of Information by Indicator

Indicator	Specific Information Sources Used
A. Credibility of the Budget	
1. Aggregate expenditure out-turn compared to original approved budget	2003 Audited Annual Public Financial Statements 2004 Audited Annual Public Financial Statements 2005 Unaudited Annual Public Financial Statements 2003 Appropriation Act 2004 Appropriation Act 2005 Appropriation Act
2. Composition of expenditure out-turn compared to original approved budget	2003 Audited Annual Public Financial Statements 2004 Audited Annual Public Financial Statements 2005 Unaudited Annual Public Financial Statements 2003 Appropriation Act 2004 Appropriation Act 2005 Appropriation Act
3. Aggregate revenue out-turn compared to original approved budget	2003 Audited Annual Public Financial Statement 2004 Audited Annual Public Financial Statement 2005 Unaudited Public Financial Statement
4. Stock and monitoring of expenditure payment arrears	Breakdown of roads and non-road arrears, prepared by MoFEP
B. Comprehensiveness and Transparency	
5. Classification of the budget	2006 Appropriation Act
6. Comprehensiveness of information included in budget documentation	2006 Appropriation Act 2006 Budget Statement Detailed MDA MTEFs – for the Ministries of Health, Education, Roads and Transport, and Local Government
7. Extent of unreported government operations	2006 Appropriation Act 2006 Budget Statement 2005 Unaudited Annual Public Financial Statement
8. Transparency of Inter-Governmental Fiscal Relations	DACF Act 2006 DACF submission to Parliament on proposed transfer formula Report on distribution of HIPC funds
9. Oversight of aggregate fiscal risk from other public sector entities.	Annual reports from SOEs from SEC
10. Public access to key fiscal information	Government publishing house, Government and MoFEP websites, Auditor General's Public Relations Office
C(i) Policy-Based Budgeting	
11. Orderliness and participation in the annual budget process	Budget circulars: Guidelines for the Preparation of the 2003, 2004, 2005 and 2006 Budgets 2003, 2004, 2005 and 2006 Appropriations Act 2003, 2004, 2005, and 2006 Budget Statements
12. Multi-year perspective in fiscal planning, expenditure policy and budgeting	2006-2008 MTEF volumes (MDAs for health, education, roads and transport, and local government)
C (ii) Predictability and Control in Budget Execution	
13. Transparency of taxpayer obligations and liabilities	Legislation covering the main revenue sources Verbal evidence from business associations

Indicator	Specific Information Sources Used
14. Effectiveness of measures for taxpayer registration and tax assessment	Evidence from RAGB
15. Effectiveness in collection of tax payments	Statements on tax arrears from the three revenue agencies
16. Predictability in the availability of funds for commitment of expenditures	Commitment Control System manual Annual cash plans from selection of MDAs
17. Recording and management of cash balances, debt and guarantees	Debt Sustainability Analysis ADMU reports List of Government guarantees
18. Effectiveness of payroll controls	Evidence from payroll audit
19. Competition, value for money and controls in procurement	Public Procurement Law Public Procurement Board Strategy – as set out in February 2006 presentation in Manila
20. Effectiveness of internal controls for non-salary expenditure	Auditor-General's reports on the 2004 Public Accounts (MDAs)
21. Effectiveness of internal audit	Internal Audit Act Internal Audit Agency Strategic Plan
C (iii) Accounting, Recording and Reporting	
22. Timeliness and regularity of accounts reconciliation	Examples of bank reconciliation statements
23. Availability of information on resources received by service delivery units	No such surveys have been carried out recently
24. Quality and timeliness of in-year budget reports	CAGD reports for 2005 – latest was November 2005
25. Quality and timeliness of annual financial statements	Annual Financial Statement (CF) for 2004
C (iv) External Scrutiny and Audit	
26. Scope, nature and follow-up of external audit	Auditor-General's report on 2003 Consolidated Fund Statement and 2003 Report on Public Funds (MDAs)
27. Legislative scrutiny of the annual budget law	Parliamentary Standing Orders
28. Legislative scrutiny of external audit reports	PAC reports to Parliament on Auditor-General's reports
D. Donor Practices	
D-1 Predictability of Direct Budget Support	Data from ADMU
D-2 Financial information provided by donors for budgeting and reporting on project and programme aid	Data from ADMU
D-3 Proportion of aid that is managed by use of national procedures	Data from ADMU

Annex C: Main References

Author	Name	Date
Appointed Auditors	Cover Report on the Special Audit of Selected Flows in the Government of Ghana Accounts for 2003	August 2005
GoG, Internal Audit Agency	Submission of Internal Audit Reports of MDAs and MMDA	July 2005
GoG, Ministry of Health	Joint Ministry of Health-Development Partners Summit, Aide-Memoire	November 2005
GoG, Ministry of Roads and Transport	Annual (2004) Review Report of the Road Sector Development Programme	2005
GoG, MoFEP	Tables Accompanying the 2006 Budget Statement and Economic Policy: Summary of 2006 Estimates	December 2005
GoG, MoFEP	2003 Budget Statement and Economic Policy	February 2003
GoG, MoFEP	2004 Budget Statement and Economic Policy	February 2004
GoG, MoFEP	2005 Budget Statement and Economic Policy	February 2005
GoG, MoFEP	2006 Budget Statement and Economic Policy	November 2005
GoG, MoFEP	CAGD - Report and Financial Statements of the Consolidated Fund of the Republic of Ghana – September 2005	Gazette January 2006
GoG, MoFEP	CAGD – 2005 Unaudited Report and Financial Statements of the Consolidated Fund of the Republic of Ghana submitted to Auditor General	March 31, 2006
GoG, MoFEP	Budget Circular: Guidelines for the Preparation of the 2003-05 Budget	October 2002
GoG, MoFEP	Budget Circular: Guidelines for the Preparation of the 2004-2006 Budget	October 2003
GoG, MoFEP	Budget Circular: Guidelines for the Preparation of the 2005-2007 Budget	August 2004
GoG, MoFEP	Budget Circular: Guidelines for the Preparation of the 2006-2008 Budget	April 2005
GoG, MoFEP	ADMU reports	February 2006
GoG, MoFEP	Commitment control formats	February 2006
GoG, MoFEP	Budget Circular: Guidelines for the Preparation of the 2004-2006 Budget	October 2003
GoG, MoFEP	Cash Planning Training Session	2003
GoG, MoFEP	Commitment Control Operating Manual	September 2003
GoG, MoFEP	Three-Year Strategic Plan, Short Term and Medium Term Action Plan	January 2006
GoG, MoH	The Ghana Health Sector 2006 Programme	October 2005
GoG, National Development Planning Commission	Growth and Poverty Reduction Strategy II, 2006-2009	November 2005
GoG, National Development Planning Commission	Growth and Poverty Reduction Strategy II, 2006-2009. Volume II: Costing Framework	
GoG, Public Procurement Board	Examples of bid announcements, tender award announcements	February 2006
GoG, Public Procurement Board	Manila Presentation to OECD Forum	February 2006
IMF	Ghana: Statistical Appendix	August 2005
IMF	Ghana: Letter of Intent, Memorandum of Economic and Financial Policies, and Technical Memorandum of Understanding	May 2005
IMF	Ghana: 2005 Article IV Consultation, 3rd Review under the PRGF	August 2005
IMF	Ghana: Staff Assessment of Qualification for the Multilateral Debt Relief Initiative	December 2005
IMF	Report on the Observance of Standards and Codes – Fiscal Transparency Module	July 2004
Mali Chivakul and Robert C York, IMF	Implications of Quasi-Fiscal Activities in Ghana (Working Paper)	January 2006
NEPAD	APRM Panel Country Review Report, Ghana	June 2005
NEPAD	Third Summit of the African Peer Review Forum	June 2005
NEPAD	Country Review Report of the Republic of Ghana	June 2005
Republic of Ghana	The Constitution of Ghana, Chapter 13	??
Republic of Ghana	District Assemblies Common Fund Act	July 1993
Republic of Ghana	Audit Service Act, 2000	2000
Republic of Ghana	Appropriation Act, 2006	December 2005
Republic of Ghana	Appropriation Act, 2005	April 2005
Republic of Ghana	Appropriation Act, 2004	April 2004
Republic of Ghana	Appropriation Act, 2003	April 2003
Republic of Ghana	The 2003 Supplementary Appropriation Act	November 2003
Republic of Ghana	Appropriation Act, 2002	April 2002
Republic of Ghana	Internal Audit Agency Act, 2003	December 2003
Republic of Ghana, Auditor-General's Office	Report of the Auditor-General on the Public Accounts of Ghana (Consolidated Fund), 2002	
Republic of Ghana, Auditor-	Report of the Auditor-General on the Public Accounts of Ghana (MDAs), 2002	

Author	Name	Date
General's Office		
Republic of Ghana, Auditor-General's Office	Report of the Auditor-General on the Public Accounts of Ghana (MDAs), 2003	August 2005
Republic of Ghana, Auditor-General's Office	Report of the Auditor-General on the Public Accounts of Ghana (Consolidated Fund), 2003	August 2005
Republic of Ghana, Auditor-General's Office	Report of the Auditor-General on the Public Accounts of Ghana (Consolidated Fund), 2004	December 2005
Republic of Ghana, Auditor-General's Office	Report of the Auditor-General on the Public Accounts of Ghana (MDAs), 2004	October 2005
Republic of Ghana, Parliament	Parliamentary Standing Orders	
Republic of Ghana, Parliament Accounts Committee	PAC Reports on Auditor-General's Reports	
Unpublished briefing document	Implementing the FAA/FAR with Respect to NTR/IGFs	October 2005
Unpublished briefing document	MDBS/IMF Review: PFM Session Tues 11th October	October 2005
Unpublished project document	Status of BPEMS Implementation and Deployment	October 2005
CoEN Consulting	Public Sector Employee Census	January 2004
World Bank	Ghana, Country Procurement Assessment Report, Volumes 2,3 and 5	June 2003
World Bank	Ghana: Country Financial Accountability Assessment	June 2004
World Bank	Country Procurement Assessment Report	June 2003
World Bank	2005 External Review of Public Financial Management, Volume I: Main Text	June 2005
World Bank	2005 External Review of Public Financial Management, Volume II: Statistical Appendix	June 2005
World Bank	Ghana: Supporting Reforms for Accountable and Transparent Public Expenditure Management	September 2004
World Bank	Ghana: Public Expenditure Management Country Assessment and Action Plan (AAP)	May 2004
World Bank, IDA	Programme Document for Proposed Third Poverty Reduction Support Credit	July 2005

Annex D: Calculation of Deviations by Budget Head, 2003-2005

Deviations for 2003 (bn cedis)

Budget Head	**Budget**	**Actual**	**Difference**	**Absolute**	**Percent**
Min.of Education (excl.G.E.T.F.)	2,637.3	3,080.9	443.6	443.6	16.8%
Min of Health (excl. N.H.I.F.)	893.4	957.2	63.8	63.8	7.1%
HIPC	853.0	722.3	-130.7	130.7	15.3%
Min.of Interior	592.1	548.3	-43.8	43.8	7.4%
DACF	577.4	635.5	58.1	58.1	10.1%
Ghana Education Trust Fund	489.7	750.9	261.2	261.2	53.3%
Pensions/gratuities	459.9	556.0	96.1	96.1	20.9%
Min.of Defence	439.2	461.5	22.3	22.3	5.1%
Contingency	410.0	288.2	-121.8	121.8	29.7%
Social Security	341.2	411.1	69.9	69.9	20.5%
Revenue agencies	331.7	310.5	-21.2	21.2	6.4%
Min. of Foreign Affairs	322.0	320.5	-1.5	1.5	0.5%
Office of Government Machinery	321.5	219.2	-102.3	102.3	31.8%
Utilities	290.0	212.2	-77.8	77.8	26.8%
Settlement of roads arrears	219.8	239.9	20.1	20.1	9.2%
Nat. Health Ins. Fund	210.0	0.0	-210.0	210.0	100.0%
Min.of Roads and Transport (excl. R.F.)	200.5	183.5	-17.0	17.0	8.5%
Settlement of non-roads arrears	197.0	261.9	64.9	64.9	32.9%
Min of Finance and Economic Planning	143.2	75.6	-67.6	67.6	47.2%
Min. of Food and Agriculture	136.7	105.7	-31.0	31.0	22.7%
21 (= sum of remaining budget heads)	2,103.7	2,106.9	3.2	3.2	0.2%
Total Expenditure Deviation	12,169.3	12,447.7	278.4	278.4	2.3%
Composition Variance	12,169.3	12,447.7		1,927.9	15.8%

Deviations for 2004 (bn cedis)

Budget Head	**Budget**	**Actual**	**Difference**	**Absolute**	**Percent**
Min.of Education (excl.G.E.T.F.)	3,331.9	3,983.7	651.8	651.8	19.6%
HIPC	1,206.4	1,787.1	580.7	580.7	48.1%
Min of Health (excl. N.H.I.F.)	1,027.5	1,020.7	-6.8	6.8	0.7%
Contingency	870.8	611.2	-259.6	259.6	29.8%
Ghana Education Trust Fund	810.5	871.4	60.9	60.9	7.5%
DACF	787.2	803.3	16.1	16.1	2.0%
Min.of Interior	674.5	677.2	2.7	2.7	0.4%
Min.of Defence	636.1	506.9	-129.2	129.2	20.3%
Road Fund	607.7	639.5	31.8	31.8	5.2%
Office of Government Machinery	526.7	452.3	-74.4	74.4	14.1%
Social Security	484.5	495.1	10.6	10.6	2.2%
Min. of Foreign Affairs	474.2	521.2	47.0	47.0	9.9%
National Health Insurance Fund	420.4	0.0	-420.4	420.4	100.0%
Utility price subsidies	392.0	1,819.2	1,427.2	1,427.2	364.1%
Revenue agencies	387.6	347.0	-40.7	40.7	10.5%
Pensions	374.2	518.2	144.0	144.0	38.5%
Min.of Roads Transp. (excl. R.F.)	325.5	294.8	-30.7	30.7	9.4%
National Electoral Commission	206.8	77.8	-129.0	129.0	62.4%
Gratuities	196.2	232.6	36.4	36.4	18.6%
Min. of Finance and Economic Planning	177.3	225.7	48.4	48.4	27.3%
21 (= sum of remaining budget heads)	2,327.5	2,381.1	53.6	53.6	2.3%
Total Expenditure Deviation	16,245.5	18,265.9	2,020.5	2,020.5	12.4%
Composition Variance	16,245.5	18,265.9		4,202.0	25.9%

Deviations for 2005 (bn cedis)					
Budget Head	**Budget**	**Preliminary**	**Difference**	**Absolute**	**Percent**
Ministry of Education, Youth and Sports	3,920.1	5,115.3	1,195	1,195	30.5%
Contingency	1,988.6	598.9	-1,390	1,390	69.9%
HIPC	1,594.4	1,943.7	349	349	21.9%
Ministry of Health	1,552.0	1,546.4	-6	6	0.4%
National Health Insurance Fund	1,339.2	0.0	-1,339	1,339	100.0%
Education Trust Fund	1,124.2	691.4	-433	433	38.5%
DACF	1,048.4	701.9	-347	347	33.1%
Settlement of non-roads arrears	1,016.7	200.7	-816	816	80.3%
Road Fund	883.3	926.9	44	44	4.9%
Ministry of Interior	624.4	788.9	165	165	26.3%
Social Security	618.8	628.1	9	9	1.5%
Pensions	613.8	769.5	156	156	25.4%
Office of Government Machinery	527.6	489.7	-38	38	7.2%
Ministry of Foreign Affairs	511.7	592.9	81	81	15.9%
Revenue agencies	497.9	412.5	-85	85	17.2%
Ministry of Road Transport	429.1	364.8	-64	64	15.0%
Ministry of Defence	408.2	581.8	174	174	42.5%
Gratuities	355.9	327.5	-28	28	8.0%
Other transfers	350.0	234.7	-115	115	32.9%
Utility price subsidies	349.5	781.2	432	432	123.5%
21 (= sum of remaining budget heads)	2,854.6	3,112.6	258	258	9.0%
Total Expenditure Deviation	22,608.3	20,809.3	-1,799	1,799	8.0%
Composition Variance	22,608.3	20,809.3		7,523	33.3%

Annex D - Source of Data: Budget from Appropriations Acts for 2003, 2004 and 2005; 2003 and 2004 Actual - Audited Annual Financial Statements of Consolidated Fund; 2005 Preliminary - from Unaudited CAGD Report and Financial Statements.

Annex E: PEFA Assessment Meetings – List of Participants

NAME	INSTITUTION	DESIGNATION
Hon. P.C. Ofori	Parliament Finance Committee	Member of Finance Committee
Hon. Sam Quarm	Parliament Finance Committee	Member of Finance Committee
Hon. Eugene A. Agyepong	Parliament Finance Committee	Member of Finance Committee
Hon. Kojo Adjei Addo	Parliament Finance Committee	Vice Chairman, Finance Committee
Hon. Samuel Sallas Mensah	Parliament Public Accounts Committee (PAC)	Chair , Public Accounts Committee
Hon. K.K. Mensah	Parliament Public Accounts Committee	Ranking Member, Public Accounts Committee
Hon. Henric Yeboah	Parliament	Member of Parliament
Hon. S.K. Balado-Manu	Parliament Public Accounts Committee	Member of Public Accounts Committee
Hon. Dr. Anthony Akoto Osei	Parliament Public Accounts Committee	Member of Public Accounts Committee
Hon. J.B. Danquah Adu	Parliament Public Accounts Committee	Deputy Ranking Member, Public Accounts Committee
Hon. Ben k. Ayeh	Parliament Public Accounts Committee	Member of Public Accounts Committee
Hon. Samuel Jonfia	Parliament Public Accounts Committee	Member of Public Accounts Committee
Mr. Camillo Pwamang	Parliament Public Accounts Committee Secretariat	Clerk to Public Accounts Committee
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Ebenezer Koranteng	Parliament Public Accounts Committee Secretariat	Parliamentary Staff
Maud Amankwah	Parliament Public Accounts Committee Secretariat	Parliamentary Staff
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Hon. Dr. Akoto Osei	MOFEP	Deputy Minister
Hon. Agyeman Manu	MOFEP	Deputy Minister
Nana J.B. Siriboe	MOFEP	Chief Director
Mr. S.B. Nyantekyi	MOFEP	Director of Budget
Ms. Helen Allotey	MOFEP	Director, External Mobilization, Multilaterals
Ms. Effie Simpson –Ekuban	MOFEP	Director
Mr. K.B. Oku Afari	MOFEP	Head, Policy Analysis
Ms. Yvonne Quansah	MOFEP	Head, ADMU
Mr. Enoch Cobbinah	MOFEP	Head, Non Tax Revenue
Mr. E. Osei Prempeh	MOFEP	Head, Bilaterals
Mr. Suhas Joshi	MOFEP	IMF FAD Technical Adviser
Mr. Roland Neumann	MOFEP	CIDA Advisor to Ghana
Mr. Mark Starr	MOFEP	US Treasury, Advisor, Govern. Debt Issuance & Management
Ms. Eva Mends	MOFEP	Coordinator, MDBS Secretariat
Mr. David Quist	MOFEP	Ag, Head, World Bank Desk
Mr. Alex Tetteh	MOFEP	
Mr. Yaw Asamoah-Aning	MOFEP	
Mr. Samuel Arkhust	MOFEP	
Mr. T. Adams-Eshun	MOFEP	

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Ms. Sheila Naah	MOFEP	
Mr. Aloysius Adjetey	MOFEP	
Mr. Sampson Kodua	MOFEP	
Nana Mensah Otoo	MOFEP	
Ms. Edna Baffour-Awuah	MOFEP	
Mr. Kwakye Kwabena Gyan	MOFEP	
Mr. Hudu Siita	MOFEP	
Mr. Nantogma A. Yakubu	MOFEP	
Mr. Ali Mohammed	MOFEP	
Ms. Asabea Gaisie	MOFEP	
Mr. Andrews Ameckson	MOFEP	
Mr. Collins Kabuga	MOFEP	
Mr. Franklin Ashiadey	MOFEP	
Mr. E. Osei Prempeh	MOFEP	
Ms. Theodora Asagli	MOFEP	
Mr. D.CK. Tamakloe	MOFEP	
Mr. Michael Akonnor	MOFEP	
Ms. Effie Simpson –Ekuban	MOFEP	
Mr. Sam Mensah	MOFEP	
Mr. Joseph Nunoo	MOFEP	
Ms. Irene Amponsah	MOFEP	
Mr. Samuel Kabo	MOFEP	
Mr. O.M. Bongne	MOFEP	
Mr. Ralph Ayiku	MOFEP	
Ms. Angela Farhat	MOFEP	
Mr. Roger Beckley	MOFEP	
Mr. Richard Addo	MOFEP	
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Mr.R.A. Dankwah	MLGRD	Director, Planning
Mr. D.A. Nyankamawu	MLGRD	Chief Director
Mr. Alhassan Amidu	MLGRD	Chief Local Govt. Inspector
Mr. J.O. Afrani	Ministry of Education and Sports (MOES)	Director, PBME
Mr. Kwame Agyapong	MOES	
Mr. Felix Asiamah	MOES	
Ms. Rowena Dwyer	MOES	
Mr. Adim Odoom	MOES	
Mr. C.M. Martey	MOES	
Mr. S.M.K. Agyakwa	MOES	
Dr. S. Adomako Mensah	MOES	
Mr. T. Ashun	MOES	
Mr. Anthony Arthur	MOES	Financial Accountant
Mr. F. Gidiglo	MOES	

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Mr. Edmund Adu Poku	MOES	
Mr. Charles Otoo	Ghana Education Service (GES)	Financial Controller
Mr. E.B. Amoah	GES	
Mr. Kwakye Kontor	Ministry of Health (MOH)	
Mr. A.K. Tawiah	MOH	
Mr. H. Dusu	MOH	
Mr. Adu Gyamfi	MOH	
Mr. Philip Kasseh	Ministry of Roads and Transport (MRT)	
Mr. Augustine N. Angleoha	MRT	
Mr. James Adu	MRT	
Major A.B. Don-Chebe (Rtd)	Ministry of Public Sector Reform (MPSR)	
Mrs.Margaret Boateng Sekyere	MPSR	Administrator
Ms. Felicia Owusu-Bonsu	MPSR	
Mr. LA. Thomspon	MPSR	
Mr. Kwame Adorbor	MPSR	Technical Director
Mr. C. Sottie	Controller and Accountant General Department (CAGD)	Controller and Accountant General
Mr. K. Adjei Mensah	CAGD	Deputy Controller and Accountant General
Mrs. Grace Adzroe	CAGD	Deputy Controller and Accountant General
Mr. Ebenezer Siadah	CAGD	
Mr. Hassan Yaquub	CAGD	
Mr. Norbert Adu Wusu	CAGD	
Mr. Alex B. Frimpong	CAGD	
Mr. Asilenu Kojo	CAGD	
Dr. M. Bawumia	Bank of Ghana (BOG)	Special Assistant to Governor
Dr. Ernest Addison	BOG	Head, Research Dept
Mr. Yao Ablo	BOG	
Mr. Eric Koranteng	BOG	
Mr.S.P.Kyei	BOG	
Mr. Thomas Essel	BOG	
Mr. Kwadwo Amponsah	BOG	
Dr. Regina Adutwum	National Development Planning Commission (NDPC)	Director-General, NDPC
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Mrs. Florence Adyei	NDPC	
Mr. J.E. Odotei	NDPC	
Mr. Ken Owusu	NDPC	
Mr. Harry Owusu	Revenue Agencies Governing Board (RAGB)	Executive Secretary
Mr. Anthony Doku	RAGB	
Mr. Ken Bensti- Enchill	VATS	
Mr. Benjamin Egbem	VATS	
Mr. Moses Amihere	VATS	
Mr. D.K. Doe	VATS	
Mr. Paul Nkansah	CEPS	

NAME	**INSTITUTION**	**DESIGNATION**
Mr. Jackson Berko	IRS	
Ms. Jemima Aboagye	IRS	
Mr. Edward K. Appiah	IRS	
Mr. Jarvis Nuworsah	IRS	
Mr. Kingsford Amoah	Road Fund	Coordinator, Road Fund
Mr. Tony Mends	State Enterprise Commission	
Mr. Frank Ocran	SEC	
Mr. M.K. Boateng	Ghana Education Trust Fund (GETFUND)	
Mr. Daniel Boateng -Ansong	GETFUND	
Mr. E.B. Amoah	GES	
Mr. Yaw Kwakye	Forestry Commission	
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Mr. Ransford Agyei	IAA	
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Fred Ohene	Audit Service	Director
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Annex F: PEFA Scoring Calibration for Individual Indicators[35]

PEFA SCORE		EXPLANATION OF CALIBRATION
PI-1 Aggregate expenditure out-turn compared to original approved budget	A	(i) In no more than one out of the last three years has the actual expenditure deviated from budgeted expenditure by an amount equivalent to more than 5percent of budgeted expenditure.
	B	(i) In no more than one out of the last three years has the actual expenditure deviated from budgeted expenditure by an amount equivalent to more than 10 percent of budgeted expenditure.
	C	(i) In no more than one of the last three years has the actual expenditure deviated from budgeted expenditure by more than an amount equivalent to 15percent of budgeted expenditure.
	D	(i) In two or all of the last three years did the actual expenditure deviate from budgeted expenditure by an amount equivalent to more than 15percent of budgeted expenditure.
PI-2. Composition of expenditure out-turn compared to original approved budget	A	(i) Variance in expenditure composition exceeded overall deviation in primary expenditure by no more than 5 percentage points in any of the last three years.
	B	(i) Variance in expenditure composition exceeded overall deviation in primary expenditure by 5 percentage points in no more than one of the last three years.
	C	(i) Variance in expenditure composition exceeded overall deviation in primary expenditure by 10 percentage points in no more than one of the last three years.
	D	(i) Variance in expenditure composition exceeded overall deviation in primary expenditure by 10 percentage points in at least two out of the last three years.
PI-3. Aggregate revenue out-turn compared to original approved budget	A	(i) Actual domestic revenue collection was below 97percent of budgeted domestic revenue estimates in no more than one of the last three years.
	B	(i) Actual domestic revenue collection was below 94percent of budgeted domestic revenue estimates in no more than one of the last three years.
	C	(i) Actual domestic revenue collection was below 92percent of budgeted domestic revenue estimates in no more than one of the last three years.
	D	(i) Actual domestic revenue collection was below 92percent of budgeted domestic revenue estimates in two or all of the last three years.
PI-4. Stock and monitoring of expenditure payment arrears	A	(i) The stock of arrears is low (i.e. is below 2percent of total expenditure) (ii) Reliable and complete data on the stock of arrears is generated through routine procedures at least at the end of each fiscal year (and includes an age profile).
	B	(i) The stock of arrears constitutes 2-10percent of total expenditure; and there is evidence that it has been reduced significantly (i.e. more than 25percent) in the last two years. (ii) Data on the stock of arrears is generated annually, but may not be complete for a few identified expenditure categories or specified budget institutions.
	C	(i) The stock of arrears constitutes 2-10percent of total expenditure; and there is no evidence that it has been reduced significantly in the last two years. (ii) Data on the stock of arrears has been generated by at least one comprehensive ad hoc exercise within the last two years.
	D	(i) The stock of arrears exceeds 10percent of total expenditure. (ii) There is no reliable data on the stock of arrears from the last two years.
PI-5. Classification of the budget	A	(i) The budget formulation and execution is based on administrative, economic and sub-functional classification, using GFS/COFOG standards or a standard that can produce consistent documentation according to those standards. (Program classification may substitute for sub-functional classification, if it is applied with a level of detail at least corresponding to sub-functional.)
	B	(i) The budget formulation and execution is based on administrative, economic and functional classification (using at least the 10 main COFOG functions), using GFS/COFOG standards or a standard that can produce consistent documentation according to those standards.
	C	(i) The budget formulation and execution is based on administrative and economic classification using GFS standards or a standard that can produce consistent documentation according to those standards.
	D	(i) The budget formulation and execution is based on a different classification (e.g. not GFS compatible or with administrative break-down only).
PI-6. Comprehensiveness of information	A	(i) recent budget documentation fulfils 7-9 of the 9 information benchmarks
	B	(i) recent budget documentation fulfils 5-6 of the 9 information benchmarks
	C	(i) recent budget documentation fulfils 3-4 of the 9 information benchmarks

[35] Annex 1, PEFA PFM Performance Management Framework Guidelines, June 2005. PEFA Secretariat. www.pefa.org

PEFA SCORE		EXPLANATION OF CALIBRATION
included in budget documentation	D	(i) recent budget documentation fulfils 2 or less of the 9 information benchmarks
PI-7. Extent of unreported government operations	A	(i) The level of unreported extra-budgetary expenditure (other than donor funded projects) is insignificant (below 1percent of total expenditure). (ii) Complete income/expenditure information for 90percent (value) of donor-funded projects is included in fiscal reports, except inputs provided in-kind OR donor funded project expenditure is insignificant (below 1percent of total expenditure).
	B	(i) The level of unreported extra-budgetary expenditure (other than donor funded projects) constitutes 1-5percent of total expenditure. (ii) Complete income/expenditure information is included in fiscal reports for all loan financed projects and at least 50percent (by value) of grant financed projects.
	C	(i) The level of unreported extra-budgetary expenditure (other than donor funded projects) constitutes 5-10percent of total expenditure. (ii) Complete income/expenditure information for all loan financed projects is included in fiscal reports.
	D	(i) The level of unreported extra-budgetary expenditure (other than donor funded projects) constitutes more than 10percent of total expenditure. (ii) Information on donor financed projects included in fiscal reports is seriously deficient and does not even cover all loan financed operations.
PI-8. Transparency of Inter-Governmental Fiscal Relations	A	(i) Transparency and objectivity in the horizontal allocation among SN governments The horizontal allocation of almost all transfers (at least 90percent by value) from central government is determined by transparent and rules based systems (ii) Timeliness of reliable information to SN governments on their allocations SN governments are provided reliable information on the allocations to be transferred to them before the start of their detailed budgeting processes. (iii) Extent of consolidation of fiscal data for general government according to sectoral categories Fiscal information (ex-ante and ex-post) that is consistent with central government fiscal reporting is collected for 90percent (by value) of SN government expenditure and consolidated into annual reports within 10 months of the end of the fiscal year.
	B	(i) Transparency and objectivity in the horizontal allocation among SN governments The horizontal allocation of most transfers from central government (at least 50percent of transfers) is determined by transparent and rules based systems. (ii) Timeliness of reliable information to SN governments on their allocations SN governments are provided reliable information on the allocations to be transferred to them ahead of completing their budget proposals, so that significant changes to the proposals are still possible. (iii) Extent of consolidation of fiscal data for general government according to sectoral categories Fiscal information (ex-ante and ex-post) that is consistent with central government fiscal reporting is collected for at least 75percent (by value) of SN government expenditure and consolidated into annual reports within 18 months of the end of the fiscal year.
	C	(i) Transparency and objectivity in the horizontal allocation among SN governments The horizontal allocation of only a small part of transfers from central government (10-50percent) is determined by transparent and rules based systems. (ii) Timeliness of reliable information to SN governments on their allocations Reliable information to SN governments is issued before the start of the SN fiscal year, but too late for significant budget changes to be made. (iii) Extent of consolidation of fiscal data for general government according to sectoral categories. Fiscal information (at least ex-post) that is consistent with central government fiscal reporting is collected for at least 60percent (by value) of SN government expenditure and consolidated into annual reports within 24 months of the end of the fiscal year.

PEFA SCORE		EXPLANATION OF CALIBRATION
	D	(i) Transparency and objectivity in the horizontal allocation among SN governments No or hardly any part of the horizontal allocation of transfers from central government is determined by transparent and rules based systems. (ii) Timeliness of reliable information to SN governments on their allocations Reliable estimates on transfers are issued after SN government budgets have been finalized, or earlier issued estimates are not reliable. (iii) Extent of consolidation of fiscal data for general government according to sectoral categories Fiscal information that is consistent with central government fiscal reporting is collected and consolidated for less than 60percent (by value) of SN government expenditure OR if a higher proportion is covered, consolidation into annual reports takes place with more than 24 months delay, if at all.
PI-9. Oversight of aggregate fiscal risk from other public sector entities	A	(i) All major AGAs/PEs submit fiscal reports to central governments at least six-monthly, as well as annual audited accounts, and central government consolidates fiscal risk issues into a report at least annually. (ii) SN government cannot generate fiscal liabilities for central government OR the net fiscal position is monitored at least annually for all levels of SN government and central government consolidates overall fiscal risk into annual (or more frequent) reports.
	B	(i) All major AGAs/PEs submit fiscal reports including audited accounts to central governments at least annually, and central government consolidates overall fiscal risk issues into a report. (ii) The net fiscal position is monitored at least annually for the most important level of SN government, and central government consolidates overall fiscal risk into a report.
	C	(i) Most major AGAs/PEs submit fiscal reports to central governments at least annually, but a consolidated overview is missing or significantly incomplete. (ii) The net fiscal position is monitored at least annually for the most important level of SN government, but a consolidated overview is missing or significantly incomplete.
	D	(i) No annual monitoring of AGAs and PEs takes place, or it is significantly incomplete. (ii) No annual monitoring of SN governments' fiscal position takes place or it is significantly incomplete.
PI-10. Public access to key fiscal information	A	(i) the government makes available to the public 5-6 of the 6 listed types of Information
	B	(i) the government makes available to the public 3-4 of the 6 listed types of Information
	C	(i) the government makes available to the public 1-2 of the 6 listed types of Information
	D	(i) the government makes available to the public none of the 6 listed types of Information
PI-11. Orderliness and participation in the annual budget process	A	(i) Existence of and adherence to a fixed budget calendar A clear annual budget calendar exists, is generally adhered to and allows MDAs enough time (and at least six weeks from receipt of the budget circular) to meaningfully complete their detailed estimates on time. (ii) Guidance on the preparation of budget submissions A comprehensive and clear budget circular is issued to MDAs, which reflects ceilings approved by Cabinet (or equivalent) prior to the circular's distribution to MDAs. (iii) Timely budget approval by the legislature The legislature has, during the last three years, approved the budget before the start of the fiscal year.

PEFA SCORE		EXPLANATION OF CALIBRATION
	B	(i) Existence of and adherence to a fixed budget calendar A clear annual budget calendar exists, but some delays are often experienced in its implementation. The calendar allows MDAs reasonable time (at least four weeks from receipt of the budget circular) so that most of them are able to meaningfully complete their detailed estimates on time, (ii) Guidance on the preparation of budget submissions A comprehensive and clear budget circular is issued to MDAs, which reflect ceilings approved by Cabinet (or equivalent). This approval takes place after the circular distribution to MDAs, but before MDAs have completed their submission. (iii) Timely budget approval by the legislature The legislature approves the budget before the start of the fiscal year, but a delay of up to two months has happened in one of the last three years.
	C	(i) Existence of and adherence to a fixed budget calendar An annual budget calendar exists, but is rudimentary and substantial delays may often be experienced in its implementation, and allows MDAs so little time to complete detailed estimates, that many fail to complete them timely. (ii) Guidance on the preparation of budget submissions A budget circular is issued to MDAs, including ceilings for individual administrative units or functional areas. The budget estimates are reviewed and approved by Cabinet only after they have been completed in all details by MDAs, thus seriously constraining Cabinet's ability to make adjustments. (iii) Timely budget approval by the legislature The legislature has, in two of the last three years, approved the budget within two months of the start of the fiscal year.
	D	(i) Existence of and adherence to a fixed budget calendar A budget calendar is not prepared OR it is generally not adhered to OR the time allowed for MDAs' budget preparation is clearly insufficient to make meaningful submissions. (ii) Guidance on the preparation of budget submissions A budget circular is not issued to MDAs OR the quality of the circular is very poor OR Cabinet is involved in approving the allocations only immediately before submission of detailed estimates to the legislature, thus having no opportunities for adjustment. (iii) Timely budget approval by the legislature The budget has been approved with more than two months delay in two of the last three years.
PI-12. Multi-year perspective in fiscal planning, expenditure policy and budgeting	A	(i) Multi-year fiscal forecasts and functional allocations Forecasts of fiscal aggregates (on the basis of main categories of economic and functional/sector classification) are prepared for at least three years on a rolling annual basis. Links between multi-year estimates and subsequent setting of annual budget ceilings are clear and differences explained (ii) Scope and frequency of debt sustainability analysis DSA for external and domestic debt is undertaken annually. (iii) Existence of costed sector strategies Strategies for sectors representing at least 75percent of primary expenditure exist with full costing of recurrent and investment expenditure, broadly consistent with fiscal forecasts. (iv) Linkages between investment budgets and forward expenditure estimates Investments are consistently selected on the basis of relevant sector strategies and recurrent cost implications in accordance with sector allocations and included in forward budget estimates for the sector.

PEFA SCORE		EXPLANATION OF CALIBRATION
	B	(i) Multi-year fiscal forecasts and functional allocations Forecasts of fiscal aggregates (on the basis of main categories of economic and functional/sector classification) are prepared for at least two years on a rolling annual basis. Links between multi-year estimates and subsequent setting of annual budget ceilings are clear and differences are explained. (ii) Scope and frequency of debt sustainability analysis DSA for external and domestic debt is undertaken at least once during the last three years. (iii) Existence of costed sector strategies Statements of sector strategies exist and are fully costed, broadly consistent with fiscal forecasts, for sectors representing 25-75percent of primary expenditure. (iv) Linkages between investment budgets and forward expenditure estimates The majority of important investments are made on the basis of relevant sector strategies and recurrent cost implications in accordance with sector allocations and included in forward budget estimates for the sector.
	C	(i) Multi-year fiscal forecasts and functional allocations Forecasts of fiscal aggregates (on the basis of the main categories of economic classification) are prepared for at least two years on a rolling annual basis. (ii) Scope and frequency of debt sustainability analysis A DSA for at least for external debt undertaken once during last three years. (iii) Existence of costed sector strategies Statements of sector strategies exist for several major sectors but are only substantially costed for sectors representing up to 25percent of primary expenditure OR costed strategies cover more sectors but are inconsistent with aggregate fiscal forecasts. (iv) Linkages between investment budgets and forward expenditure estimates Many investment decisions have weak links to sector strategies and their recurrent cost implications are included in forward budget estimates only in a few (but major) cases.
	D	(i) Multi-year fiscal forecasts and functional allocations No forward estimates of fiscal aggregates are undertaken (ii) Scope and frequency of debt sustainability analysis No DSA has been undertaken in the last three years (iii) Existence of costed sector strategies Sector strategies may have been prepared for some sectors, but none of them have substantially complete costing of investments and recurrent expenditure. (iv) Linkages between investment budgets and forward expenditure estimates Budgeting for investment and recurrent expenditure are separate processes with no recurrent cost estimates being shared.
PI-13 Transparency of taxpayer obligations and liabilities	A	(i) Clarity and comprehensiveness of tax liabilities Legislation and procedures for all major taxes are comprehensive and clear, with strictly limited discretionary powers of the government entities involved. (ii) Taxpayers' access to information on tax liabilities and administrative procedures Taxpayers have easy access to comprehensive, user friendly and up-to-date information tax liabilities and administrative procedures for all major taxes, and the RA supplements this with active taxpayer education campaigns. (iii) Existence and functioning of a tax appeals mechanism. A tax appeals system of transparent administrative procedures with appropriate checks and balances, and implemented through independent institutional structures, is completely set up and effectively operating with satisfactory access and fairness, and its decisions are promptly acted upon.

PEFA SCORE		EXPLANATION OF CALIBRATION
	B	(i) Clarity and comprehensiveness of tax liabilities Legislation and procedures for most, but not necessarily all, major taxes are comprehensive and clear, with fairly limited discretionary powers of the government entities involved. (ii) Taxpayers' access to information on tax liabilities and administrative procedures Taxpayers have easy access to comprehensive, user friendly and up-to-date information tax liabilities and administrative procedures for some of the major taxes, while for other taxes the information is limited. (iii) Existence and functioning of a tax appeals mechanism. A tax appeals system of transparent administrative procedures is completely set up and functional, but it is either too early to assess its effectiveness or some issues relating to access, efficiency, fairness or effective follow up on its decisions need to be addressed..
	C	(i) Clarity and comprehensiveness of tax liabilities Legislation and procedures for some major taxes are comprehensive and clear, but the fairness of the system is questioned due to substantial discretionary powers of the government entities involved. (ii) Taxpayers' access to information on tax liabilities and administrative procedures Taxpayers have access to some information on tax liabilities and administrative procedures, but the usefulness of the information is limited due coverage of selected taxes only, lack of comprehensiveness and/or not being up-to-date. (iii) Existence and functioning of a tax appeals mechanism. A tax appeals system of administrative procedures has been established, but needs substantial redesign to be fair, transparent and effective.
	D	(i) Clarity and comprehensiveness of tax liabilities Legislation and procedures are not comprehensive and clear for large areas of taxation and/or involve important elements of administrative discretion in assessing tax liabilities. (ii) Taxpayers' access to information on tax liabilities and administrative procedures Taxpayer access to up-to-date legislation and procedural guidelines is seriously deficient. (iii) Existence and functioning of a tax appeals mechanism. No functioning tax appeals system has been established
PI-14 Effectiveness of measures for taxpayer registration and tax assessment	A	(i) Controls in the taxpayer registration system. Taxpayers are registered in a complete database system with comprehensive direct linkages to other relevant government registration systems and financial sector regulations. (ii) Effectiveness of penalties for non-compliance with registration and tax declaration Penalties for all areas of non-compliance are set sufficiently high to act as deterrence and are consistently administered. (iii) Planning and monitoring of tax audit programs. Tax audits and fraud investigations are managed and reported on according to a comprehensive and documented audit plan, with clear risk assessment criteria for all major taxes that apply self-assessment.
	B	(i) Controls in the taxpayer registration system. Taxpayers are registered in a complete database system with some linkages to other relevant government registration systems and financial sector regulations. (ii) Effectiveness of penalties for non-compliance with registration and tax declaration Penalties for non-compliance exist for most relevant areas, but are not always effective due to sufficiently scale and/or inconsistent administration. (iii) Planning and monitoring of tax audit programs. Tax audits and fraud investigations are managed and reported on according to a documented audit plan, with clear risk assessment criteria for audits in at least one major tax area that applies self-assessment.

PEFA SCORE		EXPLANATION OF CALIBRATION
	C	(i) Controls in the taxpayer registration system. Taxpayers are registered in database systems for individual taxes, which may not be fully and consistently linked. Linkages to other registration/licensing functions may be weak but are then supplemented by occasional surveys of potential taxpayers. (ii) Effectiveness of penalties for non-compliance with registration and tax declaration Penalties for non-compliance generally exist, but substantial changes to their structure, levels or administration are needed to give them a real impact on compliance. (iii) Planning and monitoring of tax audit programs. There is a continuous program of tax audits and fraud investigations, but audit programs are not based on clear risk assessment criteria.
	D	(i) Controls in the taxpayer registration system. Taxpayer registration is not subject to any effective controls or enforcement systems (ii) Effectiveness of penalties for non-compliance with registration and tax declaration Penalties for non-compliance are generally non-existent or ineffective (i.e. set far too low to have an impact or rarely imposed). (iii) Planning and monitoring of tax audit programs. Tax audits and fraud investigations are undertaken on an ad hoc basis if at all.
PI-15 Effectiveness in collection of tax payments	A	(i) The average debt collection ratio in the two most recent fiscal years was 90percent or above OR the total amount of tax arrears is insignificant (i.e. less than 2percent of total annual collections). (ii) All tax revenue is paid directly into accounts controlled by the Treasury or transfers to the Treasury are made daily. (iii) Complete reconciliation of tax assessments, collections, arrears and transfers to Treasury takes place at least monthly within one month of end of month.
	B	(i) The average debt collection ratio in the two most recent fiscal years was 75-90percent and the total amount of tax arrears is significant. (ii) Revenue collections are transferred to the Treasury at least weekly. (iii) Complete reconciliation of tax assessments, collections, arrears and transfers to Treasury takes place at least quarterly within six weeks of end of quarter.
	C	(i) The average debt collection ratio in the two most recent fiscal years was 60-75percent and the total amount of tax arrears is significant (ii) Revenue collections are transferred to the Treasury at least monthly. (iii) Complete reconciliation of tax assessments, collections, arrears and transfers to Treasury takes place at least annually within 3 months of end of the year.
	D	(i) The debt collection ratio in the most recent year was below 60percent and the total amount of tax arrears is significant (i.e. more than 2percent of total annual collections). (ii) Revenue collections are transferred to the Treasury less regularly than monthly (iii) Complete reconciliation of tax assessments, collections, arrears and transfers to Treasury does not take place annually or is done with more than 3 months' delay.
PI-16 Predictability in the availability of funds for commitment of expenditures	A	(i) A cash flow forecast is prepared for the fiscal year, and are updated monthly on the basis of actual cash inflows and outflows. (ii) MDAs' are able to plan and commit expenditure for at least six month in advance in accordance with the budgeted appropriations. (iii) Significant in-year adjustments to budget allocations take place only once or twice in a year and are done in a transparent and predictable way.
	B	(i) A cash flow forecast is prepared for the fiscal year and updated at least quarterly, on the basis of actual cash inflows and outflows. (ii) MDAs are provided reliable information on commitment ceilings at least quarterly in advance. (iii) Significant in-year adjustments to budget allocations take place only once or twice in a year and are done in a fairly transparent way.
	C	(i) A cash flow forecast is prepared for the fiscal year, but is not (or only partially and infrequently) updated. (ii) MDAs are provided reliable information for one or two months in advance. (iii) Significant in-year budget adjustments are frequent, but undertaken with some transparency.

PEFA SCORE		EXPLANATION OF CALIBRATION
	D	(i) Cash flow planning and monitoring are not undertaken or of very poor quality. (ii) MDAs are provided commitment ceilings for less than a month OR no reliable indication at all of actual resource availability for commitment. (iii) Significant in-year budget adjustments are frequent and not done in a transparent manner.
PI-17. Recording and management of cash balances, debt and guarantees	A	(i) Quality of debt data recording and reporting Domestic and foreign debt records are complete, updated and reconciled on a monthly basis with data considered of high integrity. Comprehensive management and statistical reports (cover debt service, stock and operations) are produced at least quarterly (ii) Extent of consolidation of the government's cash balances All cash balances are calculated daily and consolidated. (iii) Systems for contracting loans and issuance of guarantees. Central government's contracting of loans and issuance of guarantees are made against transparent criteria and fiscal targets, and always approved by a single responsible government entity.
	B	(i) Quality of debt data recording and reporting Domestic and foreign debt records are complete, updated and reconciled quarterly. Data considered of fairly high standard, but minor reconciliation problems occur. Comprehensive management and statistical reports (cover debt service, stock and operations) are produced at least annually. (ii) Extent of consolidation of the government's cash balances Most cash balances calculated and consolidated at least weekly, but some extra-budgetary funds remain outside the arrangement. (iii) Systems for contracting loans and issuance of guarantees. Central government's contracting of loans and issuance of guarantees are made within limits for total debt and total guarantees, and always approved by a single responsible government entity.
	C	(i) Quality of debt data recording and reporting Domestic and foreign debt records are complete, updated and reconciled on at least annually. Data quality considered of fair, but some gaps and reconciliation problems are recognized. Reports on debt stocks and service are produced only occasionally or with limited content. (ii) Extent of consolidation of the government's cash balances Calculation and consolidation of most government cash balances take place at least monthly, but the system used does not allow consolidation of bank balances (iii) Systems for contracting loans and issuance of guarantees. Central government's contracting of loans and issuance of guarantees are always approved by a single responsible government entity, but are not decided on the basis of clear guidelines, criteria or overall ceilings.
	D	(i) Quality of debt data recording and reporting Debt data records are incomplete and inaccurate to a significant degree. (ii) Extent of consolidation of the government's cash balances Calculation of balances takes place irregularly, if at all, and the system used does not allow consolidation of bank balances. (iii) Systems for contracting loans and issuance of guarantees. Central government's contracting of loans and issuance of guarantees are approved by different government entities, without a unified overview mechanism.

PEFA SCORE		EXPLANATION OF CALIBRATION
PI-18 Effectiveness of payroll controls	A	(i) Personnel database and payroll are directly linked to ensure data consistency and monthly reconciliation. (ii) Required changes to the personnel records and payroll are updated monthly, generally in time for the following month's payments. Retroactive adjustments are rare (if reliable data exists, it shows corrections in max. 3percent of salary payments). (iii) Authority to change records and payroll is restricted and results in an audit trail. (iv) A strong system of annual payroll audits exists to identify control weaknesses and/or ghost workers.
	B	(i) Personnel data and payroll data are not directly linked but the payroll is supported by full documentation for all changes made to personnel records each month and checked against the previous month's payroll data. (ii) Up to three months' delay occurs in updating of changes to the personnel records and payroll, but affects only a minority of changes. Retroactive adjustments are made occasionally. (iii) Authority and basis for changes to personnel records and the payroll are clear. (iv) A payroll audit covering all central government entities has been conducted at least once in the last three years (whether in stages or as one single exercise).
	C	(i) A personnel database may not be fully maintained but reconciliation of the payroll with personnel records takes place at least every six months. (ii) Up to three months delay occurs in processing changes to personnel records and payroll for a large part of changes, which leads to frequent retroactive adjustments. (iii) Controls exist, but are not adequate to ensure full integrity of data. (iv) Partial payroll audits or staff surveys have been undertaken within the last 3 years.
	D	(i) Integrity of the payroll is significantly undermined by lack of complete personnel records and personnel database, or by lacking reconciliation between the three lists. (ii) Delays in processing changes to payroll and nominal roll are often significantly longer than three months and require widespread retroactive adjustments. (iii) Controls of changes to records are deficient and facilitate payment errors. (iv) No payroll audits have been undertaken within the last three years.
PI-19 Competition, value for money and controls in procurement	A	(i) Use of open competition for award of contracts that exceed the nationally established monetary threshold for small purchases Accurate data on the method used to award public contracts exists and shows that more than 75percent of contracts above the threshold are awarded on the basis of open competition. (ii) Justification for use of less competitive procurement methods Other less competitive methods when used are justified in accordance with clear regulatory requirements. (iii) Existence and operation of a procurement complaints mechanism A process (defined by legislation) for submission and timely resolution of procurement process complaints is operative and subject to oversight of an external body with data on resolution of complaints accessible to public scrutiny.
	B	(i) Use of open competition for award of contracts that exceed the nationally established monetary threshold for small purchases Available data on public contract awards shows that more than 50percent but less than 75percent of contracts above the threshold are awarded on basis of open competition, but the data may not be accurate. (ii) Justification for use of less competitive procurement methods Other less competitive methods when used are justified in accordance with regulatory requirements. (iii) Existence and operation of a procurement complaints mechanism A process (defined by legislation) for submitting and addressing procurement process complaints is operative, but lacks ability to refer resolution of the complaint to an external higher authority.

PEFA SCORE		EXPLANATION OF CALIBRATION
	C	(i) Use of open competition for award of contracts that exceed the nationally established monetary threshold for small purchases Available data shows that less than 50percent of contracts above the threshold are awarded on an open competitive basis, but the data may not be accurate. (ii) Justification for use of less competitive procurement methods Justification for use of less competitive methods is weak or missing. (iii) Existence and operation of a procurement complaints mechanism A process exists for submitting and addressing procurement complaints, but it is designed poorly and does not operate in a manner that provides for timely resolution of complaints.
	D	(i) Use of open competition for award of contracts that exceed the nationally established monetary threshold for small purchases Insufficient data exists to assess the method used to award public contracts OR the available data indicates that use of open competition is limited. (ii) Justification for use of less competitive procurement methods Regulatory requirements do not clearly establish open competition as the preferred method of procurement. (iii) Existence and operation of a procurement complaints mechanism No process is defined to enable submitting and addressing complaints regarding the implementation of the procurement process.
PI-20 Effectiveness of internal controls for non-salary expenditure	A	(i) Comprehensive expenditure commitment controls are in place and effectively limit commitments to actual cash availability and approved budget allocations (as revised). (ii) Other internal control rules and procedures are relevant, incorporates a comprehensive and generally cost effective set of controls, which are widely understood. (ii) Compliance with rules is very high and any misuse of simplified and emergency procedures is insignificant.
	B	(i) Expenditure commitment controls are in place and effectively limit commitments to actual cash availability and approved budget allocations for most types of expenditure, with minor areas of exception. (ii) Other internal control rules and procedures incorporates a comprehensive set of controls, which are widely understood, but may in some areas be excessive (e.g. through duplication in approvals) and lead to inefficiency in staff use and unnecessary delays. (iii) Compliance with rules is fairly high, but simplified/emergency procedures are used occasionally without adequate justification.
	C	(i) Expenditure commitment control procedures exist and are partially effective, but they may not comprehensively cover all expenditures or they may occasionally be violated. (ii) Other internal control rules and procedures consist of a basic set of rules for processing and recording transactions, which are understood by those directly involved in their application. Some rules and procedures may be excessive, while controls may be deficient in areas of minor importance. (iii) Rules are complied with in a significant majority of transactions, but use of simplified/emergency procedures in unjustified situations is an important concern.
	D	(i) Commitment control systems are generally lacking OR they are routinely violated. (ii) Clear, comprehensive control rules/procedures are lacking in other important areas. (iii) The core set of rules are not complied with on a routine and widespread basis due to direct breach of rules or unjustified routine use of simplified/emergency procedures.
PI-21. Effectiveness of internal audit	A	(i) Internal audit is operational for all central government entities, and generally meet professional standards, It is focused on systemic issues (at least 50percent of staff time).. (ii) Reports adhere to a fixed schedule and are distributed to the audited entity, ministry of finance and the SAI. (iii) Action by management on internal audit findings is prompt and comprehensive across central government entities.

PEFA SCORE		EXPLANATION OF CALIBRATION
	B	(i) Internal audit is operational for the majority of central government entities (measured by value of revenue/expenditure), and substantially meet professional standards. It is focused on systemic issues (at least 50percent of staff time). (ii) Reports are issued regularly for most audited entities are distributed to the audited entity, the ministry of finance and the SAI. (iii) Prompt and comprehensive action is taken by many (but not all) managers.
	C	(i) The function is operational for at least the most important central government entities and undertakes some systems review (at least 20percent of staff time), but may not meet recognized professional standards. (ii) Reports are issued regularly for most government entities, but may not be submitted to the ministry of finance and the SAI. (iii) A fair degree of action taken by many managers on major issues but often with delay
	D	(i) There is little or no internal audit focused on systems monitoring. (ii) Reports are either non-existent or very irregular. (iii) Internal audit recommendations are usually ignored (with few exceptions).
PI-22. Timeliness and regularity of accounts reconciliation	A	(i) Regularity of bank reconciliations Bank reconciliation for all central government bank accounts take place at least monthly at aggregate and detailed levels, usually within 4 weeks of end of period. (ii) Regularity of reconciliation and clearance of suspense accounts and advances Reconciliation and clearance of suspense accounts and advances take place at least quarterly, within a month from end of period and with few balances brought forward.
	B	(i) Regularity of bank reconciliations Bank reconciliation for all Treasury managed bank accounts take place at least monthly, usually within 4 weeks from end of month. (ii) Regularity of reconciliation and clearance of suspense accounts and advances Reconciliation and clearance of suspense accounts and advances take place at least annually within two months of end of period. Some accounts have uncleared balances brought forward.
	C	(i) Regularity of bank reconciliations Bank reconciliation for all Treasury managed bank accounts take place quarterly, usually within 8 weeks of end of quarter. (ii) Regularity of reconciliation and clearance of suspense accounts and advances Reconciliation and clearance of suspense accounts and advances take place annually in general, within two months of end of year, but a significant number of accounts have uncleared balances brought forward.
	D	(i) Regularity of bank reconciliations Bank reconciliation for all Treasury managed bank accounts take place less frequently than quarterly OR with backlogs of several months. (ii) Regularity of reconciliation and clearance of suspense accounts and advances Reconciliation and clearance of suspense accounts and advances take place either annually with more than two months' delay, OR less frequently.
PI-23 Availability of information on resources received by service delivery units	A	(i) Routine data collection or accounting systems provide reliable information on all types of resources received in cash and in kind by both primary schools and primary health clinics across the country. The information is compiled into reports at least annually.
	B	(i) Routine data collection or accounting systems provide reliable information on all types of resources received in cash and in kind by either primary schools or primary health clinics across most of the country with information compiled into reports at least annually; OR special surveys undertaken within the last 3 years have demonstrated the level of resources received in cash and in kind by both primary schools and primary health clinics across most of the country (including by representative sampling).
	C	(i) Special surveys undertaken within the last 3 years have demonstrated the level of resources received in cash and in kind by either primary schools or primary health clinics covering a significant part of the country OR by primary service delivery units at local community level in several other sectors.
	D	(i) No comprehensive data collection on resources to service delivery units in any major sector has been collected and processed within the last 3 years.

PEFA SCORE		EXPLANATION OF CALIBRATION
PI-24. Quality and timeliness of in-year budget reports	A	(i) Classification of data allows direct comparison to the original budget. Information includes all items of budget estimates. Expenditure is covered at both commitment and payment stages. (ii) Reports are prepared quarterly or more frequently, and issued within 4 weeks of end of period. (iii) There are no material concerns regarding data accuracy.
	B	(i) Classification allows comparison to budget but only with some aggregation. Expenditure is covered at both commitment and payment stages. (ii) Reports are prepared quarterly, and issued within 6 weeks of end of quarter. (iii) There are some concerns about accuracy, but data issues are generally highlighted in the reports and do not compromise overall consistency/ usefulness.
	C	(i) Comparison to budget is possible only for main administrative headings. Expenditure is captured either at commitment or at payment stage (not both). (ii) Reports are prepared quarterly (possibly excluding first quarter), and issued within 8 weeks of end of quarter. (iii) There are some concerns about the accuracy of information, which may not always be highlighted in the reports, but this does not fundamentally undermine their basic usefulness.
	D	(i) Comparison to the budget may not be possible across all main administrative headings. (ii) Quarterly reports are either not prepared or often issued with more than 8 weeks delay. (iii) Data is too inaccurate to be of any real use.
PI-25. Quality and timeliness of annual financial statements	A	(i) A consolidated government statement is prepared annually and includes full information on revenue, expenditure and financial assets/liabilities. (ii) The statement is submitted for external audit within 6 months of the end of the fiscal year. (iii) IPSAS or corresponding national standards are applied for all statements.
	B	(i) A consolidated government statement is prepared annually. They include, with few exceptions, full information on revenue, expenditure and financial assets/liabilities (ii) The consolidated government statement is submitted for external audit within 10 months of the end of the fiscal year. (iii) IPSAS or corresponding national standards are applied.
	C	(i) A consolidated government statement is prepared annually. Information on revenue, expenditure and bank account balances may not always be complete, but the omissions are not significant. (ii) The statements are submitted for external audit within 15 months of the end of the fiscal year. (iii) Statements are presented in consistent format over time with some disclosure of accounting standards.
	D	(i) A consolidated government statement is not prepared annually, OR essential information is missing from the financial statements OR the financial records are too poor to enable audit. (ii) If annual statements are prepared, they are generally not submitted for external audit within 15 months of the end of the fiscal year (iii) Statements are not presented in a consistent format over time or accounting standards are not disclosed.
PI-26. Scope, nature and follow-up of external audit	A	(i) All entities of central government are audited annually covering revenue, expenditure and assets/liabilities. A full range of financial audits and some aspects of performance audit are performed and generally adhere to auditing standards, focusing on significant and systemic issues. (ii) Audit reports are submitted to the legislature within 4 months of the end of the period covered and in the case of financial statements from their receipt by the audit office. (iii) There is clear evidence of effective and timely follow up.
	B	(i) Central government entities representing at least 75percent of total expenditures 12 are audited annually, at least covering revenue and expenditure. A wide range of financial audits are performed and generally adheres to auditing standards, focusing on significant and systemic issues. (ii) Audit reports are submitted to the legislature within 8 months of the end of the period covered and in the case of financial statements from their receipt by the audit office. (iii) A formal response is made in a timely manner, but there is little evidence of systematic follow up.

PEFA SCORE		EXPLANATION OF CALIBRATION
	C	(i) Central government entities representing at least 50percent of total expenditures are audited annually. Audits predominantly comprise transaction level testing, but reports identify significant issues. Audit standards may be disclosed to a limited extent only. (ii) Audit reports are submitted to the legislature within 12 months of the end of the period covered (for audit of financial statements from their receipt by the auditors). (iii) A formal response is made, though delayed or not very thorough. but there is little evidence of any follow up.
	D	(i) Audits cover central government entities representing less than 50percent of total expenditures or audits have higher coverage but do not highlight the significant issues. (ii) Audit reports are submitted to the legislature more than 12 months from the end of the period covered (for audit of financial statements from their receipt by the auditors). (iii) There is little evidence of response or follow up.
PI-27 Legislative scrutiny of the annual budget law	A	(i) The legislature's review covers fiscal policies, medium term fiscal framework and medium term priorities as well as details of expenditure and revenue. (ii) The legislature's procedures for budget review are firmly established and respected. They include internal organizational arrangements, such as specialized review committees, and negotiation procedures. (iii) The legislature has at least two months to review the budget proposals. (iv) Clear rules exist for in-year budget amendments by the executive, set strict limits on extent and nature of amendments and are consistently respected.
	B	(i) The legislature's review covers fiscal policies and aggregates for the coming year as well as detailed estimates of expenditure and revenue. (ii) Simple procedures exist for the legislature's budget review and are respected. (iii) The legislature has at least one month to review the budget proposals. (iv) Clear rules exist for in-year budget amendments by the executive, and are usually respected, but they allow extensive administrative reallocations.
	C	(i) The legislature's review covers details of expenditure and revenue, but only at a stage where detailed proposals have been finalized. (ii) Some procedures exist for the legislature's budget review, but they are not comprehensive and only partially respected. (iii) The legislature has at least one month to review the budget proposals. (iv) Clear rules exist, but they may not always be respected OR they may allow extensive administrative reallocation as well as expansion of total expenditure.
	D	(i) The legislature's review is non-existent or extremely limited, OR there is no functioning legislature. (ii) Procedures for the legislature's review are non-existent or not respected. (iii) The time allowed for the legislature's review is clearly insufficient for a meaningful debate (significantly less than one month). (iv) Rules regarding in-year budget amendments may exist but are either very rudimentary and unclear OR they are usually not respected.
PI-28 Legislative scrutiny of external audit reports	A	(i) Scrutiny of audit reports is usually completed by the legislature within 3 months from receipt of the reports. (ii) In-depth hearings on key findings take place consistently with responsible officers from all or most audited entities, which receive a qualified or adverse audit opinion. (iii) The legislature usually issues recommendations on action to be implemented by the executive, and evidence exists that they are generally implemented.
	B	(i) Scrutiny of audit reports is usually completed by the legislature within 6 months from receipt of the reports. (ii) In-depth hearings on key findings take place with responsible officers from the audited entities as a routine, but may cover only some of the entities, which received a qualified or adverse audit opinion. (iii) Actions are recommended to the executive, some of which are implemented, according to existing evidence.
	C	(i) Scrutiny of audit reports is usually completed by the legislature within 12 months from receipt of the reports. (ii) In-depth hearings on key findings take place occasionally, cover only a few audited entities or may include with ministry of finance officials only. (iii) Actions are recommended, but are rarely acted upon by the executive.
	D	(i) Examination of audit reports by the legislature does not take place or usually takes more than 12 months to complete. (ii) No in-depth hearings are conducted by the legislature. (iii) No recommendations are being issued by the legislature.

PEFA SCORE		EXPLANATION OF CALIBRATION
D-1 Predictability of Direct Budget Support	A	(i) In no more than one out of the last three years has direct budget support outturn fallen short of the forecast by more than 5percent. (ii) Quarterly disbursement estimates have been agreed with donors at or before the beginning of the fiscal year and actual disbursements delays (weighted) have not exceeded 25percent in two of the last three years.
	B	(i) In no more than one out of the last three years has direct budget support outturn fallen short of the forecast by more than 10percent. (ii) Quarterly disbursement estimates have been agreed with donors at or before the beginning of the fiscal year and actual disbursements delays (weighted) have not exceeded 25percent in two of the last three years.
	C	(i) In no more than one out of the last three years has direct budget support outturn fallen short of the forecast by more than 15percent. (ii) Quarterly disbursement estimates have been agreed with donors at or before the beginning of the fiscal year and actual disbursements delays (weighted) have not exceeded 50percent in two of the last three years.
	D	(i) In at least two of the last three years did direct budget support outturn fall short of the forecast by more than 15percent OR no comprehensive and timely forecast for the year(s) was provided by the donor agencies. (ii) The requirements for score C (or higher) are not met.
D-2 Financial information provided by donors for budgeting and reporting on project and program aid	A	(i) All donors (with the possible exception of a few donors providing insignificant amounts) provide budget estimates for disbursement of project aid at stages consistent with the government's budget calendar and with a breakdown consistent with the government's budget classification. (ii) Donors provide quarterly reports within one month of end-of-quarter on the all disbursements made for at least 85percent of the externally financed project estimates in the budget, with a break-down consistent with the government budget classification.
	B	(i) At least half of donors (including the five largest) provide complete budget estimates for disbursement of project aid at stages consistent with the government's budget calendar and with a breakdown consistent with the government's budget classification. (ii) Donors provide quarterly reports within one month of end-of-quarter on the all disbursements made for at least 70percent of the externally financed project estimates in the budget with a break-down consistent with the government budget classification.
	C	(i) At least half of donors (including the five largest) provide complete budget estimates for disbursement of project aid for the government's coming fiscal year, at least three months prior its start. Estimates may use donor classification and not be consistent with the government's budget classification. (ii) Donors provide quarterly reports within two months of end-of-quarter on the all disbursements made for at least 50percent of the externally financed project estimates in the budget. The information does not necessarily provide a break-down consistent with the government budget classification.
	D	(i) Not all major donors provide budget estimates for disbursement of project aid at least for the government's coming fiscal year and at least three months prior its start. (ii) Donors do not provide quarterly reports within two month of end-of-quarter on the disbursements made for at least 50percent of the externally financed project estimates in the budget.
D-3 Proportion of aid that is managed by use of national procedures	A	(i) 90percent or more of aid funds to central government are managed through national procedures.
	B	(i) 75percent or more of aid funds to central government are managed through national procedures.
	C	(i) 50percent or more of aid funds to central government are managed through national procedures.
	D	(i) Less than 50percent of aid funds to central government are managed through national procedures.