REPUBLIC OF GHANA

THE

BUDGET OPERATIONS MANUAL

For Development of the National Budget

GOVERNMENT OF GHANA

Prepared by

MINISTRY OF FINANCE

(Budget Division)

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Preface from the Director of Budget

The Budget Operations Manual is a comprehensive document that explains the main components of Ghana's budget processes and budget cycle. It explains how the budget is formulated, approved, implemented and monitored and evaluated. The processes and explanations included in the Manual are meant to serve as a reference guide for all stakeholders. The Manual simplifies budgeting in Ghana. It lays out in a logical manner all of the main steps stakeholders implement to ensure Ghana's budget is credible and implemented to achieve program, activity and project service delivery goals and objectives. The budget is the essential tool the Government of Ghana (GOG) uses to improve the quality of life for the people of Ghana.

This Manual will provide a deeper understanding of budgeting in Ghana – it will guide the nation's political leadership, managers, practitioners in MDAs and MMDAs and public on their respective roles and responsibilities throughout Ghana's budget cycle. The Manual will explain business processes and working relationships between the various divisions and units that are involved in supervising and monitoring budget performance in Ghana.

This Manual is an important component of Ghana's Public Financial Management (PFM) reform program. In 2014, Program Based Budgeting (PBB) was implemented for the first time in Ghana, and the Budget Division (BD) developed a strategic plan and risk management framework. For the 2014 budget, MOF for the second time published a Citizen's Budget. As the GOG embarks on further PFM reforms, I anticipate this Manual will serve as a valuable reference tool. I urge all relevant stakeholders involved in Ghana's budget cycle to be guided by the principles and steps outlined in this Manual.

Patrick Nomo

Director of Budget

Acknowledgment

The preparation of this Manual was made possible with the considerable efforts, technical support, contributions and useful comments from key stakeholders including the units falling under the MOF Finance Branch, the National Development Planning Commission (NDPC), Ministries, Departments and Agencies (MDAs), Controller and Accountant General's Department (CAGD), Ghana Revenue Authority (GRA), Ghana Audit Service (GAS), and the Finance Committee of Parliament and Parliament Services.

A series of intensive meetings and interviews culminated in a two-day validation workshop that helped confirm all of the processes, roles and responsibilities, and other information that are contained in this Manual.

Special appreciation is extended to GIZ for their support in the development of this Manual.

List of Abbreviations and Acronyms

AAP	Annual Action Plan
ABB	Activity Based Budgeting
BD	Budget Division
BFSP	Budget Framework Strategy Paper
BIU	Budget Implementation Unit
BPEMS	Budget and Public Expenditure Management System
BPPU	Budget Planning and Preparation Unit
CAGD	Controller and Accountant General's Department
CMU	Compensation Management Unit
CSO	Community Service Organization
DMD	Debt Management Division
DP	Development Partners
ERFD	Economic Research and Forecasting Division
ERM – B	External Resource Mobilization-Bilateral
ERM – M	External Resource Mobilization-Multilateral
FAA	Financial Administration Act
FAR	Financial Administration Regulation
FDU	Fiscal Decentralization Unit
FY	Financial Year
IBP	International Budget Partnership
IGF	Internally Generated Funds
IMF	International Monetary Fund
IRMT	International Records Management Trust
IT	Information Technology
GAS	Ghana Audit Service
GASB	Governmental Accounting Standards Board
GDP	Gross Domestic Product
GRA	Ghana Revenue Authority
GIFMIS	Ghana Integrated Financial Management Information System
GIZ	German Technical Cooperation
GOG	Government of Ghana
GSGDA	Ghana Shared Growth Development Agenda
HRM	Human Resource Management
IMF	International Monetary Fund
LGSS	Local Government Service Secretariat
MDA	Ministries, Departments and Agencies
MMDA	Metropolitan, Municipal and District Assemblies
MOF	Ministry of Finance
MTDP	Medium Term Development Plan
MTEF	Medium Term Expenditure Framework

MTFF	Medium Term Fiscal Framework
NDPC	National Development Planning Commission
NGO	Non-Governmental Organization
NMTDPF	National Medium Term Development Policy Framework
NTR	Non Tax Revenue
NTRU	Non Tax Revenue Unit
OBI	Open Budget Index
OECD	Organization of Economic Cooperation and Development
PAC	Public Accounts Committee
PBB	Program Based Budgeting
PEMU	Public Expenditure Management Unit
PFM	Public Financial Management
PID	Public Investment Division
PIMS	Public Investment Management System
PIP	Public Investment Program
POA	Program of Action
PPME	Policy, Planning, Monitoring, and Evaluating
PPP	Public and Private Partnerships
PUFMARP	Public Financial Management Reform Program

Glossary of Terms and Concepts

Activity Based Budgeting – ABB is a budgeting approach that attempts to link strategic objectives to outputs and activities. The budgeting approach tends to be overly detailed and highly centralized. ABB has been discontinued by some governments, including GOG, in favor of program based budgeting or performance based budgeting. ABB tends to have limited linkages between strategic policy performance measures and resource allocations.

Amortization - Amortization is paying off the principal debt with a fixed repayment schedule in regular installments over a period of time. For fiscal policy, it means the spreading out of capital expenses for intangible assets over a specific period of time (usually over an asset's useful life) for accounting or tax purposes.

Baseline – A baseline is the projection of future budget requirements if current GOG policies continue without any changes. The first step to rolling MTEF forward each year is to update the baseline projections to take into account current macroeconomic forecasts and policy changes that will affect expenditure. The baseline should be updated every year when updating MTEF. Updating the baseline helps governments determine the fiscal space available in the next budget for new initiatives

Budget – A budget is the expression or list of planned revenue and expenditure for a given period. In Ghana the given period is a financial year. Budgeting tends to include projected estimates of expenditure that are comprised of costs or expenses for salaries and procuring goods, services and assets and planned revenue or Non Tax Revenue (NTR), Internally Generated Funds (IGF) and grants. A budget may be considered a management tool that helps MDAs and MMDAs allocate resources to achieve strategic objectives in measurable terms. Budgets instill a sense of accountability as they allow the people to know how well or not so well an organization is performing.

Budget Appropriation – The Budget Appropriation is a law passed by Parliament that specifies how much money can be spent on any given MDA program.

Budget Ceiling – A budget Ceiling is an important component of MTEF and budget planning. A budget ceiling lets a MDA or MMDA know its aggregate resource constraint or amount of resources over a designated amount of time that may be used to achieve strategic or service delivery objectives. Budget ceilings require organizations to prioritize what they plan to achieve, and they play a critical role in helping MDAs and MMDAs decide where to find fiscal space to fund new policy priorities.

Budget Classification – Budget classification in Ghana expects MDAs to classify their budgets according to economic and functional classifications. The economic classification identifies the type of expenditure for salaries, goods and services, transfers and capital payments. The functional classifications categorize expenditures according to the purpose and objectives regardless of the MDA

Budget Framework and Strategy Paper – The BFSP is usually prepared and finalized toward the end of the first quarter of the financial year. It includes proposals with three years of ceilings or forward estimates that are submitted to the President.

Budget Guidelines – Budget Guidelines seek to provide clear instructions about the processes and procedures MDAs and MMDAs should use to prepare their budget proposals and budget estimates.

Budget Program – a budget program is a main section within an MDA's budget that funds clearly defined sets of services that deliver one or more of the core functions contained in the MDA's legislated and assigned mandates.

Budget and Economic Policy Statement – The Budget Statement is presented by the Minister of Finance to Parliament each year. The statement sets economic policy and sector performance for the upcoming financial year. It explains how GOG plans to confront economic and PFM challenges for the upcoming year, and it discusses the macroeconomic framework for the nation.

Budget Sub-Program – A budget sub-program comprises a distinct grouping of services and activities that fall within the framework of a budget program.

Capital Expenditure – Capital expenditure is an amount spent to acquire or upgrade assets (examples include buildings, machinery, vehicles) in order to increase the capacity or efficiency of government services.

Cash Inflow – Cash inflows are revenue streams that change cash accounts over a given period of time. Cash inflows usually arise from one of three activities: (i) financing; (ii) operations; and (iii) investing.

Cash Management – Cash management is an important part of financial management, and it helps MDAs know the amount of cash they have on hand and the amount cash they will need. Cash management plans let MDAs know how much cash they will need over the course of a FY.

Cash Outflow – Cash outflows result from expenses or investments.

Chart of Accounts – The COA is a list of accounts that are used by GOG to define each class of how money is expended or generated in the general ledger. Budget classifications are aligned with the COA, and the COA sets coding elements to classify, record, budget and report on all GOG transactions.

Decentralization – For Ghana, decentralization is the process of transferring or dispersing public sector decision making powers to local government or district assemblies. It entails the transfer of power and resources from the national government to subnational governments. It is a process that incrementally allows districts to have more of say in what services it delivers to its residents, how IGF is collected and expended and what development priorities should be pursued.

Direct Costs – Direct costs are those arising from the operations of the cost center or the costs incurred on behalf of the centers through the operations of other centers.

Financial Year (FY) – A financial year in Ghana runs from the period 1 January to 31 December. It is the accounting period of the GOG, and it closes on 31 December. A financial year may also be called a fiscal year. A financial year may vary across governments and organizations. Some governments follow Ghana's example and have their financial year align with the calendar year.

Fiscal Deficits – A fiscal deficit occurs when a government's total expenditures exceed the revenue that it generates (excluding money from borrowings).

Forward Estimate – A forward estimate is an MTEF expenditure forecast. Forward estimates allow MDAs and MMDAs to determine the cost of delivering current levels of services. They help decision makers calculate required resources over the medium term in order to ensure the continuity of a program and its activities. They do not take into account the financial implications of changing policies, programs or activities.

Ghana Shared Growth Development Agenda (GSGDA) – The GSGDA is the National Medium Term Development Policy Framework (NMTDPF) for the 2010-2013 planning period. The NMTDPF is developed every four years, and it is used by MDAs and MMDAs to develop their Medium Term Development Plans (MTDPs). The current NMTDPF covers the period 2014 to 2017 and launched GSGDA II. The GSGDA II, 2014-2017, lays out the GOG's plan to achieve and sustain macroeconomic stability while placing the economy on a path to increased shared growth and poverty reductions.

GIFMIS – GIFMIS ensures all MDA expenditure and project expenditure is assigned a budget code that is in line with the Chart of Accounts (COA). GFMIS tracks current FY expenditure outturns, whereas PIMS tracks the expenditure of a project for the life of a project. GIFMIS modules are used for accounts payable and accounts receivable.

GIFMIS Budget Module/Hyperion – Hyperion is a system that captures important financial and non-financial data for budgeting. It captures important data from MDA MTDPs like output types and output volumes, and it captures information about wage bill ceilings for each MDA. Macroeconomic forecasting data, and indexation rates for forward estimates, are also reflected in Hyperion. Hyperion is a web-based application.

Gross Domestic Product – GDP is the monetary value of all the finished goods and services produced within a country's borders in a specific time period (usually calculated on an annual basis)

Gross International Reserves – Gross International Reserves are foreign assets that are available to and controlled by the Bank of Ghana that may be passed to the central banks of other countries to finance payment imbalances. They consist of holdings of gold, special drawing rights or currencies.

Indirect Costs – Indirect costs are costs incurred from administrative centers (overheads).

Inflation – Inflation is the rate at which the general level of prices for goods and services is rising, and subsequently, purchasing power is falling.

Macroeconomic Framework – Macroeconomic Framework reviews past and present economic development and provides an outlook for the domestic, regional and world economies upon which recommendations for the future course of fiscal policy are determined.

Macro-fiscal Framework – Macro-fiscal Framework rationalizes expenditure, taxation and borrowing in order to achieve fiscal discipline and economic growth.

Medium Term Development Plan – MTDPs are the plans MDAs and MMDAs develop and align with the NMTDPF (GSGDA II). MTDPs lay out what a MDA or MMDA plans to achieve over a four-year period. Each MDA or MMDA MTDP is costed and should be aligned with Ghana's MTEF.

Medium Term Expenditure Framework – MTEF is an annual, rolling mechanism that helps GOG link the resources it will need over three years to achieve MDA or sector development plans. It is a process that helps decision makers know how policies will be aligned with future resource allocations. It sets out medium term expenditure priorities and hard budget constraints (budget ceilings) against which MTDPs can be developed and refined. MTEF also helps GOG monitor MTDP performance. MTEF and the Budget Framework Paper provide the basis for annual budget planning. The MTEF in Ghana is for three years, but some countries use their MTEF to prepare forward estimates for four or five years.

Medium Term Fiscal Framework – The MTFF is a macroeconomic model that projects revenue and expenditure over the medium term (usually three or four years). MTEF should flow from MTFF because GOG's expenditure cannot be determined without knowing Ghana's broader fiscal prospects like projected inflation rates, projected GDP growth and other macroeconomic prospects.

Operations – Operations represent the on-going expenses of running a budget program or budget sub-program.

Operational Bank Account – An operational bank account is concerned with the financial aspects of running a department (MDA). The FAA 2004 governs the operations of operational bank accounts in sections 14(3) Opening of Bank Accounts of Public Funds; (18) Lodgement of Retained Internally Generated Funds; and (165(2)) Release of Funds.

Outcome – An outcome relates to the strategic policy objectives of MDAs. They allow MDAs and GOG to measure the extent to which strategic policy objectives are being achieved. Outcomes may take several or more years to achieve, and they may be influences by factors that are beyond the control of MDAs.

Outputs – An output relates to the activities of MDAs. They are usually goods and services that are produced in a given period in order to achieve agreed objectives. They are measurable in terms of quantity, quality and timeliness) and therefore an important component of determining how much programs and activities will cost to implement.

Performance Indicator – A performance indicator is a way to represent the amount of a product or service that is provided or delivered by a MDA. They are a useful tool that can measure how well or not so well a program or activity is achieving its goals and objectives. They play an important role in determining how much expenditure should be allocated to a program and activity. Ideally, they should be specific, measurable, achievable, realistic and time bound.

PIMS (Public Investment Management System) – PIMS is a project and contract management system that helps identify project funding requirements and tracks project expenditure over the medium term which helps resource allocation planning align with MTEF. The system tracks expenditure and performance data about contracts and projects. Projects may be funded entirely by a donor (through loans or grants), partially funded by a donor (GOG counterpart funding required), or funded in-kind (donations from CSO, NGOs or private donors). PIMS is a web-based application.

Program Based Budgeting – PBB is a system of budgeting that that focuses on outputs, outcomes, service delivery and results. It is a budgeting approach that links planned expenditures by programs, or groupings of related services and activities, to measurable and expected results.

Program Output Indicators – Program Output Indicators are a measure of what has been achieved as a result of the operations of an MDA. They represent the amount of products or services provided by an agency. These can be measures of quantity, quality, timeliness or cost indicators.

Project – A project is an individual or group of activities or enterprises that is carefully planned to achieve a specific objective. In Ghana, projects are entered into PBB at the budget operations level. Some large projects, particularly donor funded projects, may cut across several budget programs.

Public Financial Management – PFM deals with all aspects of expenditure and resource mobilization and management in the public sector. It usually commences with policy analysis and review before moving on to budget preparation, implementation and monitoring and evaluating. It is a vital part of sustainable development, good governance and government accountability.

Real GDP Growth – Real GDP growth is a measure of the rate of change that a nation's GDP experiences from one year to another.

Recurrent Expenditure – Recurrent expenditure mainly refers to expenditure on operations, wages and salaries and the purchase of goods and services.

Stakeholder – A stakeholder is a functional category of actors with a direct role in, or direct dependency on, certain activities or resources in terms of their use and management to achieve certain goals or outcomes.

Strategic Policy Objectives – Strategic Policy Objectives identify what is needed to achieve policy goals. They are specific and measurable targets for accomplishing a goal. They mark interim steps towards achieving an agency's long term mission and goals.

Virement – A virement is the transfer of funds within administrative expenditure or service expenditure. The transfer must be within a single budget heading (expenditure classification). Virements do not affect the total amounts of funds disbursed to a single budget heading, but they will affect amounts of funds for sub-heads, sub-items or sub-sub-heads. In Ghana, the Financial Administration Regulation, Article 171, defines a virement and the rules for issuing a virement.

Warrant – A warrant is issued when a payment made by GOG is authorized to be released to a MDA, MMDA or some other party. It is usually a written order (or letter) that originates in MOF or CAGD.

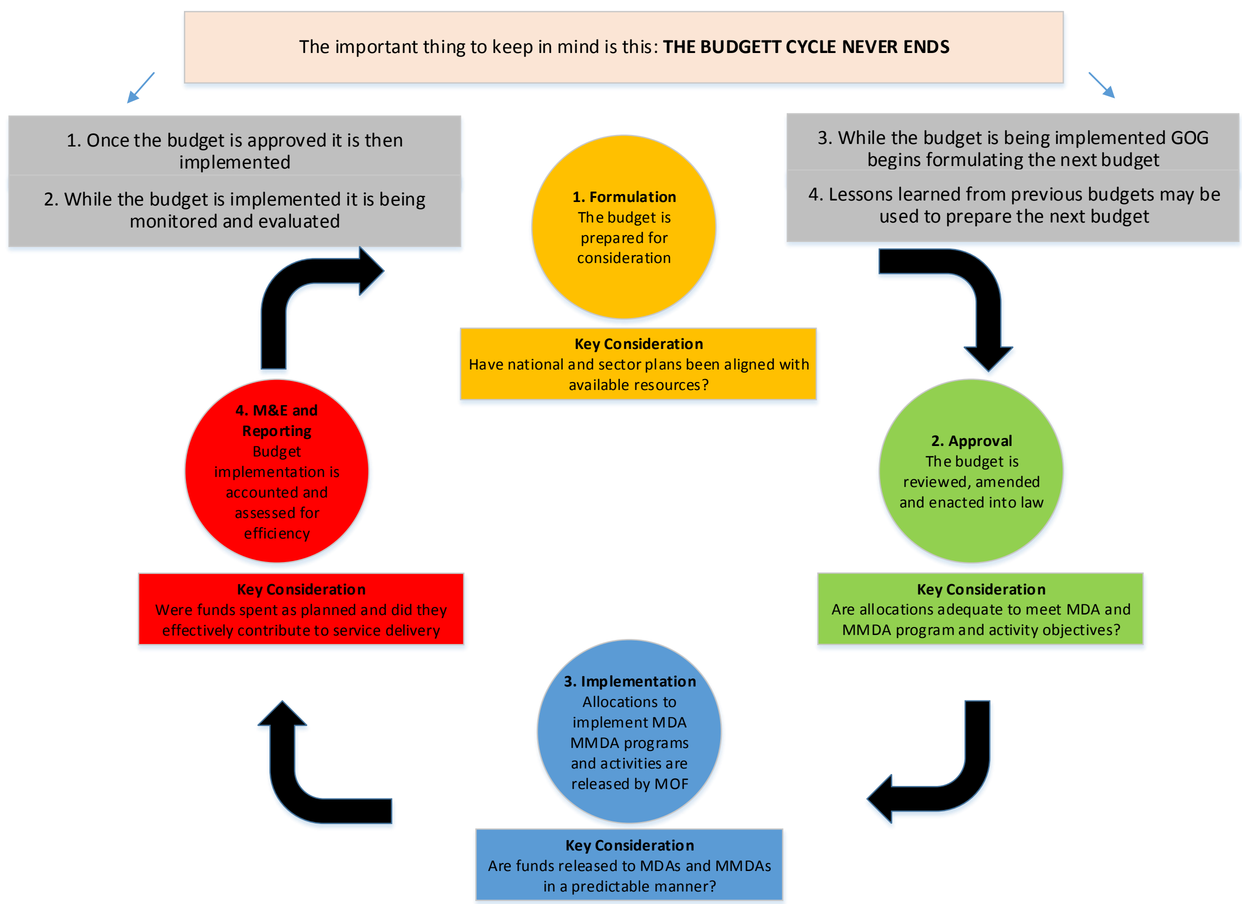
Chapter 1 – Introduction

1.1. Objectives of the Budget Operations Manual

This Manual's purpose is to serve as a management tool and a reference guide for the entire public sector budget cycle in Ghana. It explains the budget cycle step-by-step. It also explains the timing, formats and quality requirements for inputs into important documents like the Budget Statement, Budget Guidelines, Budget Framework Paper (BFP) and budget estimates. Budgeting roles and responsibilities are clarified and explained throughout this Manual, especially where important budget processes are mapped. This Manual includes important analytical tools or formats that are used to formulate, implement and monitor and evaluate Ghana's budget. Adhering to the processes and procedures laid out in this Manual is intended to enhance the way budget stakeholders formulate, implement and monitor and evaluate the budget's performance.

This Manual explains the steps or processes and procedures in the four main components of Ghana's budget cycle.

Figure 1: Ghana Budget Cycle



The budget cycle portrayed above is similar to the cycle governments around the world use to meet national and sector development strategies and deliver important service to their citizens.

Figure 1 demonstrates how the budget cycle is a continual process. Some steps might take longer to prepare and implement (budget formulation), other steps are regularly performed throughout the budget cycle (M&E and Reporting), and the remaining steps (approval and implementation) are usually determined by regulations that dictate when they commence and conclude.

Budget Formulation hinges on strategic policy formulation that is detailed in the National Medium Term Development Policy Framework. MDAs and MMDAs try to align their MTDPs with national priorities in the NMTDPF. The alignment includes developing programs, activities and performance indicator targets that are accurately costed and aligned with Ghana's MTEF. MDAs and MMDAs have to formulate their budgets within budget ceilings that are devised by MOF's The ceilings set the resource envelope or maximum amount of expenditure allotment any given MDA program or activity may be allocated in a financial year. Budget formulation is arguably the most debated phase of the budget cycle as it is during this phase that GOG has to prioritize what services it can deliver with limited available resources. A good budget formulation process is required for a credible budget and a predictable budget outcome.

Budget Approval is the responsibility of Parliament for the national budget, whereas district assemblies approve MMDA budgets. Historically, budget approval in Ghana occurs in December when Parliament discusses, debates and votes on the national budget and passes the Budget Appropriation Bill. Parliament approves the budget, and it authorizes GOG to generate revenue to spend money as approved in the budget.

Budget Implementation is the phase where the budget becomes a practical management tool that guides MDAs and MMDAs on how to achieve program and activity performance indicator targets. Budget implementation is the phase of the budget cycle that probably matters most to the public as it is during this phase that essential services are delivered to the people of Ghana.

Monitoring, evaluating and reporting requires GOG to determine how well or not so well MTDPS and the budgets MDAs and MMDAs are allocated to achieve their sector development objectives are met. Reporting helps managers, practitioners and other stakeholders determine what was achieved and lessons learned. If done correctly, reporting also instills a sense of accountability and transparency on how GOG spends limited resources to deliver essential public services.

1.2. The Mechanism for developing and regularly reviewing and updating this Manual

This Budget Operations Manual was developed based on extensive consultation and consensus building with a variety of stakeholders including the MOF's Budget Division, other MOF departments and divisions, MDAs, MMDAs, NDPC, CAGD, GAS, GRA and Members of Parliament and their staff. The highly collaborative process was implemented to instil a sense of ownership of the Manual's contents and to ensure the Manual is a useful reference and management tool.

This Manual will be periodically reviewed to reflect changing circumstances, capacity enhancements, revised information flows and refined roles and responsibilities that result from current and future PFM reforms. The review will be led by the Budget Division (BD), and it will require input and recommendations from the same group of stakeholders who were consulted during the development of this Manual. The BD Director will appoint BD staff who will oversee the review and update of the Manual. The BD staff and staff appointed from other stakeholders will submit recommendations for changes, and the Budget Director will revise the Manual as required.

The review mechanism will accomplish the following:

- Identify and new challenges managers of the budget cycle will face when formulating, implementing, monitoring and evaluating the budget;
- Further refine budgeting roles and responsibilities;
- Continually examine information flows among stakeholders, and the quality of information flows, and identify ways to improve information exchange;
- Require new BD staff and stakeholder staff to learn about the budget cycle in Ghana thereby improving institutional memory that may have been hampered in the past due to staff changes at MOF and at stakeholders;
- Encourage stakeholders and development partners (DPs) to identify new PFM reforms; and
- Permit the Manual to be updated in response to changes to the PFM legal framework in Ghana and the Budget Division's strategic plan.

The important thing to keep in mind about this Manual is that it is in not set in stone. It should be considered an evolving document that will have to be revised from time-to-time. As the budget cycle never really ends, the review and update of this Manual will also be a regular process. Moreover, this Manual will drive future PFM capacity building, training and PFM reforms.

1.3. PFM legal framework in Ghana

Ghana's PFM legal framework is based on the Constitution and acts and regulations that establish appropriate budget and accountability structures and reporting arrangements. Clear rules and procedures are in place, and there is a clear delegation of budget roles and responsibilities for Parliament, MOF, MDAs, MMDAs, CAGD, GAS, GRA and BOG. Expenditure controls are established, and rules governing what IGF MDAs and MMDAs may retain are spelled out in relevant acts and regulations.

Parliament's oversight and approval role in Ghana's PFM legal framework is critical. MDAs and MMDAs report to GAS, the President and the Parliament on PFM matters like budget implementation issues. MDAs also go before Parliament during important budget and technical hearings to justify their policy priorities and resource requests.

The legal framework for planning and budgeting in Ghana is laid out in important legislation as follows:

Constitution of the Republic of Ghana (1992)

Chapter 13 of the Constitution focuses on Finance. Article 175 establishes the Consolidated Fund, and Article 176 and Article 177 set the rules for managing the Consolidated Fund. Article 179 (1) of the Constitution requires the President of the Republic of Ghana to present the budget before the end of the financial year. Article 181 (1) notes that Parliament may authorize entering into an agreement for granting loans out of any public fund or public account. Subsequent sections define the Parliament's role in approving the budget as well as the role of the Bank of Ghana (BOG) in maintaining the stability of Ghana's currency.

Financial Administration Act (Act 654 of 2003)

Part I of the Act focuses on the control and management of public funds. The Act sets the powers, responsibilities and duties of the Minister of Finance. Part II of the Act refines Article 175 of the Constitution by defining public funds as the Consolidated Fund, Contingency Fund and other funds as established by an Act of Parliament. Part II, Section 14, sets rules for appropriating public money. Section 15 defines charges on appropriation and orders for fund disbursement. Part III of the Act refines Article 179 of the Constitution by defining the classification of revenue and expenditure estimates.

Financial Administration Regulations (2004)

Part V of the Regulation covers revenue and expenditure. Article 149 sets the authority of the Minister of Finance, Article 152 sets a timeframe for the BFP and Article 153 defines Budget Instructions. Subsequent articles deal with submitting and examining budget proposals, defining the components of Consolidated Fund Revenue and Expenditure Estimates, mechanisms for releasing warrants and funds, virements, expenditure control and supplementary provisions.

National Development Planning System Act (Act 480 of 1994)

The Act establishes the NDPC as the national coordinating body of the national and district planning systems. As the coordinator, the NDPC may also promulgate regulations and guidelines that dictate planning activities. The NDPC takes the lead in drafting the NMTDPF and making sure MTDPs align with the objectives of the NMTDPF.

Public Procurement Act (2003)

The Act strengthens the transparency in the use of state resources. It lays the foundation for a standardized procurement system that takes into account Ghana's decentralization and local industry development policies. It also includes measures that reduce GOG expenditure by reducing the waste and leakage of financial resources through effective auditing, expenditure monitoring, cost effectiveness and value for money via transparent competitive bidding. The Act ensures fair, non-discriminatory public procurement that reduces or eliminates corrupt procurement practices. The Act establishes the Public Procurement Board as the leading entity responsible for transparent procurement.

Internal Audit Agency Act (Act 658 of 2003)

The Act establishes a central internal audit agency to enhance efficiency, accountability and transparency in the management of the GOG's resources. The Act defines the objective and functions of the Internal Audit Agency and its oversight roles. The Act also establishes the Audit Agency as the coordinator of MDA and MMDA internal audit activities, and it establishes the functions and membership of the Internal Audit Board.

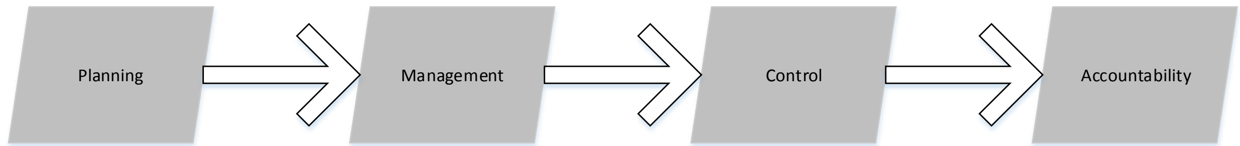
1.4. Ghana's PFM cycle

Good public financial management is critical to the successful development of Ghana. Good financial management practices need to balance public expenditure resources with the need to deliver essential services – especially to the poor. Properly conceptualized PFM ensures accountability to citizens by simultaneously reducing GOG expenditure, generating needed revenue and prioritizing the services that need to be delivered to the public.

Effective PFM requires planning how the GOG will deliver services with limited resources. It involves properly aligning planning and budgeting. MDAs have to ensure that their program objectives are adequately resourced. Service delivery has to be planned and implemented according to sector development priorities and sufficient financing over the medium term.

Figure 2: The four components of PFM

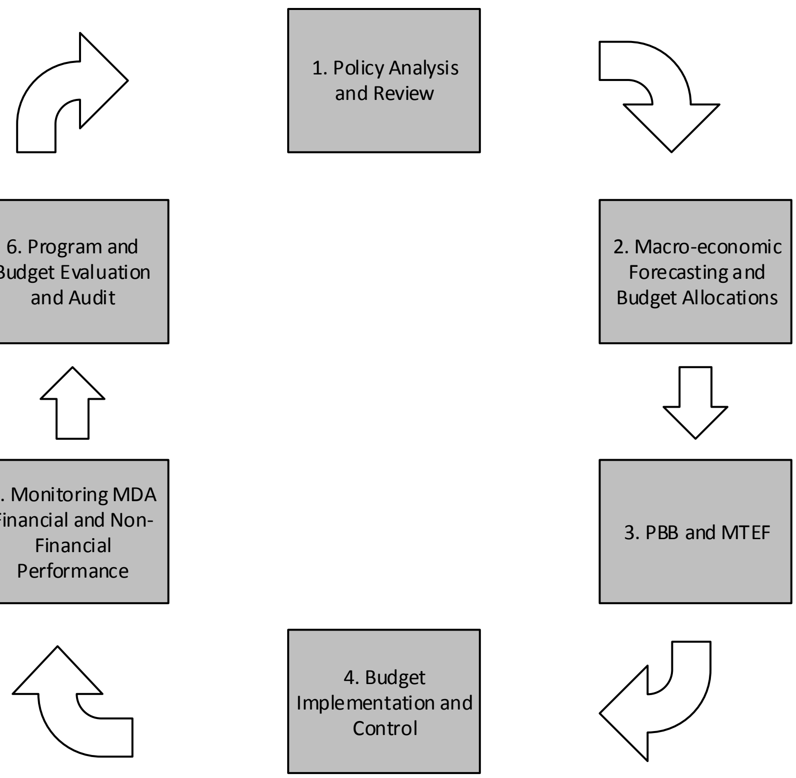
PFM is concerned with:



Ghana's PFM cycle is a highly involved process that includes a number of activities that are mainly driven by the Ministry of Finance's Budget Division (BD). The BD falls under the Finance Branch of the Ministry of Finance. It advises the Minister of Finance and GOG on all matters pertaining to budgeting in Ghana. In addition to providing important advice and guiding budgeting in Ghana, the BD also performs the following specific PFM functions:

- Coordinating technical advice to MDAs and MMDAs about all facets of budgeting;
- Taking the lead in preparing the BFP, Budget Guidelines, national annual expenditure estimates and other important documents that guide stakeholders through the budget cycle;
- Collaborating with National Development Planning Commission, Controller and Accountant Generals Department (CAGD), Bank of Ghana, Ghana Audit Service (GAS) on all matter pertaining to the budget cycle;
- Advising MDAs and other stakeholders on PBB and MTEF
- Guiding PFM reforms; and
- Performing any other duties deemed necessary by the Minister of Finance.

Figure 3: Ghana's PFM management cycle



Step 1 – Policy Analysis and Review

Policy analysis and review occurs during different stages of Ghana's PFM cycle. At the start of each new financial year, MOF and other relevant stakeholders will commence policy analysis and review to kick off preparing the upcoming financial year's budget. There will also be regular policy analysis reviews throughout the year. Budget performance will be examined at mid-year, and the results of the review will influence policy decisions for the remainder of the current financial year and the upcoming financial year. Moreover, different BD units and MOF divisions will conduct policy analysis and reviews of their mandated activities. For example, PEMU will regularly review cash management policy, BIU will regularly review policies setting MDA ceilings, NTRU will regularly review projection and collection policies for NTR and DMD will regularly review debt management policies. The output for this step are refined MTDPs for all MDAs.

Step 2 – Macro-economic Forecasting and Budget Allocations

Economic forecasting plays an integral part in preparing GOG's budget. Properly tracking, evaluating and forecasting economic performance helps the Ministry of Finance determine growth rates and realistic budget ceilings and expenditure forecasts. Forecasting is a function that is performed throughout the financial year. However, when preparing the annual national budget, the Ministry of Finance has to use the macro-economic forecast figures to prepare the first round of budget ceilings in April. This may be challenging given the unpredictable nature and timing of capturing relevant data about things like currency exchange rates, inflation rates or the price of crude oil. The output for this step is a macroeconomic framework that helps GOG determine MDA resource envelopes.

Step 3 – PBB and MTEF

The MTEF approach to budgeting was first introduced in Ghana during the 1999 budget, and PBB was introduced in the 2014 budget. Properly implementing MTEF lets governments better align planning and budgeting. It does this by requiring decision makers to take a strategic, forward looking approach to aligning planning priorities to allocating resources. MTEF is a tool that helps governments implement PBB by requiring decision makers to see how spending across sectors or programs can achieve policy objectives. As many policy objectives may take more than one year to achieve, MTEF requires governments to think about how programs and activities should be sustained or revised over the medium term. The output for this step is MDA programs and activities that are realistically costed over the medium-term (upcoming FY and two more years).

Step 4 – Budget Implementation and Control

Budget implementation and control is the component of the budget cycle that requires MDAs to action their strategic plans and work plans and deliver important services. Budget implementation in Ghana is guided by the PFM legal framework, and by lessons learned during previous budget implementations. Control is an aspect of budget implementation that attempts to ensure that strategic plans, work plans and cash management plans are adhered. It also focuses on making sure the implementation of the budget is legally carried out. The output for this step is ensuring MDAs implement their programs and activities within agreed budget allocations.

Step 5 – Monitoring MDA Financial and Non-Financial Performance

MDA budget performance and non-financial performance is routinely monitored by the Budget Division, other MOF divisions and other stakeholders. Various monitoring systems track activities like expenditure and revenue variance. Weekly, monthly, quarterly and annual monitoring allows MDAs to capture important information at a certain point in the budget cycle. This information will be used to make policy decisions that will impact the future operational aspects of the budget. The output for this step includes determining if MDAs are on target to achieve their performance targets within budget allocations.

Step 6 – Program and Budget Evaluation and Audit

Evaluating program and budget performance lets MDAs apply lessons learned to future programs and budget decisions. Evaluation is an important part of the budget cycle because it lets decision makers and practitioners know what has worked well and what has not worked very well as far as PFM management is concerned. Audit is a formal evaluation of the financial or non-financial performance of an MDA that lets stakeholders know if MDAs or other organizations are complying with laws or regulations. The output for this step is determining budget policy and sector development policies and MDA compliance.

1.5. Explanation of the budget cycle in Ghana

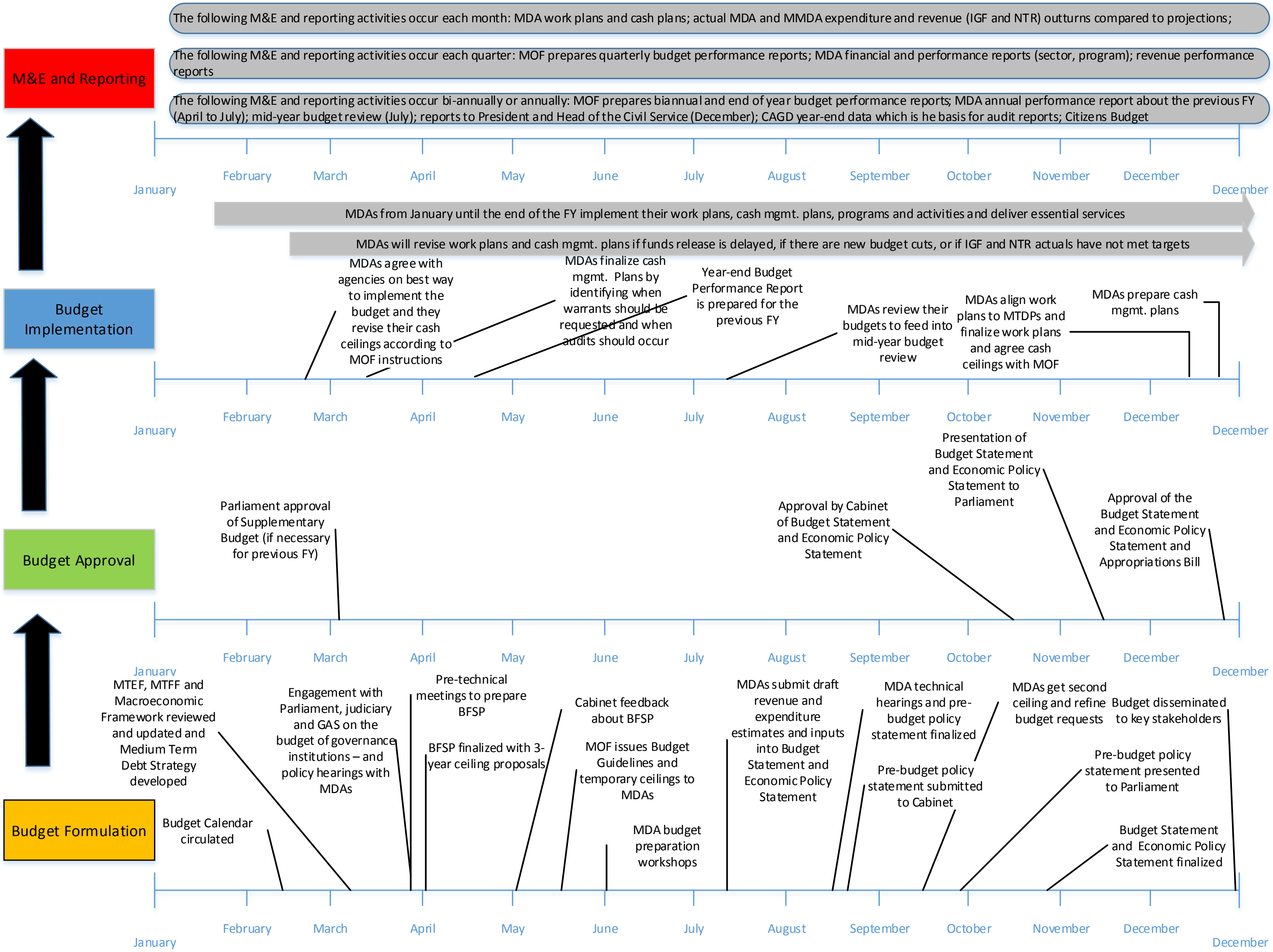
Figure 1 in this Manual introduces the four components of the budget cycle and their interrelationships. Figure 2 introduces Ghana's PFM cycle. Figure 4, on the next page, explains in more detail Ghana's budget cycle by including important steps and timings in budget formulation, approval, implementation, and monitoring, evaluating and reporting.

Figure 4 is an important reference tool that shows how the timings of the four budget cycle components are implemented over a FY. However, subsequent chapters in this Manual will provide more detail about the steps in Figure 3 such as stakeholder roles and responsibilities, information flows and data requirements and some important outputs.

The structure of this Manual is as follows:

- Chapter 2, which is devoted to PBB;
- Chapter 3, which is devoted to budget formulation;
- Chapter 4, which is devoted to which is devoted to Parliament's and the public's roles in budgeting;
- Chapter 5, which is devoted to budget implementation, will include the following process maps; and
- Chapter 6, which is devoted to budget monitoring, evaluating and reporting.

Figure 4: A process map showing the core activities and timings of the four components of Ghana's budget cycle



1.6. Budgeting at the national and subnational levels in Ghana – a comparison

This Manual intends to explain the budget formulation, approval, implementation, and monitoring and evaluating and reporting processes at the national level in Ghana. It is not meant to map any of the processes or procedures for budgeting at the subnational level in Ghana.[1] However, comparing MMDA and MDA planning and budgeting steps and timings is important because there is an important relationship between MMDA planning and budgeting and the NMTDPF and MTEF – as there is an important relationship between MDA planning and budgeting and the NMTDPF and MTEF.

National development objectives are translated into sector development objectives through MDTPs and district development objectives through MMDA MTDPs. MMDAs, like MDAs, formulate and review their Annual Action Plans from their MTDPS and review current and past year revenue performance and estimate expenditure to better formulate and implement their budgets. As demonstrated in Table 1 below, MMDAs organize a budget calendar that in many ways is aligned with MDA planning and budgeting steps and timings.

Table 1: Comparison of MMDA and MDA Planning and Budgeting Steps and Timings

Time	MMDA Planning and Budgeting Cycle	MDA Planning and Budgeting Cycle
Jan		Prepare the budget calendar
February	Commence reviewing the district MTEF	Publish and circulate the budget calendar
March – April	Commence reviewing AAP and MTDP	Update of macro-fiscal framework Prepare and finalize BFSP with proposals for three-year ceilings to the Office of the President
May	Request inputs into the budget from civil society and the general public	MOF issues budget guidelines for MDAs
	Prepare AAPs	
	MOF issues budget guidelines for MMDAs	
June	Stakeholders consult to prepare fee fixing	MDAs review policies and expenditure priorities during budget preparation workshops
	Fee fixing approved (may extend until Oct.)	
July	Prepare revenue budget	MOF update and reviews macroeconomic framework
July	Prepare revenue estimates	Draft revenue and expenditure estimates by MDAs and inputs into the statement and economic policy
July	Prepare expenditure estimates (may extend until Oct.)	
July	Prepare for budget hearings	
Aug	Review of budget proposal by sector sub-committees (may extend until Oct.)	Pre-budget policy statement prepared and presented to Cabinet
Sept	Regional budget hearings	Pre-budget policy statement presented to

[1] For details about MMDA planning and budgeting please refer to the *Composite Budget Manual for MMDAs* that was prepared by MOF in November, 2012.

		Parliament
Oct	Regional budget hearings continue Budget approved by district assemblies	Budget statement and economic policy document finalized Cabinet approves the budget statement and economic policy
November	Plan and budget implementation and coordination Forums in regions to present the budget to the public	Budget statement and economic policy presented to Parliament
December	Budget is gazetted MMDAs prepare procurement plans for the upcoming financial year	Parliament debates budget statement and enacts the Appropriation Bill
All year round	Plan and budget implementation and coordination	Budget implementation and coordination
All year round	Monitoring of plan and budget implementation	Monitoring of plan and budget implementation
Quarterly	GOG transfers to MMDA for goods, services, assets and compensations Reporting on implementation	Reporting on implementation

216 assemblies receive a BFP, and budget guidelines include general policy issues and mandates for assemblies to follow. The budget guidelines include ceilings, and are usually issued in April.

Planning runs from February to May. MMDAs determine priorities and work within their temporary ceilings to determine what services they will be able to deliver in the upcoming financial year.

From June to September MMDAs prepare their budgets, and budget hearings tend to occur in August or September. MMDAs submit their budgets to district assemblies in October for approval. All districts in Ghana’s 10 regions spend about one week discussing and approving their budget submission. Stakeholders from the national government including MOLG, LGSS, CAGD, NDPC, MOF and the Institute of Local Government will send representatives to attend the October budget approval meetings. Budgets should be approved by 31 October.

Implementation mainly entails aligning work plans with cash management plans and ceilings and delivering on the targets or outputs that are a part of MMDA strategic plans. MOF takes particular interest in making sure MMDAs adhere to ceilings, making sure IGF forecasts are realistic and that each district has clear policies for budget implementation.

The sources of local government revenue are:

1. Block grants – DACF

2. District Development Facility – DDF
3. Sector-specific grants
4. Other grants

The above list of intergovernmental transfers constitutes the main revenue for financing district assembly operations. District assemblies retain all IGF which typically includes rates, fees, licenses, fines, penalties, permits and profits from public sector enterprises.

1.7. Gender budgeting in Ghana

Ghana's budget is a very important policy document. It impacts businesses, taxpayers, peoples' welfare and gender issues.
Gender budgeting is becoming more widely practised in many countries. It is a budgeting approach that helps advance gender equity. It does this by recognizing that budgets are not gender neutral and by acknowledging the rights and responsibilities of men and women. Gender budgeting also acts upon the recognition that budgets are no gender neutral through special budgeting arrangements and measures.

Box 1: Gender is about equity and development

Promoting greater gender equality is about transforming women's and men's roles, identities and relations to create a fairer society for all. Men are as affected by gender roles and expectations as women. There are situations where men's lives and opportunities are adversely affected by gender stereotypes, and where men and boys need targeted support. Gender equality does not mean treating men and women the same. It is about recognizing that men and women often have different needs, aspirations and priorities and that they face unequal constraints and contribute to the development of Ghana in different ways. Increased participation of women is decision making is a necessary means to achieving good governance because good governance requires maximum citizen participation. Empowering women and encouraging their participation in all realms of government can influence gender budgeting by improving the allocation of resources to promote gender equality.

Source: *Gender Training Manual for the Parliament of Ghana*

Ghana has been implementing gender budgeting since 2008. Gender budgeting does not only focus on spending. The purpose of gender budgeting in Ghana is to ensure that gender matters are recognized and considered when developing tax, revenue, budget spending policies and other budget-related activities. For Ghana, gender budgeting is not a separate budget for women. Rather, it is an attempt to assess government priorities as they are reflected in the budget and to determine the impact the policies have on men and women.

Ghana follows the five-step gender responsive budget process that was initially developed as part of South Africa's Gender Budgeting Model. The process contains the following five step approach to carrying out gender budgeting:

Step 1 – Situational analysis which involves analysing the situation of women, men, boys and girls at the sector level.

Step 2 – Gender analysis which is performed to assess the gender responsiveness of policies.

Step 3 – Budget allocation that aligns gender sensitive policies to resources.

Step 4 – Monitoring spending and service delivery that confirms if MDAs are spending their money on approved programs and activities.

Step 5 – Assessing outcomes to determine if gender equality commitments have been met.

Chapter 2 – Program Based Budgeting

This chapter will explain Program Based Budgeting in Ghana. It will explain the steps GOG performs to develop and implement PBB. This chapter will also explain important concepts like measuring MDA performance and developing appropriate performance indicators to measure MDA performance.

A brief history of budgeting reform in Ghana

Since 1997, GOG has implemented the following PFM reform initiatives:

- Public Financial Management Reform Program or PUFMARP (1997 to 2003);
- Introduction of Activity Based Budgeting (ABB) (1998);
- Introduction of MTEF (1999);
- Budget and Public Expenditure Management System or BPEMS (2003 to 2007);
- Short and Medium-Term Action Plans (2006 to 2009); and
- Cessation of ABB and the implementation of PBB (2014).

The leap from ABB to PBB was an important PFM development for Ghana. Initially, ABB was seen as a way to enhance MDA performance by linking strategic objectives to outputs and outcomes. As with other governments, GOG eventually realized that the lack of measurable performance indicators in an ABB system made it difficult to prioritize, measure and cost budget performance and outputs. Budgeting, under ABB, was too detailed, centralized and difficult to manage.

The advent of PBB, and its alignment with MTEF (see Chapter 3.3 for more details about MTEF), is expected to simplify budgeting and make performance measurement and assessment easier to determine. The 2014 Budget, for the first time, was prepared by aligning PBB with MTEF. PBB is expected to better align resource allocations and sector development/policy priorities.

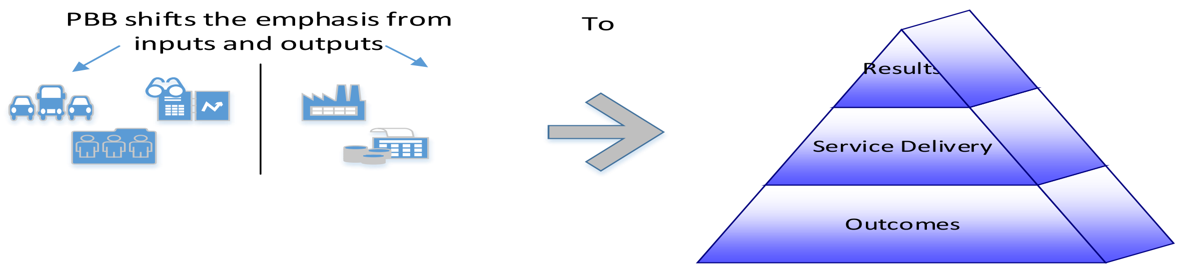
Box 2: PBB in the Ghanaian context

PBB, embedded in a three-year MTEF, is an integrated approach currently being implemented in Ghana. The new approach will change the focus of budgeting processes from input-based, annual activities to a performance-based approach that improves the efficiency and effectiveness of the budget over the medium term. The approach also lays the foundation for the modernization of PFM in Ghana.
– *PBB Training Manual*, MOF, 2012

2.1. Managing for Results

Managing for results has become an imperative for governments around the world. For Ghana it is important because GOG has to deliver services with limited resources. Managing for results helps GOG prioritize national and sector development objectives with available resources. This new approach lets MDAs know what resources they will have over the medium term to implement their prioritized programs and activities. Planning, under this approach, becomes more realistic. A sense of fiscal discipline is instilled as MDAs and MMDAs implement their MTDPs within agreed ceilings, or resource envelopes, and try to achieve program and activity performance indicator targets. This approach reduces the chances of MTDPs becoming like wish lists that have strategic objectives and performance targets that have little chance of being achieved.

Figure 5: The shift from focusing on inputs and outputs (ABB) to focusing on results (PBB)



Input focused planning and budgeting systems, like ABB, tend to become too detailed and burdened with the inputs, or tools, decision makers use to deliver outputs. As noted in the *PBB Guidelines for the 2014 Budget*, inputs under ABB are often classified as activities resulting in unnecessary and confusing duplication between activities and economic (input) classifications used in the budget.

Under PBB, the focus switches to how success or a lack of success when implementing programs and activities can be measured. This approach lets decision makers know what has worked well or not so well. This holistic approach to aligning planning and budgeting lets decision makers know how much resources will be required to continue policies, alter (increase or decrease resources) policies, implement new policies or stop policies.

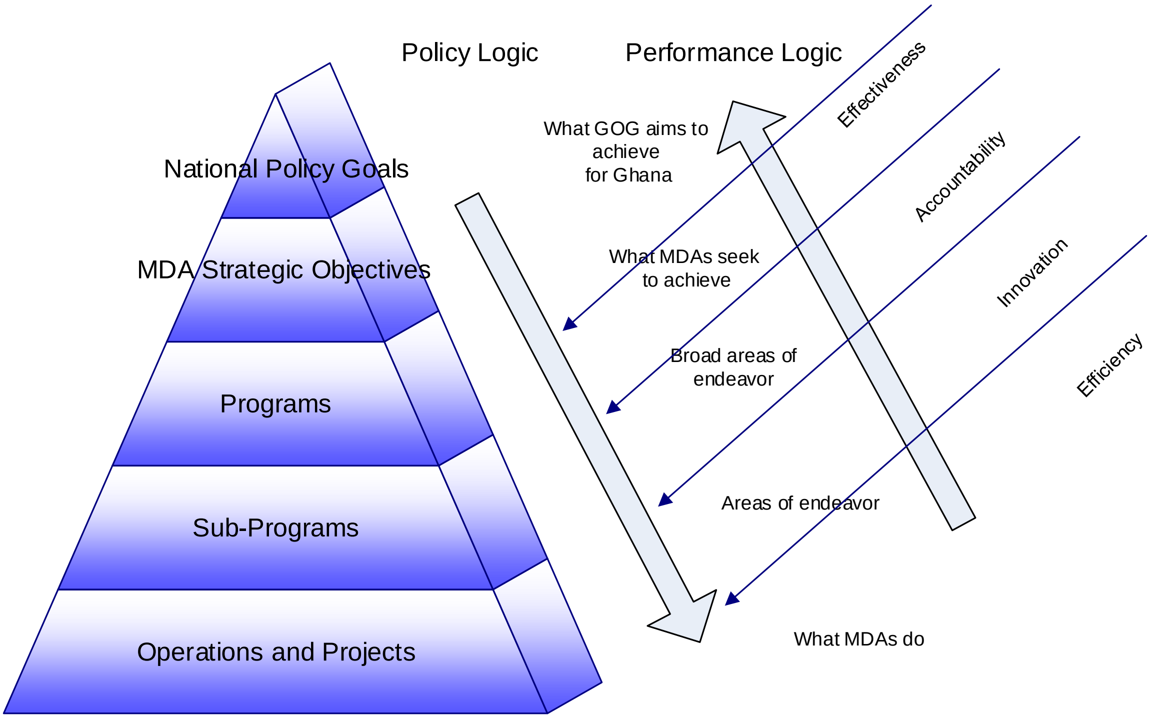
The four components of PBB

For Ghana, implementing PBB means resources are linked to MDA functions and strategic objectives. **(1) Policy delivery** is linked to program costing. **(2) Costing** lets decision makers know how much GOG interventions (policies, programs, sub-programs and activities) cost to achieve their objectives. **(3) Performance measurement** of MDA expenditure programs lets the impact of meeting strategic objectives be measured. Program managers become more accountable because they are required to properly manage resources to achieve program objectives. **(4) Accountability**, in the PBB context, means definable program objectives will be measurable, and managers of a program will have to account for why their programs achieve, partially achieve or do not achieve program objectives and performance targets.

For Ghana, implementing PBB means each program's budget may be considered a part of a planning and budgeting hierarchy. This hierarchy links national policy development goals to the services MDAs deliver.

As demonstrated below in Figure 6, the hierarchy runs downward in terms of its policy logic and upwards in terms of performance logic. The development and arrangement of MDA budget programs, budget sub-programs and budget operations and projects is a top-down process – it is guided by the NMTDPF. The implementation of programs, delivering services and performance reporting is a bottom-up process – it is guided by the mandates of MDAs and their MTDPs.

Figure 6: Performance based budgeting planning and budgeting hierarchy – the top down and bottom up approach to aligning policy development with measurable service delivery results



The PBB hierarchy depicted in Figure 6 integrates policy logic and performance logic with:

- **Effectiveness** which links resources to MDA strategic objectives thereby identifying less important budget operations that are not crucial to delivering desired program outputs and policy outcomes.
- **Accountability** which may be enhanced by assigning program managers who are responsible for achieving defined program outputs.
- **Innovation** to service delivery which encourages program managers to be creative while also being accountable.
- **Efficiency** by linking policy logic and performance logic to budget programs that cover similar functions across different MDAs (reducing overlapping functions and responsibilities).

2.2. The Budget Program Structure in Ghana

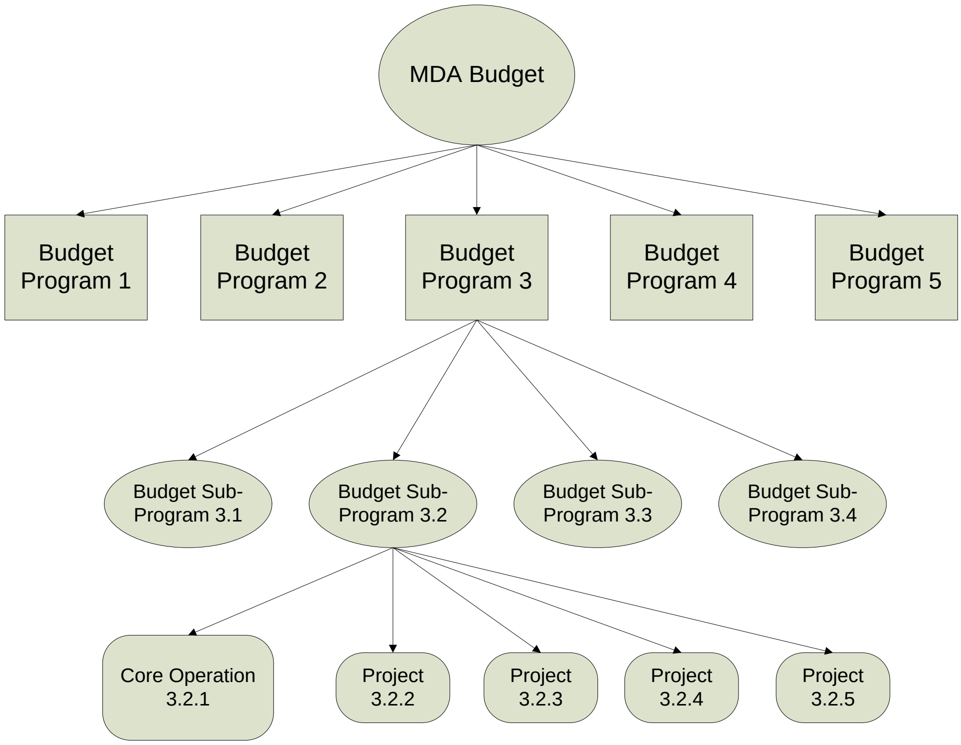
Before the initial implementation of PBB for the 2014 Budget, MOF went to great lengths to define how PBB shall be implemented in Ghana. Properly conceptualizing PBB development and implementation in Ghana requires defining a program. The term is used in a number of contexts. It may refer to the set of related activities that are cross-sectoral and involve a considerable number of MDAs and their agencies. Reducing poverty or responding to natural disasters is a good example of this type of program. It may refer to a group of capital investment activities like school construction, or it may refer to a specific initiative like a disease control or eradication program.

For Ghana, the **first PBB structure level is a budget program**. A budget program refers to a program that has a defined set of services that deliver one or more core (mandated or assigned) functions performed by a MDA. The services and functions are aligned with a MDA's program structure. The structure is reflected in the GOG's budget and in the budget classification that is used in the COA to account for the use of public resources.

The **second PBB structure level is a budget sub-program**. A budget sub-program comprises a distinct grouping of services and activities that fall within the framework of a budget program. It is desirable, for management reasons, to identify sub-programs separately within any particular budget program.

The **third PBB structure level is budget operations and projects**. Budget operations and projects refer to activities that are conducted when delivering a budget program or budget sub-program. They may be further broken down into: (i) **core operations** which refer to the main on-going activities carried out under a budget program or budget sub-program; and (ii) **projects** which primarily refer to capital spending that form part of the GOG's investment plan.
Figure 7 immediately below depicts how the three PBB structure levels inter-relate.

Figure 7: Program Structure Hierarchy



Source: *PBB Training Manual, MOF, 2012*

Budget programs may be broken down into Management and Administration and Service Programs. **Management and Administration** support an MDA's budget operations, but they are not assigned and managed at a specific budget program. They typically include internal support services like budgeting and planning, finance and accounting, HRM and IT services. These types of support functions are assigned to a single support services budget program (Budget Program 1 – Management and Administration). **Service Programs** involve things like developing infrastructure, delivering services to the public, delivering services to the government, grants and social benefit transfers by the government to the public or NGOs or CSOs.

Ghana also relies on the following set of principles when defining budget programs and budget sub-programs:

- **MDA Specific** budget programs may be applied to a particular MDA or to a Budget Program that reflects a common function that is performed by more than one MDA. A good example of a MDA specific budget program in Management and Administration.

- **Comprehensiveness** which includes budget programs or budget sub-programs for all cost items incurred when delivering services.

- **Alignment** which is a principle that ensures budget program implementation is feasible. The three dimensions to alignments include:

- *Strategic Alignment* – Budget programs should be strategic and reflect MDA core policies and services;
- Functional Alignment – Budget programs should be consistently defined according to a MDA's main functions; and
- Organizational Alignment – Budget program and sub-program classification should be aligned with an MDA's organization structure.

- **Management of Budget Programs** has to be effective and generate expected outputs and outcomes, and accountability has to be clearly defined for each budget program and budget sub-program.

- **Consolidation** which is grouping functions that are closely related into a single budget program or budget sub-program.

- **Infrequent Change** which helps ensure budget program and budget sub-program continuity and monitoring over the medium term

PBB Roles, Responsibilities and Formats

It is the overall responsibility of the Budget Division to ensure that PBB is applied consistently across all MDAs. The BPPU works with MDA Policy, Planning, Monitoring and Evaluating (PPME) units to ensure MDAs prepare their budgets each FY according to their ceilings and their approved budget program and budget sub-program structures. The Budget Implementation Unit guides MDAs on the implementation of their approved budgets in accordance with ceilings and approved budget programs and sub-program structures. MDAs also rely on documents and guidelines like the *PBB Training Manual 2012* and the *PBB Guidelines for the 2014 Budget.* See Chapter 3 (Budget Formulation) and Chapter 5 (Budget Implementation) for specific details about budget cycle roles and responsibilities.

The templates (forms) for preparing PBB are taken directly from MOF's **Program Based Budgeting Guidelines** (2012). How MDAs use the templates to prepare PBB is explained below in Section 2.2.1. The templates are included in this Manual as appendices. The templates for preparing PBB help MDAs determine program objectives, policy outcome indicators and targets, expenditure estimates and program and sub-program budgets and measure program and sub-program results.

- **Form A – MDA Summary** (see Appendix A) is the form MDAs use to conceptualize a high level framework of MDA strategic objectives, functions, outcome indicators and targets.

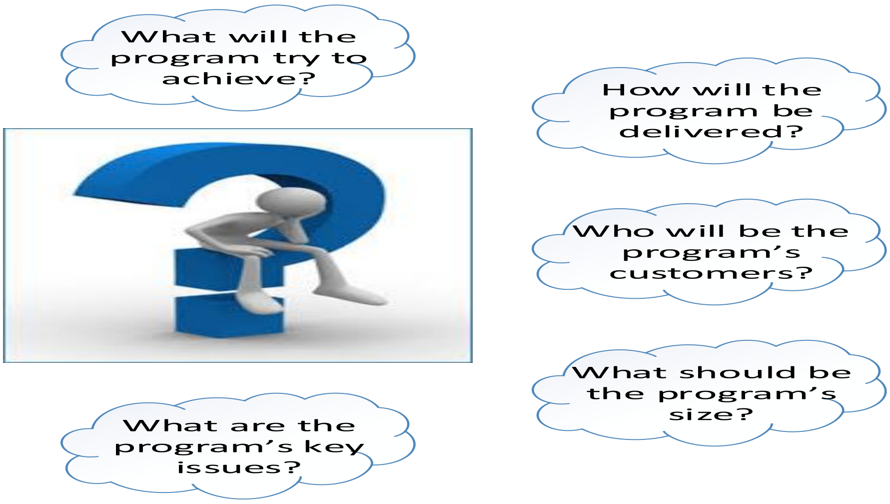
- **Form B – Budget Program Summary** (see Appendix B) asks MDAs for descriptive information about budget programs, and it captures information about expenditure by budget program, economic classification and projects. **Form B2** (see Appendix C) is the budget program results statement.

- **Form C – Budget Sub-Program Summary** (see Appendix D) requires MDAs to summarize sub-program expenditure information in a descriptive manner, and it captures information about expenditure by budget sub-program, economic classification and projects. **Form C2** (see Appendix E) is the budget sub-program results statement.

2.2.1 Steps to Preparing PBB

PBB presents the budget in a manner that lets stakeholders like Parliament, the public, CSOs, NGOs and other interested parties know what allocated expenditures for a program are expected to achieve. The MOF's *Program Based Budgeting Manual* suggests MDAs should commence developing programs by determining some fundamental program parameters.

Figure 8: Preparing PBB: Some fundamental questions that require serious answers



Preparing PBB – Step 1 – Determining the Scope and Objectives of a Program
The first step to preparing PBB requires MDA senior managers and decision makers to meet and determine the answers to the five questions that are posed in Figure 8. MDAs are encouraged in MOF's *Program Based Budgeting Manual* to "tell a story" about the program. While each MDA will use its internal management systems to implement Step 1, all MDAs should make sure their agencies are involved in all of the steps to preparing PBB that are explained in this Manual. PPME units in all MDAs should coordinate the development of PBB, but the advice and opinions of officials who are attached to programs that deliver technical activities will have to be considered when developing programs. MDA finance officials and MOF officials should also, when possible, attend any meetings or workshops that are held to prepare PBB.

The scope and objectives of a program are further refined when MDAs commence preparing their summaries.

Preparing PBB – Step 2 – Preparing the MDA Summary

Form A plays an integral role in preparing Step 2. Step 2 requires MDAs to determine the higher level framework of their strategic objectives and functions. These same strategic objectives and functions will be aligned to the MDA's budget. MDAs should rely on their policy statements, regulations, decrees, MTDPs and other documents when completing Form A.

The MDA Summary should be one page in length, and it should include the following information:

- *MDA Goal/Mission* – The goal or mission should, in one paragraph, describe the goal or purpose of the MDA.
- *MDA Core Functions* – Set out or summarize the five core functions of the MDA.
- *Strategic Policy Objectives* – Strategic policy objectives should be linked to the MDA's MTDP. The five strategic policy objectives will guide prioritizing the allocation of the MDA's resources.
- *Strategic Policy Objectives – Outcome Indicators* – Identify up to five outcome indicators that best reflect the MDA's strategic policy objectives.

Progress towards achieving outcome indicators may be determined by the following three measurements: (i) the baseline value and the year the indicator and strategic objective were set; (ii) the most recent value for the indicator which reflect current levels of indicator(s) performance; and (iii) the remaining target values which reflect potential future performance.

Form A1 should be used by MDAs to formalize outcome indicators and targets.

Preparing PBB – Step 3 – Prepare Budget Program Summaries

Budget program summaries are meant to describe a budget program. A one page budget program summary should be prepared for each program. The budget program summary should include the following information:

- A clear indication of the program's objectives;
- How the program will achieve its objectives;
- How will achievements be measured; and
- How much it will cost in the coming FY and in the out years to achieve the objectives.

This important third step has the following four sub-steps:

Sub-step 1 – Identify Budget Programs

The first sub-step involves:

- Examining national policy goals (NMTDPF) that are relevant to a particular MDA;
- Aligning MDA strategic objectives to national policy goals;
- Identifying mandated key functions performed by a MDA to achieve strategic objectives;

- Defining budget programs using the mandated key functions;
- Verifying that each budget program is rational from a management and budget perspective;
- Consolidating budget programs as follows: MDAs with significant budgets (Education, Health, Food and Agriculture, Roads and Highways) have five to a maximum of eight programs while other MDAs have two to a maximum of five programs; and
- Assigning a title to each budget program based on how the program is functionally defined.

Sub-step 2 – Map the MDA's Structure

The second sub-step involves:

- Mapping the current organization to the programs;
- Mapping the programs to the current MDA structure identified in sub-set 1;
- Verifying the proposed budget programs are properly aligned with the MDA's structure in order to cost and manage the programs; and
- Verifying all program budget costs, including personnel emoluments and administration expenses, can be linked to budget programs.

Sub-step 3 – Develop Budget and Sub-Budget Program Summary

The third sub-step involves:

- Developing a summary specification for each budget program that covers: the budget program title and number and a statement of the objectives of the budget program.
- Describing the main budget operations that are a part of the budget program (Form B and Form B1); and
- Identifying and listing budget sub-programs and prepare the sub-program budget summary (Form C and Form C1).

Form B1 and C1 require MDAs to estimate expenditure over three years. Expenditures are broken down using the economic classification that is used in the Budget Classification and Chart of Accounts.

Sub-step 4 – Prepare the Budget Program and Budget Sub-Program Results Statement

The fourth sub-step involves:

- Summarizing the main results of program performance review;
- Identifying up to three indicators that best measure the attainment of planned results;
- Specifying the indicators, unit measurements and targets for the duration of MTEF;
- Reviewing and evaluating program performance (Form B2 and Form C2).

Preparing PBB – Step 5 – Identify Operations and Projects

Form D and Form D1 are used to enter details about planned expenditures on the budget operations that will be conducted under a budget program.

Preparing PBB – Step 6 – Submit Proposed Budget Programs and Sub-Programs to MOF

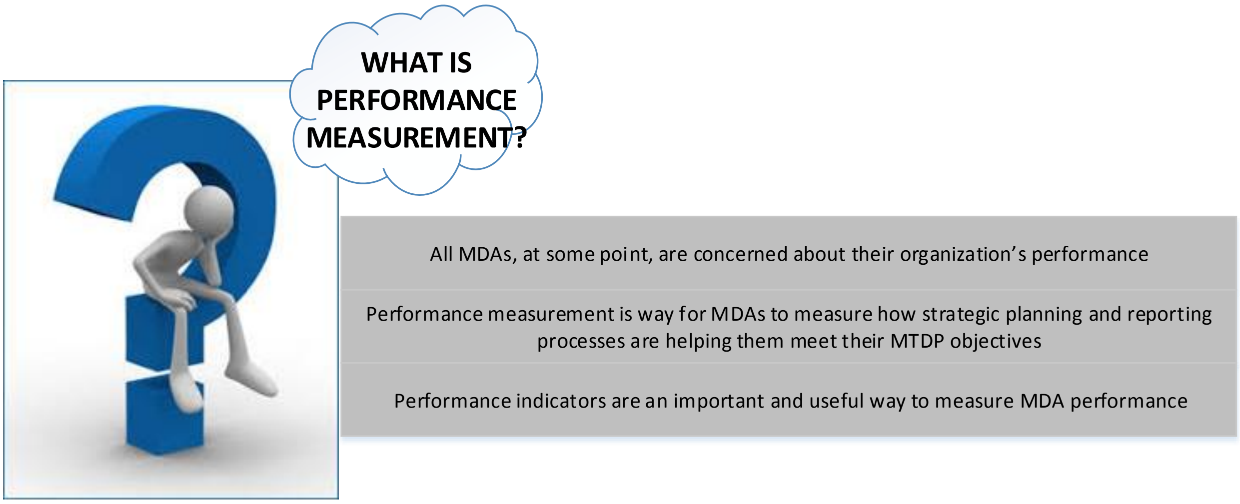
The proposed budget programs and budget sub-programs are submitted to the MOF Budget Division. BD confirms the proposed budget programs and budget sub-programs are consistent with the principles of PBB in Ghana.

2.3. Measuring Performance

Measuring the budgetary and operational performance of all MDAs is what sets PBB apart from ABB and other budgeting approaches. PBB is a budgeting approach that links planned expenditures to measurable results and improved service delivery.

Setting and monitoring performance indicators for PBB should be seen as part of MDA's wider performance monitoring. Properly conceptualized performance indicators will help MDAS monitor and evaluate how well or not so well budget programs and budget sub-programs are achieving their objectives.

Figure 9: Defining performance measurement



One key element of PBB that separates it from ABB and many other budgeting systems is the concept of performance indicators. Form B2 and C2 – Budget Program and Sub-Program Performance Measurement – is described above in Section 2.2. The forms capture information about output indicator targets and MDA performance.

2.3.1 The Definition of a Performance Indicator

Performance Indicators are quantitative and qualitative measures used to review an organization's progress against its goals. These may be set as targets for achievement by MDAs and senior managers. The achievement of these targets is reviewed at regular intervals.

Figure 10: Defining a performance indicator

What is a Performance Indicator?

PERFORMANCE INDICATOR = TARGET

An indicator answers the question: What does Success look like?

Performance indicators are important for the following reasons:

- They help MDAs achieve their strategic goals and the GOG's national development priorities;
- They are an essential part of an organization's performance measurement system;
- They determine how well or not so well programs and activities are achieving their objectives; and
- They can provide guidance or input throughout the cycle of a program or activity.

For PBB, performance indicators are a valuable management tool because they help MDAs determine things like:

- Should a program or activity continue?
- Should the amount of resources dedicated to a program or activity be increased or decreased?
- Should a program or activity seek other performance targets?

2.3.2 Types of Performance Indicators

Performance indicators vary from MDA to MDA, but they are usually used to measure what is important to an MDA. Generally speaking, performance indicators are either qualitative or quantitative.

Well-conceived quantitative performance indicators tend to be:

- Developed and calculated in a standardized manner and they can be verified;
- Simpler to measure than qualitative indicators – they may be presented as a number or a percentage; and
- Easier than qualitative indicators to determine how much they will cost to achieve.

Box 3: Examples of quantitative performance indicators

Example 1 – Percentage of children receiving inoculations for polio, measles, mumps and rubella by a certain age in Ghana in 2015
Description: This indicator measures the number of children who are inoculated for communicable diseases against the number of children who are not inoculated.

- The output (inoculations) could be measured, if all data is available, sometime after 31 December 2015.
- Possible outcome(s) could be a reduction in the incidences of polio, measles, mumps and rubella in Ghana after 2015 compared to children who were not inoculated. This would take some time to measure as the implementing national and/or subnational organizations and agencies would have to track the incidences of polio, measles, mumps and rubella over a certain number of years.

Example 2 – Kilometers of new road constructed in Ghana in 2015
Description: This indicator measures how many kilometers of new road are constructed in Ghana by a specific deadline (31 December 2015).

- The output (kilometers produced) could be measured, if all data is available, sometime after 31 December 2015.
- Possible outcome(s) could be improved economic activity (access to markets, less resources expended on vehicle maintenance). This would take some time to measure because determining the economic impact of new roads would take at least several years.

Example 3 – Percentage of senior high school students graduating from public high schools in Ghana in 2015
Description: This indicator measures the number of students who graduate compared to the number that do not graduate from public high schools in Ghana in 2015.

- The output could be measured, if all data is available, sometime after 31 December 2015.
- Possible outcome(s) could be an increase in the number of senior high school students from Ghana matriculating at domestic and international universities. This could be measured after 2015. Another possible outcome that would take longer to measure would be the average annual salary of a student who graduated from a senior high school in Ghana in 2015 compared to the average annual salary of student who did not graduate from a senior high school in Ghana in 2015 after a certain amount of time, say five or 10 years.

Qualitative indicators tend to be:

- More reliant on outputs that focus on the caliber of a program or activity;
- Difficult to measure in a standardized way; and
- Subjective and vulnerable to challenges by stakeholders or independent/external interests.

Box 4: Examples of qualitative performance indicators

Example 1 – Patients who feel better after receiving medical services at a hospital
Example 2 – Travelers who feel safe traveling on roads in Ghana
Example 3 – Students who are happy with the performance of their teachers.
The three examples of qualitative indicators are based on opinions, viewpoints and emotions. They are not based on hard facts or numbers, and they have no numerical constant.
The outputs and outcomes of the three example qualitative indicators are very difficult to measure in a scientific manner.

Quantitative indicators are preferable to qualitative indicators for the reasons described above. Qualitative indicators are often claimed to be subjective or unreliable. The political nature of indicators means MDAs should strive to only prepare quantitative indicators. However, qualitative indicators should not be abandoned. They can be transformed into quantitative indicators through surveys, questionnaires or interviews. These analytical tools can ensure the reliability and validity of qualitative indicators.

2.3.3 How to Formulate and Measure Indicators

Indicators should be logical, clear and easy to understand. They should be realistic which means they can be achieved. Indicators instill a sense of accountability and transparency in the way MDAs go about their business.

The **SMART Criteria** to formulating performance indicators makes indicators logical, realistic and based on past performance.

Specific – means the indicator identifies a performance target for a particular program or activity

Measurable – means the effort (resources) to achieve the target can be determined

Achievable – means targets are realistic and not beyond the reach of achieving for your ministry

Relevant – means the goal of the target for the program or activity is a part of your ministry's strategic objectives

Time bound – means there is a start date and deadline for achieving the performance target

When measuring indicators keep the following in mind:

- Indicators may be considered raw values until they are analyzed in a systematic manner.
- The analysis of indicators allows decision makers to identify patterns or trends and make pragmatic policy and service delivery decisions.

- There needs to be a properly functioning performance indicator M&E framework that includes:
    - Clear roles and responsibilities;
    - Regular reporting schedules;
    - Reporting formats that compile information in a manner that is useful to decision makers;
    - Mechanisms for collecting data about performance indicators (who will collect data, how will they collect data and how often will data be collected); and
    - Mechanisms for responding to findings about performance indicators.

The last point above is an aspect of PBB that has to be taken seriously. Decision-makers need to have a mechanism that will let them respond to performance indicator targets that are achieved, partially achieved, inadequately achieved or over-achieved. Any of these results will impact the future expenditure allocations for programs and activities.

2.3.4 Standardizing Outputs

An output is defined in MOF's *Performance Based Budgeting Guidelines* as a measure of what has been achieved as the result of the operations of an MDA. The Guidelines go on to note that there are three types of output indicators:

1. Changes to the quantity of an output;
2. Changes to the quality of an output; and
3. Changes to the efficiency that an output has been achieved.

All MDAs deliver unique outputs that no other MDA produces. However, all MDAs have PPME units, finance directorates and other administrative units that perform similar functions and produce similar outputs. These include, but are not limited to, accounting and finance services (including payroll and accounts payable and accounts receivable), legal services, HRM and IT.

Standardizing administrative or generic outputs across all MDAs helps GOG coordinate the delivery of services. It standardizes the quality of common outputs produced by MDAs. It also lets GOG compare how much a common output costs to achieve across all MDAs.

Table 2: Suggested generic output standardization table for finance directorates

Unit in Charge	**Program/Activity**		**Output**
Finance Directorate	Administration		
		Financial Management	
			Accounting, Financial Statement, State Property
			Treasury
			Other Duty-related Generic Activity

			Outputs

Table 2 above demonstrates how outputs for the common program, administration, and the common activity, financial management, are be standardized across all MDAs. Standardizing outputs, coupled with standardizing costs (see Section 2.4 below) for procuring goods and services across all MDAs, helps reduce government waste and increase program effectiveness.

2.4. Costing Programs and Activities

A very important part of PBB is determining how much programs and activities will cost. Each MDA needs to determine the resources it will require to achieve program and activity output and outcome performance targets.

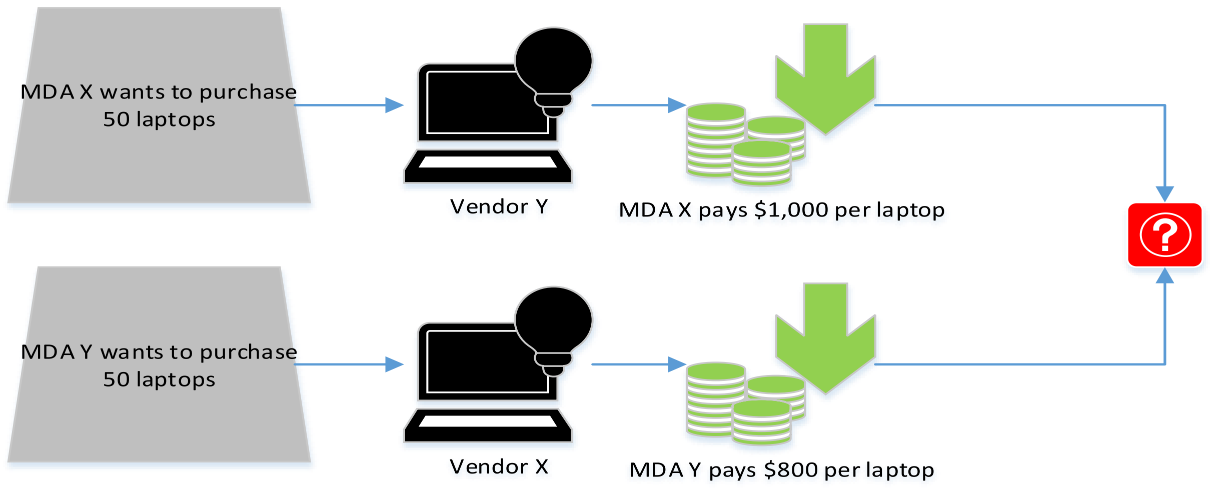
Figure 11: Questions to consider when costing programs and activities

When costing programs and activities, MDAs need to consider the following

Why are we performing the program or activity?
Who will be affected if we do or do not achieve the indicator?
What do we do if the indicator is not achieved?
Will we at some point no longer need to try to achieve the indicator?
How much have programs and activities historically cost?
Do MDAs use standardized costing to cost programs and activities?
How much will it cost to achieve the indicator?
How much will it cost to sustain the program or activity over the medium term?

Managing for results and developing realistic strategic plans has to guide the budget process. All MDAs, in an effort to make the most of limited resources, should find ways to make costing programs and activities as efficient and effective as possible. Strategies to do this include using SMART indicators in MTDPS, ensuring staff have the capacity to perform their duties, and standardizing costing.

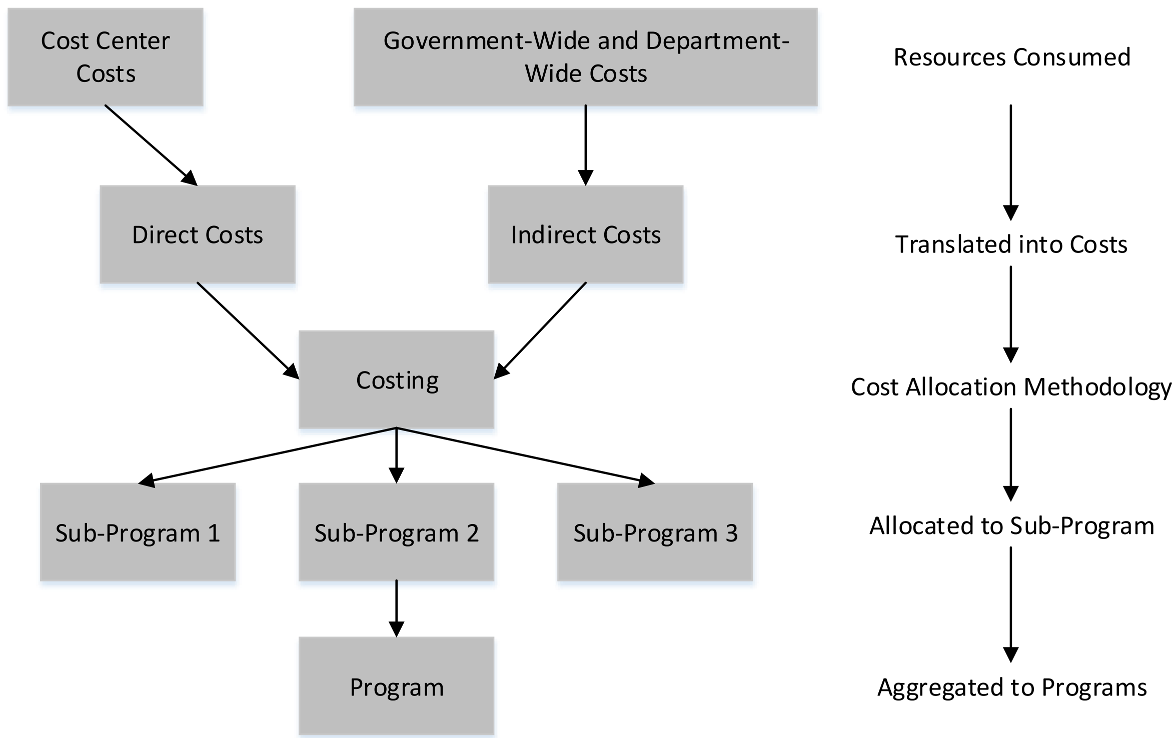
Figure 12: How standardizing costing works



With standardized costing, both MDAs mentioned in Figure 12 would be required to purchase laptops that had the same specifications from a list of preferred vendors and/or a list of agreed purchase prices.

Standardizing input costs is a common component of PBB, and it goes a long way to enhancing accountability and transparency for many governments. It instills a sense of predictability in how programs and activities are costed, and it helps MDAs prepare more accurate budget proposals and cash management plans.

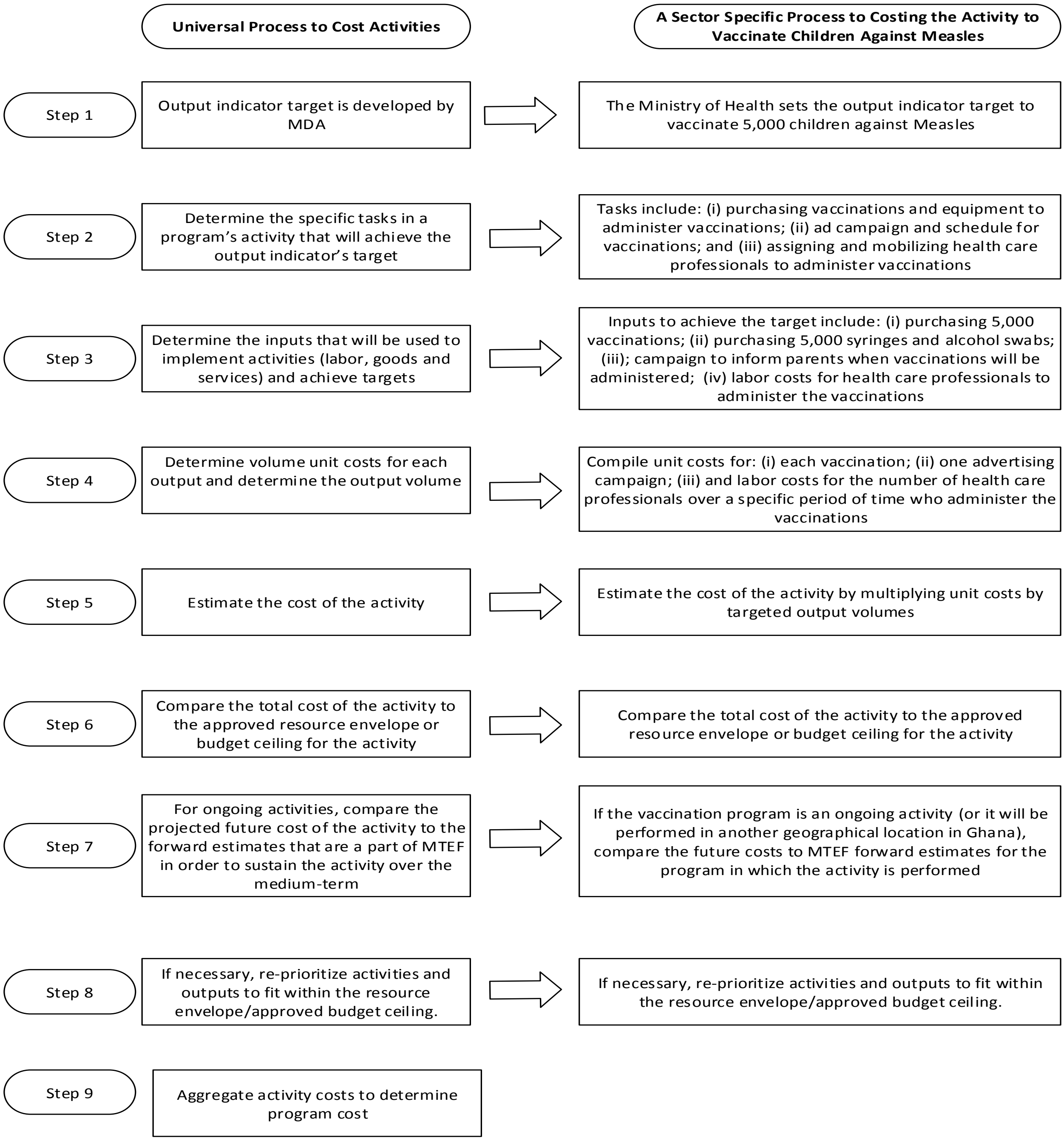
Figure 13: Ghana's approach to costing programs and sub-programs



Source: *PBB Training Manual, MOF, 2012*

Ghana's Program Based Costing System's first step requires MDAs to identify cost centers for each sub-program (or program if a program does not have sub-programs). MDAs then identify all resources that will be used to implement programs and sub-programs and the costs to basic cost centers delivering sub-program outputs. MDAs will then categorize and measure direct costs and indirect costs. Finally, MDAs assign or allocate all direct and indirect costs to the sub-program using an agreed costing methodology. Over time this can process may be refined by assigning cost to outputs within each sub-program.

Figure 14: A Nine-step costing allocation methodology for programs and sub-programs



The nine-step costing methodology described above suggests a universal or common methodology MDAs may use to cost programs and activities, and an example of how the methodology may be used to cost a specific activity (or sub-program).

Chapter 3 – Policy and Budget Formulation

This chapter will discuss how many aspects of formulating policy and formulating the budget are implemented concurrently. It will discuss how the national budget is essentially a tool for funding the implementation of MTDPs. This chapter will also discuss the budgeting approach called MTEF. MTEF plays a key role in aligning planning and budgeting and making the results of PBB more measurable and meaningful over the medium-term. It helps MDAs develop MTDPs that are realistic by letting MDAs know the resources they will likely have over the medium-term to implement their programs and activities. This chapter will also include a section about how the macroeconomic and fiscal frameworks play a role in formulating the budget, and it will conclude with process maps of how the budget is formulated in Ghana.

The budget is an important policy document. It helps MDAs, MMDAs, MOF, NDPC, and politicians translate policy priorities, political commitments and national and sector development strategies into programs and activities that deliver important services to the people of Ghana. The budget, and how it translates policies and decisions into essential services, can be a tool for constructive change. If it realistically allocates resources to well-conceived MTDPs it can positively impact the lives of the Ghana's most vulnerable citizens such as the elderly, the poor, single mothers, the disabled and people living in remote communities. For many of these people, their only options for improving the quality of their lives are from services the government provides.

According to the *International Public Financial Management Handbook*, a budget, as a policy document, accomplishes the following:

- It represents the government's financial plan for resourcing those activities designed to deliver chosen policies in a particular budget period;
- It attempts to show how much the activities will cost and how the government intends to finance them;
- It shows what the government actually did, who paid for it and in what form (through taxes, user fees, donor assistance or government borrowing);
- It reallocates resources and tries to reduce inequalities in income and wealth by imposing taxes and redistributing resources to the vulnerable;
- It tries to promote economic stability; and
- It tries to promote economic growth.

It is important, for the reasons described above, that every effort is made to formulate policies and formulate the budget in a manner that will maximize the allocation, distribution and stabilization of Ghana's resources and economy.

3.1. Policy Formulation and the Role of MTDPs

Policy formulation in Ghana is driven by Ghana's NMDTPF and its policies and strategies. These overarching national policy instruments represent a set of comprehensive development programs and projects for all sectors. It is from the NMDTPF that MDAs and MMDAs develop their MTDPs. They do this by translating the policies and strategies in the NMTDPF into policies and strategies in their MTDPs. The top-down approach to national planning let's MDAs, the public and all other stakeholders know the development objectives of the national government. These national development objectives are then translated into sector policies and strategies through a bottom up approach that sees MDAs establish programs and performance targets to measure the achievement of sector development goals and objectives.

The *Guidelines for Preparing MTDPs* explain in detail the steps all MDAs are expected to prepare their MTDPs. They are guided by the National Development Planning System Act (489 of 1994). The steps laid out in the Guidelines help MDAs: (i) prepare their MTDPs; (ii) prepare their AAP based on MTDPs and PBB; (iii) harmonize and achieve NMTDPF goals and objectives; and (iv) integrate cross-cutting issues.

The Guidelines set the roles and responsibilities for developing MTDPs as follows:

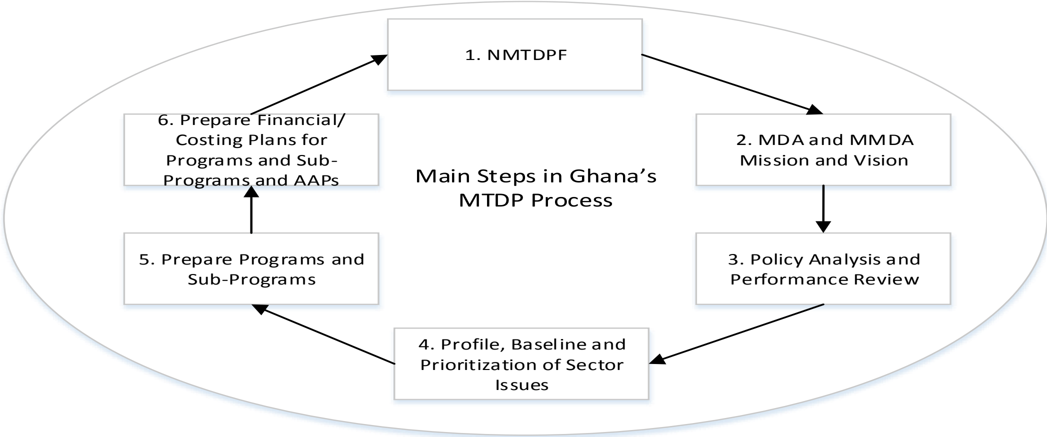
- **MDAs** are required to establish MTDP preparation teams that are comprised of MDA officials such as the MDA Chief Director and the heads of departments and agencies.
- **Lead Ministers** assume full responsibilities for all aspects of MTDPs including approving a draft MTDP that has to be submitted to the NDPC for approval.
- **Chief Directors/Heads of Organizations** ensure MTDP preparation teams are properly managed and that MTDPs capture all relevant programs, activities and projects.
- **NDPC** develops the Guidelines, monitors MTDP formulation and implementation, ensures MTDPs align with NMTDPF, collaborates with MOF and approves MTDPs.
- **MOF** collaborates with NDPC**,** ensures MTDPs adhere to budget expenditure allocations according to programs and sub-programs, and releases allocations to MDAs whose programs, sub-programs and AAPs accurately reflect MTDP priorities.

3.1.1 Steps to prepare MTDPs by MDAs

MDAs, with guidance from NDPC and MOF, are solely responsible for preparing their MTDPs. Each MDA is expected to establish a MTDP preparation team. Officials from PPME (or equivalent), the finance directorate and other units have to rely on internal management systems to prepare their MTDPs.

Every four years the GOG develops the NMDTPF. The steps MDAs undertake to prepare their MTDPs typically commences by reviewing previous MTDPs. The final step to preparing MTDPs includes determining how much programs will cost to implement and achieve performance targets. The six main steps to preparing MTDPs are cyclical and are explained below in Figure 15.

Figure 15: The six main steps to preparing MTDPs



Step 1 - NMTDPF

The first main step in Figure 15 is guided by NDPC. The first step is preparing the NMTDPF and issuing guidelines for preparing the MTDPs by MDAs and MMDAs. The NMTDPF contains the national government's development priorities. NDPC then issues guidelines to MDAs and MMDAs to prepare their MTDPs in line with the NMTDPF. Twelve months before a NMTDP is expected to conclude the GOG starts preparing the next NMTDP. The output for this step is the NMTDPF and guidelines for the MTDP preparation.

Step 2 – MDA mission and vision

All MDAs are required to identify their vision, mission and functions to better inform planning and budgeting processes. This step is led by a MDA's senior managers. They are the main decision makers in a MDA and they, along with their minister, have to determine the mission and vision of the organization they serve. The output for this step is MDA mission and vision is prepared for all MDAs.

Step 3 – Policy analysis and performance review (duration – two months)

MDAs are required to review how well or not so well they achieved national and sector targets in their MTDPs. They also have to determine why they achieved or did not achieve performance targets. The performance assessment determines if programs were: (i) fully implemented; (ii) abandoned or suspended, (iii) on-going, (iv) not implemented; and/or (v) implemented but not in the MTDP. A statement of income and expenditure for each MDA is also prepared during this step. The output for this step is agreed policies for inclusion in MDA MTDPs.

Step 4 – Profile, baseline and prioritization of sector issues (duration – one month)

Each MDTP Preparation Team compiles, updates and describes the current state of development (also called the baseline of the sector of the MDA). The MDA profile includes information about institutional capacity, sector characteristics, performance indicators, goods and services delivered and cross-cutting issues. The output for this step includes profiles, baselines and prioritized issues for all MDAs.

Step 5 – Prepare Programs and sub-programs (duration – three months)
Programs and sub-programs, which are described in Section 2.2 of this Manual, are developed based on an MDA's mandates. This step also requires MDAs to prioritize issues, formulate goals including determining performance indicator targets and identify risks and strategies to the mitigate risks. The output for this step is agreed MDA programs and sub-programs.

Step 6 – Prepare financial/costing plans for programs, sub-programs and AAPs (duration – two months)
During this step MDAs prepare Programs of Action (POA). The POA is prepared for four years. It identifies policy objectives, programs, sub-programs, strategies, timeframes, indicative budgets and implementing agencies. AAPs are prepared and they assign activities by quarters. MDAs annually review AAPs to identify changing policy trends and ensure policy implementation is in line with MOF's Budget Guidelines. A costing framework for MTDP implementation is also prepared during this step. The output for this step is costed programs and sub-programs for all MDAs.

3.2. Aligning policy formulation and budget formulation

The process of policy formulation is continuous, and in many respects it mirrors budget formulation and the budget cycle.

Figure 16: How policy formulation and budget formulation are aligned in Ghana

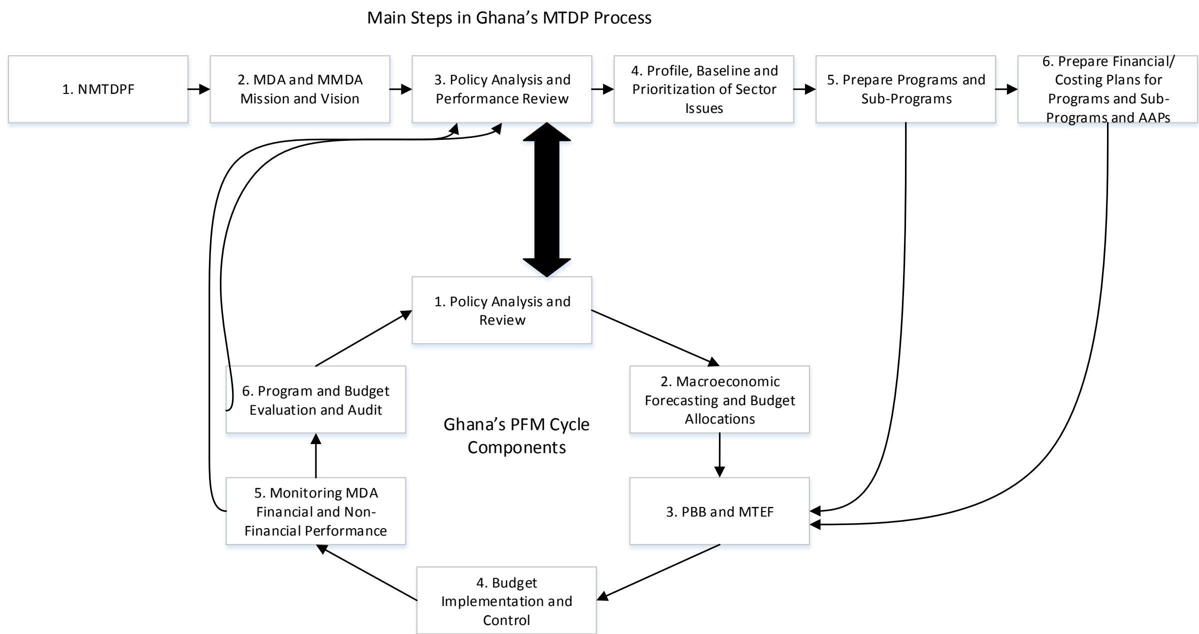


Figure 16 shows that the alignment of planning and budgeting (see figure 3 in Chapter 1) in Ghana occurs during strategic steps that are implemented during both the MTDP process and the PFM cycle. The key alignment between planning and budgeting occurs when policy analysis and performance review is conducted (step 1 for the PFM Cycle, step 3 MTDP Process). It is during this step that MDAs re-evaluate programs and sub-programs. On the planning side this could mean re-prioritizing development issues, developing new goals, objectives or strategies. On the budgeting side this could mean re-costing revised programs and sub-programs, re-costing new/revised performance targets and new costing plans.

Step 3 in the MTDP Process is influenced by steps 5 and 6 in the PFM Cycle. The two PFM Cycle steps provide important information about MDA performance that will influence or inform policy analysis and MDA performance.

Step 3 in the PFM Cycle is influenced by steps 5 and 6 in the MTDP Process. PBB and MTEF are revised as MDAs revise programs and sub-programs and costing plans and AAPs.

Whilst MOF is responsible for developing the budget strategy and overseeing the implementation of the budget, and NDPC is responsible for coordinating national and sector development policies and strategies, MDAs are responsible for detailed resource planning and the implementation of programs and activities laid out in their MTDPs.

Table 3: A summary of the five key institutional relationships that play a role in aligning policy formulation and budget formulation (checks and balances)

Relationship	Description of Relationship
Legislative and Executive Branches	Strategic planning and allocating resources cannot be separated from politics. Elected officials are accountable to the people who put them in office. The relationship between these two branches of government, when it comes to planning and budgeting, hinges on negotiating and compromising. The President, through the GSGDA, aims to see his vision for Ghana's development and prosperity implemented by MDAs. Parliamentarians, through the wishes of their constituents, aim to see their districts develop and prosper. Both branches of government have a vested interest in seeing planning and budgeting properly conceptualized and aligned. If services are not delivered in an accountable and transparent manner, elected officials representing both branches of government risk not remaining in office.
MOF and Cabinet	MOF and Cabinet have to properly coordinate policy formulation and budget formulation. They work together to develop the BFSP and the Pre-Budget Policy Statement. They also work together to ensure fiscal discipline and MDA MTDP priorities are achievable.
MOF and NDPC	MOF is in charge of the recurrent budget and some components of the capital budget like project implementation (PID) and GIFMIS (asset management). NDPC steers the policy of developing the capital budget and longer-term development planning. The challenge for this relationship is to match policy ambitions with available resources.
MOF and MDAs	MOF plays an important budget oversight role for MDAs. It also determines resource envelopes or budget ceilings for MDAs. MDAs rely on MOF to follow BFSP and Budget Guidelines for matters like funds release.
NDPC and MDAs	NDPC guides MDAs in preparing MTDPs and ensuring sector plans align with national development objectives. MDAs have to rely on NDPC advice to prepare MTDPs, and the approval of

	MTDPs, but MDAs are inevitably responsible for performance targets in their MTDPs.

Table 4: Re-orienting the budget to make policy more important

Compliance/Incremental Budget Approach	More Policy Relevant Budget Approach
Budgets are prepared annually, with a risk of year-end rushes to spend and no allowance for future commitments.	Budgets are prepared within a MTEF with allowances for carry-over of commitments.
Budgets are prepared incrementally, typically with emphasis on the bottom-up demands of ministries.	Budgets are prepared with a strategic direction, providing a top-down counter to MDA's bottom-up demands.
Budgets are based on line items of expenditure so that control focuses on inputs rather than outputs and outcomes.	Budgets are driven by policy priorities, and programs to meet those priorities control emphasizing outputs and policy outcomes.
Budget documentation and reports are for compliance purposes, by institution or agency and approved costs, with little emphasis on policy.	Budget documentation and reporting are not only for compliance but for assessing efficiency and effectiveness in meeting policy objectives.

Elements of this table may be found in the International *Public Financial Management Handbook*

It should be clear from the information presented above in Table 4 (and the information in this chapter and throughout this Manual) that policy relevant budget approaches is the path Ghana has chosen when it comes to planning and budgeting for results. Indeed, Ghana's decision to implement PBB and align medium-term planning and medium-term budgeting is in line with the more policy relevant budgeting approach called MTEF.

3.3. Medium Term Expenditure Framework

MTEF has become a common strategy of many governments around the world to better link resources with results. Ghana has recognized that budgeting for one year limits aligning MTDPs with resources because one year is often insufficient to produce any significant socio-economic changes or outcomes. Lengthening the budget's timeframe from one year to three or four years often has the effect of making governments more focused on results.

Many proponents of a medium term approach to budgeting also point out that an annual approach to budgeting encourages civil servants, policy and budget decision makers and even politicians to sometimes pursue short-term interests that do not serve society. MTEF aligns planning and budgeting by ensuring that the financial commitments to achieve policy and spending priorities promote better budgeting.

It is important to note that MTEF does not dismiss the importance of setting milestones over the short term. However, it does incentivize MDAs to project the future costs of existing programs and policy changes and reallocate resources. Policy priorities for some MDAs and sectors may change from year-to-year. MTEF instills a sense of flexibility for decision-makers to re-allocate resources. It also provides decision-makers an idea of the aggregate resources they will have over the medium term to implement programs and activities.

MTEF has been implemented in Ghana since 1999, and it covers a three year time horizon. The first year covers the expenditure estimates for the current financial year, and the out years cover two years of expenditure estimates. MTEF is implemented in Ghana because the

GOG wants to increase the predictability of budget planning, instill fiscal discipline and mitigate budget planning weaknesses.

3.3.1 How Ghana prepares its MTEF

Preparing MTEF in Ghana requires performing specific tasks related to developing and updating MTEF at specific points during the budget cycle. MDAs commence the process by analyzing the performance of the MTDPs. This usually commences in March. MTDPs are examined because MDAs have to decide if they want to continue or stop programs and activities or revise programs and activities. Deciding to alter programs and activities will have to be reflected in the MTEF's forward estimates. By July MDAs have reviewed the AAP components of their MTDPs and they begin to align MTDPs with MTEF. By October MDAs align their budget proposals with PBB and MTEF before the proposals are forwarded to Parliament for revision and eventually approval.

The main MTEF coordinating unit is the Budget Division's Budget Development Group. Budget Committees in each MDA take the lead in the coordinating the preparation of MTEF in each MDA. The Budget development Group closely oversees the steps described above, and they work closely with MDAs to prepare the MTEF and ensure quality control of forward estimates.

3.3.2 The four main elements of MTEF in Ghana

Element 1 – Medium-Term Fiscal Framework – The MTFF lets GOG know how macro-economic developments will impact revenue and expenditure projections and the financing of the budget deficit. The framework includes fiscal policy objectives and integrated medium-term macroeconomic and fiscal forecasts.

Element 2 – Budget Planning and Management Issues – This includes the analysis of the public wage bill, public investment management and the management of MDA and MMDA budgets.

Element 3 – Spending Priorities – This includes the analysis of MDA strategic objectives and program priorities and how they should influence resource allocation (estimates of expenditure) and revenue of MDAs over the medium term.

Element 4 – Expenditure Plans – Expenditure plans are aligned with three-year resource envelope or ceilings and they identify spending priorities at the program level.

A key requirement for an effective MTEF is its alignment with budget processes. MTEF should be designed to work seamlessly with all budget processes – particularly budget formulation.

Box 5: MTEF key tasks over a 12-month budget cycle

Nine to 12 months before the next financial year the following tasks are performed to integrate MTEF and budget formulation:

- GOG sets out national strategic priorities (GSGDA) and MDAs set out sector strategies.

- MOF with inputs from GRA, NTRU, CMU, BOG and NDPC prepares the macro-fiscal framework.
- MDAs begin costing their programs (ongoing and new).
- MOF prepares the BFSP which includes temporary expenditure ceilings.

Six to nine months before the next financial year the following tasks are performed:

- Cabinet reviews and endorses the BFSP and temporary ceilings.
- BFSP is submitted to Parliament to inform parliamentarians about budget policy for the upcoming financial year.
- Budget guidelines are disseminated to MDAs.

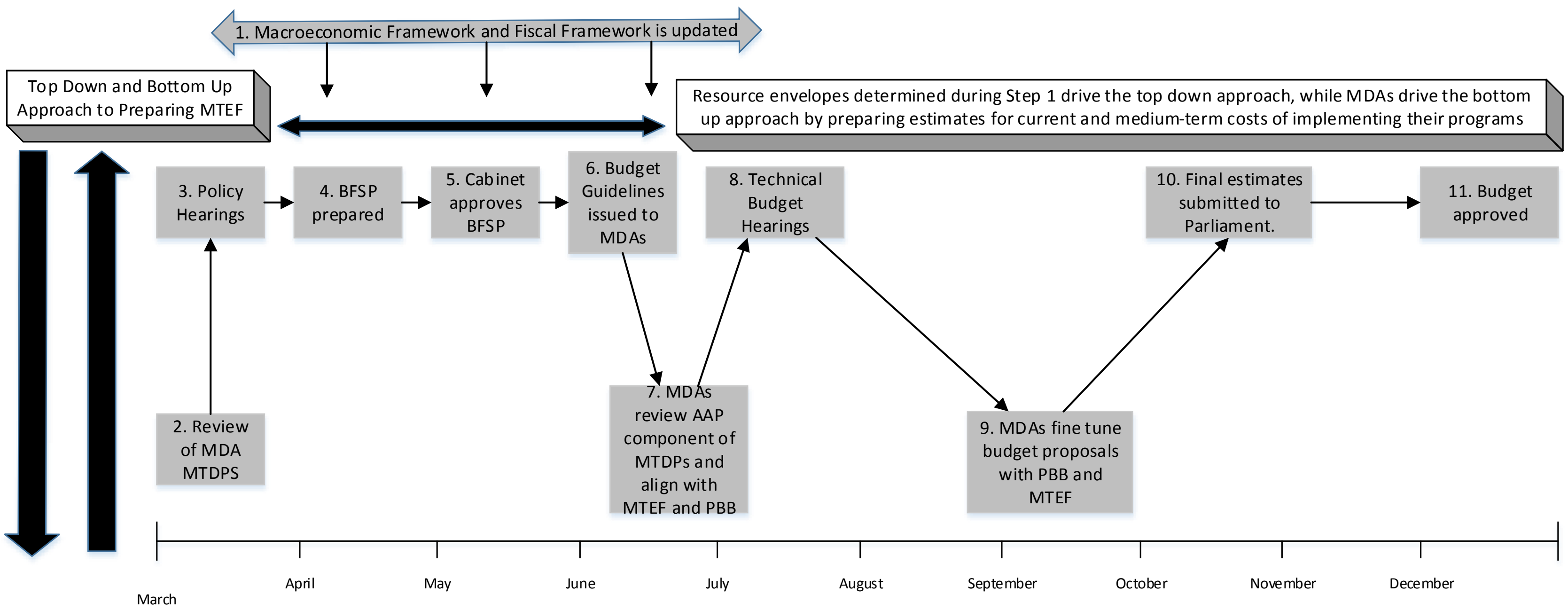
Three to six months before the next financial year the following tasks are performed:

- MDA submissions are reviewed by MOF during technical hearings and technical and other issues are discussed during the hearings.
- MDAs align their budget proposals with PBB and MTEF.
- MOF updates the macro-economic framework.
- MOF prepares final MTEF and budget (and revised expenditure ceilings).

Up to three months before the next financial year the following tasks are performed:

- Final estimates are submitted to Parliament for approval.
- MDAs may begin to prepare their AAPs that are consistent with budget and/or final ceilings.

Figure 17: The steps for preparing MTEF in Ghana



Step 1-The Macro-Economic Framework is usually prepared by July. Stakeholders involved in preparing the framework include: MOF (ERFD, DMD, PID), GRA, NDPC, GSS, MDAs and MMDAs.

Step 2-Review of MDA's outcomes, objectives, outputs and activities(including costs of activities).

Step 3-Policies, programs, projects and broad expenditure requirements are discussed for each MDA.

Step 4-BFSP is prepared by MOF with inputs from MDAs and other stakeholders including MMDAs, GSS, GRA, NDPC.

Step 5-Cabinet holds a series of hearings with MOF and other stakeholders to discuss the BFSP. When Cabinet approves the BFSP, MOF will begin to prepare budget guidelines and ceilings.

Step 6-Budget guidelines and first round of ceilings are issued by MOF to MDAs. MDAs will prepare their budget estimates according to ceilings and MTDP strategic objective priorities.

Step 7-Aggregate costings for programs have to be below ceilings. The costed part of AAPs are aligned with MTEF. The broad ceilings will be approved by Cabinet.

Step 8-MOF takes the lead in implementing this step. MDA strategic plans and estimates are reviewed by MOF and MDA policies are checked for alignment with MTEF.

Step 9-MDAs review and finalize their budget proposals after confirming with MOF that their expenditure estimates are aligned with PBB and MTEF.

Step 10- Final estimates are submitted to Parliament. Activities and estimates are prioritized and finalized to fit in ceilings.

Step 11- MOF, Cabinet and Parliament approve estimates – Parliament approved the budget

MTEF's sequential process

One apparent feature of preparing MTEF is the sequential process that is used to prepare MTEF. The sequential process has three basic stages.

Stage 1 – Top-down approach – The resource envelope for MTEF is determined from the forecasts of tax and non-tax revenue collection and other sources of revenue as well as data about how much money GOG intends to borrow. The Ministry of Finance is responsible for the government's fiscal policy and budgeting so it takes the lead in determining the resource envelope. Other stakeholders involved in determining the resource envelope are GRA, BOG and NDPC. Revenue forecasting also considers aid and resource revenue. MTEF is heavily dependent on the macroeconomic and fiscal forecasts that underpin it.

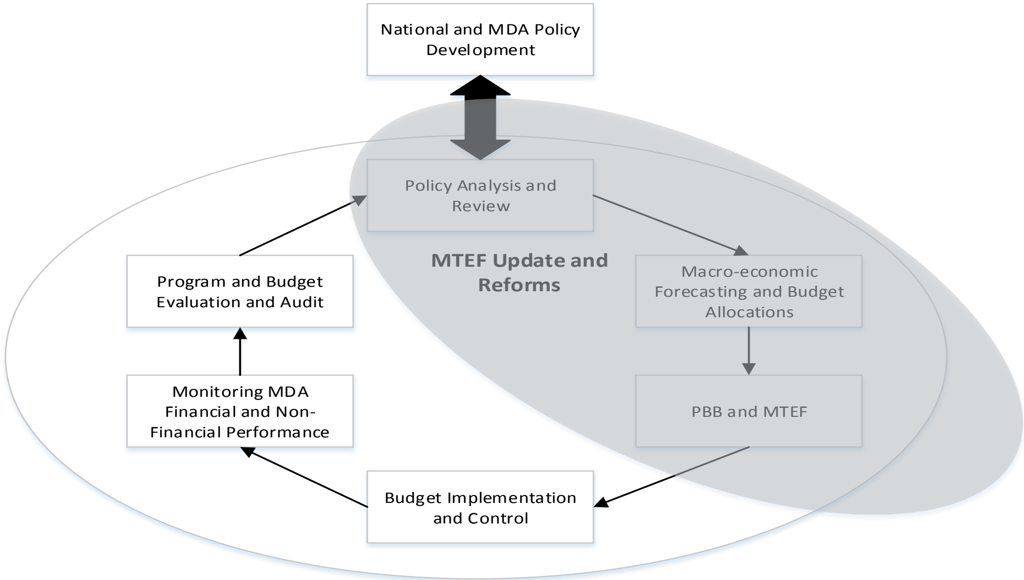
Stage 2 – Bottom-up approach – While MOF and stakeholders are preparing the macro-economic framework, MDAs are developing their expenditure plans based on their MTDP strategic priorities and their forward estimates. The Budget Guidelines issued in May help MDAs prepare their budget requests.

Stage 3 – Reconciliation – MDAs often request funds that exceed the resource envelope that is discussed above in Stage 1. Negotiations (and compromises) between MOF and MDAs occur during steps 7 to 9 in Figure 17. Budget allocations are adjusted to reconcile total spending with the amount of available resources. MOF has the difficult task of deciding and recommending priorities for MDAs and across sectors.

3.3.3 MTEF's Alignment with Ghana's PFM System

Section 1.4 (Figure 3) of this Manual discusses the six components of Ghana's PFM cycle. Figure 18 immediately below shows which components of Ghana's PFM system are affected when MTEF is updated.

Figure 18: The components of Ghana's PFM System that are influenced by any updates or reforms to MTEF



Note: Elements of this figure are from the World Bank, 2013

Updating and/or reforming MTEF, or changes to MDA policies and/or the macroeconomic forecast, will impact budget allocations and MTEF. A robust MTEF relies on the first two components of Ghana's PFM cycle to properly function. However, the three remaining components of Ghana's PFM cycle may also influence MTEF, or vice versa. For example, MOF has taken steps to strengthen the role of the Chart of Accounts to more accurately monitor expenditure and enhance budget implementation. Treasury functions have been improved with the advent of integrated financial management systems. Modernizing and strengthening any of Ghana's PFM cycle components will positively impact the quality of MTEF as it plays a crucial role in formulating and implementing PBB and aligning planning and budgeting.

Rolling MTEF forward and updating the baseline

Updating MTEF occurs when MTEF is rolled forward each year in Ghana by dropping the first budget year and adding a year at the end of the three-year time horizon. The first out-year estimate of expenditure becomes the basis of budget negotiations for the following year. MOF maintains three-year budget planning perspectives by annually updating its MTEF.

Updating the baseline is an important first step to rolling MTEF forward. The baseline is a projection of future allocation amounts (economic forecasts for revenue and expenditure) if current policies were continued without any changes. The baseline helps determine the fiscal space available for policy initiatives in the next budget and policy changes for the duration of the MTEF.

Strategic plans and budget plans have to be updated. Rolling forward MTEF is an efficient mechanism for updating MTEF. MTEF is rolled forward because macroeconomic conditions change from year-to-year, and MDAs have to respond to new service delivery or national or sector development challenges. They respond by developing new policies, halting current policies or tweaking existing policies and resourcing the changes over the medium-term.

MOF takes the lead in preparing MTEF, but does not dominate the process. MTEF is a collaborative endeavor among MOF, MDAs, MMDAs, NDPC and other stakeholders.

3.4. The Macroeconomic Framework's Role in Formulating the Budget

The Ministry of Finance, specifically the Economic Research and Forecasting Division (ERFD), takes the lead in developing Ghana's macroeconomic and fiscal frameworks. The macroeconomic and fiscal frameworks consist of a set of inter-related and consistent macroeconomic targets for the real, fiscal, monetary, and external sectors of the economy.

The macroeconomic framework usually sets both annual and medium-term targets for:

- Real GDP growth;
- Inflation;
- Fiscal deficits; and
- Gross International Reserves.

The fiscal framework on the other hand consists of a set of revenue, expenditure, and financing targets consistent with the medium-term fiscal policy objectives. The macroeconomic framework and the fiscal framework are prepared over the medium-term. The first year estimates guide the preparation of the budget. They are approved by Parliament. The two out years are indicative figures which are aligned with MTEF and the NMTDPF.

These forecasts may be revised during the financial year as new data about GDP, inflation and other forecasting inputs is collected and analyzed. The initial macroeconomic forecast is used to influence the first round of budget ceilings that are issued by MOF in April or May. The updated forecast is used to influence the second round, or definitive, budget ceilings that are issued by MOF by August.

The budget process commences with determining the parameters of the macroeconomic and macro fiscal frameworks, but fiscal policy and PFM are not the same. PFM is concerned more with expenditure – it is closely aligned with budgeting and government spending. Fiscal policy is concerned about the ways or instruments governments use to stabilize the economy. It is the means by which GOG adjusts its spending levels and tax rates to monitor and influence a country's economy.

Although fiscal policy and PFM are not the same, there are important links.

Table 5: The links between fiscal policy and PFM

Fiscal Policy Objectives	Fiscal Management Instruments	PFM Requirements
Aggregate Fiscal Discipline and Macroeconomic Stability	Medium-Term Fiscal Framework	-Revenue Forecasting Capacity -Comprehensive Budget -Internal Control
	Fiscal Rules	-Accounting and Reporting Standards -Effective Monitoring
	Fiscal Transparency	-Annual Fiscal Policy Statement -Citizen's Guide to the Budget -Timely Fiscal Reporting
	Fiscal Risk Control	-External Audit -Disclosure of Non-Debt Liabilities
Spending Efficiency and Sustainable Growth	Medium-Term Budget Framework	-Top-down and Bottom-up Budgeting Process -Unified Current and Capital Budget
	Public Investment Planning	-Project Appraisal Capacity -PPP guidelines -Asset Management
	Performance Budgeting	-PBB classification -Performance Monitoring System

Whilst Table 5 clearly shows the links between fiscal policy and PFM, it does not offer any insights into how to develop sound fiscal policy and PFM policy. It also does not provide any insights into how weak fiscal policy will negatively impact PFM policy, and how ineffectual PFM policy will negatively impact fiscal policy.

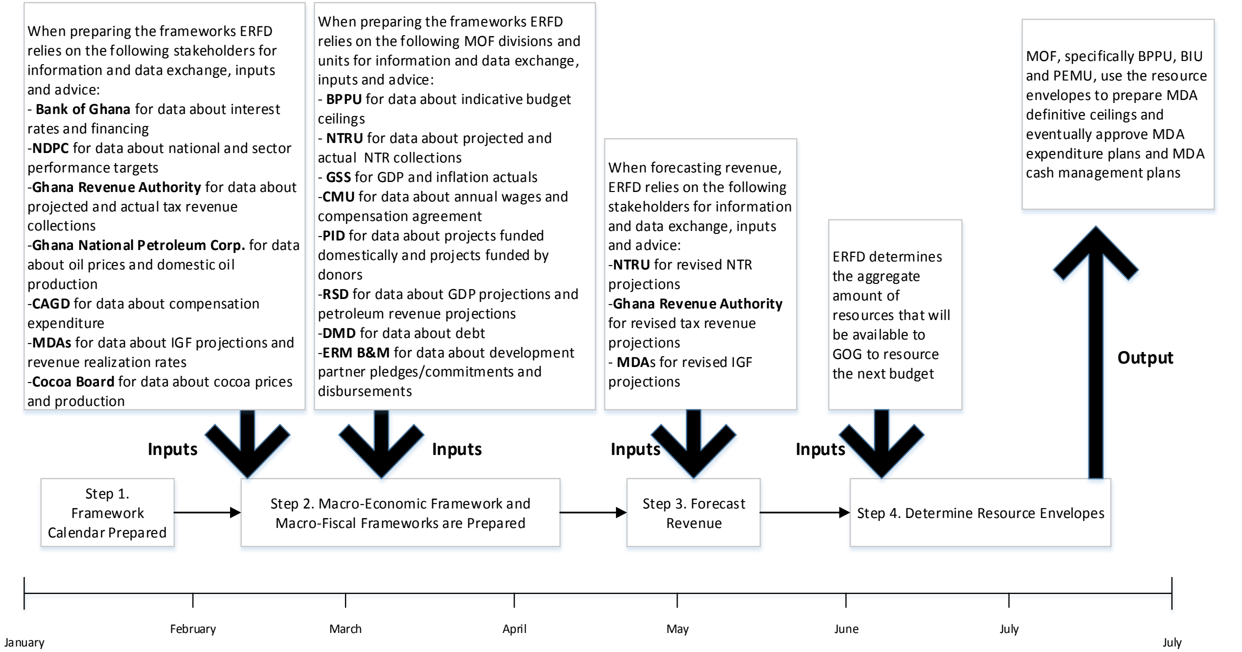
Weak fiscal policy can compromise the assumptions officials make about projected economic growth and macroeconomic stability. If the assumptions are flawed, the officials who formulate and implement the budget end up relying on weak assumptions that could eventually call into question the reliability of sector resource envelopes.

If PFM policy is ineffectual, fiscal policy may suffer and the systems in place to achieve national and sector development objectives end up being unrealistic and therefore unachievable. A cycle of dysfunction may arise where fiscal policy and PFM policy are not properly conceived - they end up not effectively contributing to growth, macroeconomic stability and efficient resource allocation.

Ghana has a well-coordinated mechanism for developing fiscal discipline and PFM policy. Roles and responsibilities are defined, and MOF takes the lead in trying to ensure budget credibility and fiscal discipline. The important thing to keep in mind is the macroeconomic and fiscal frameworks should be agreed before budget ceilings are issued to MDAs.

MOF relies on various stakeholders to develop the macroeconomic and fiscal frameworks. Four main steps are performed to develop the frameworks, and these are explained in the process map that may be found in Figure 19.

Figure 19: How the macroeconomic and fiscal frameworks and resource envelopes are prepared in Ghana



Description of Steps

Step 1 - ERFD prepares a framework calendar.The calendar will guide ERFD throughout the year on important deadlines and reporting and information flows.

Step 2 - ERFD commences preparing frameworks. The Division examines the economy from four angles or perspectives: (i) Real Sector; (ii) Fiscal Sector; (iii) Monetary Sector; and (iv) External Sector. The Division needs to develop consistent, inter-related annual and medium-term targets across all four sectors. The targets also need to align with NMTDPF.

Step 3 - ERFD undertakes revenue forecasting in collaboration with relevant stakeholders.

Step 4 - ERFD determines the total resource envelope, using the GDP growth rate and other variables such as tax projections. The Division collaborates with RSD and other key stakeholders to determine the annual GDP growth rate and the policy components and objectives of the four perspectives listed under Step 2.

3.5. Budget Formulation

This final section of the Chapter 3 will discuss budget formulation in Ghana. It includes a process map in Figure 20 that detail how the budget is formulated, roles and responsibilities and data flows and information exchange. This section of Chapter 3 also includes Table 6 that summarizes the budget formulating roles and responsibilities of specific MOF units.

The *Guidelines for Preparing the Budget* as stipulated in the Financial Administration Regulation (2004), Section 152 (2), is issued by MOF. The guidelines explains the main steps and roles and responsibilities for preparing MTFF, MTEF, MDA indicative ceilings over the medium-term, budget classifications and COA and other budget formulation processes.

The MTFF section of the Guidelines explains how the medium-term resource envelope is prepared based on indicative ceilings from the previous FY and fiscal policy recommendations. The Revenue Budget section of the Guidelines explains how NTR estimates and targets have to be prepared by all MDAs, and the MTEF section defines the composition of MTEF as the total of GOG expenditure (employee compensation, goods and services and capital expenditure) plus the retention of IGF and donor funds. MDAs are expected to apportion the total ceilings allocated to all expenditure categories. Budget classification and COA section of the Guidelines reminds MDAs that they are expected to use the COA as part of their budget formulation and implementation activities.

The Guidelines also remind MDAs that they are expected to continue formulating and implementing their budgets according to the PBB approach that is described in Chapter 2 of this Manual. When preparing PPB, MDAs are expected to rely on PBB working groups to prepare a MDA's program budget. MDAs are also required to prepare their budgets according to programs and sub-programs that have been approved by MOF. The allocation of cost to programs and sub-programs is based on economic classification as per the Budget Classification and COA.

Implementing PPPs is also explained in the Guidelines. All MDAs are required to budget accordingly for all fiscal commitments related to implementing projects. The PIP framework requires MDAs, when formulating their budgets, to validate medium-term public investment projects.

Additionally, in accordance with FAR, Section 152 (2), MOF issues in February a Budget Preparation Calendar for the ensuring year's calendar. The Calendar outlines the steps required for the effective coordination of formulating the budget.

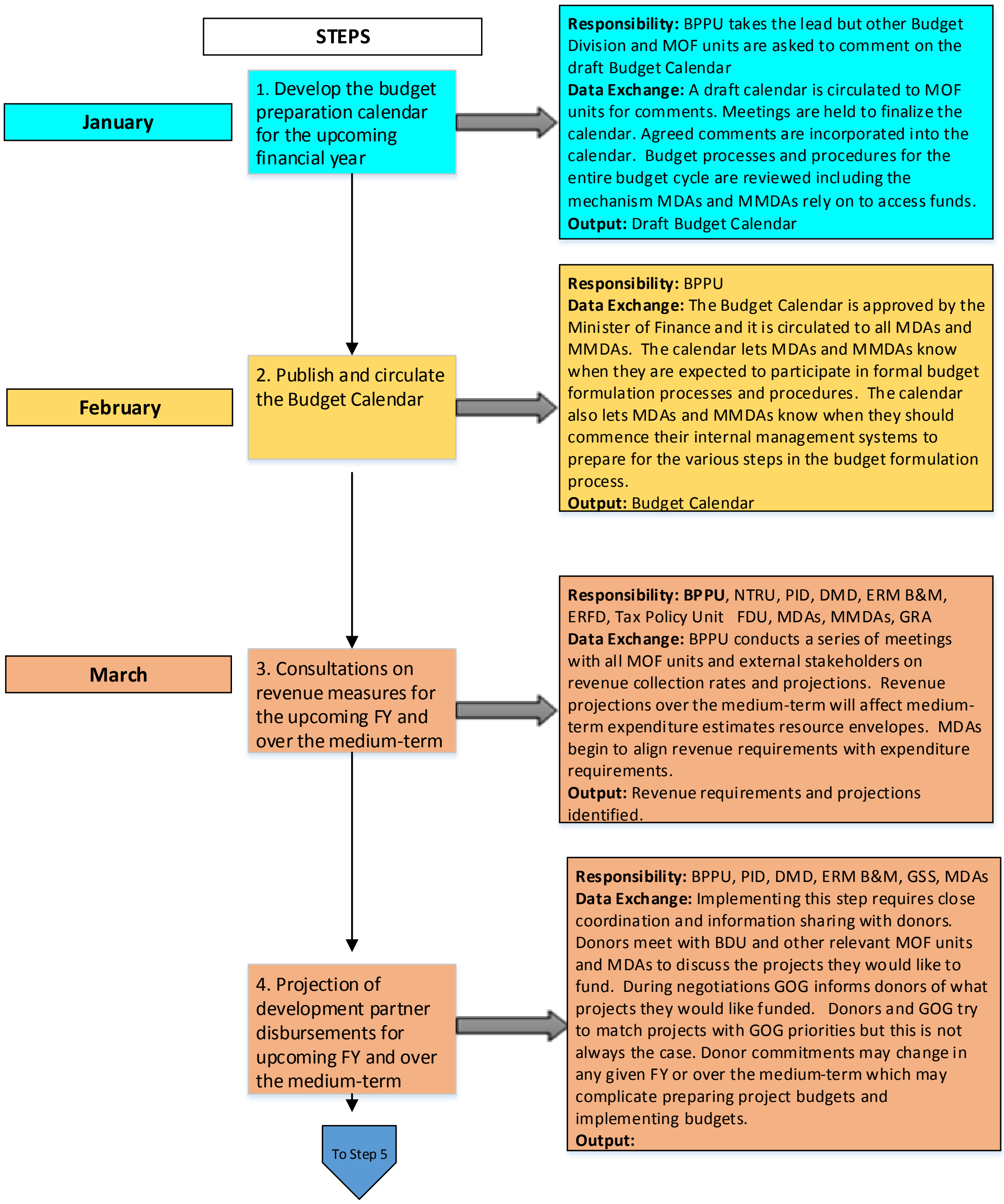
Table 6: A Summary of the budget formulating roles and responsibilities of MDAs and MOF units

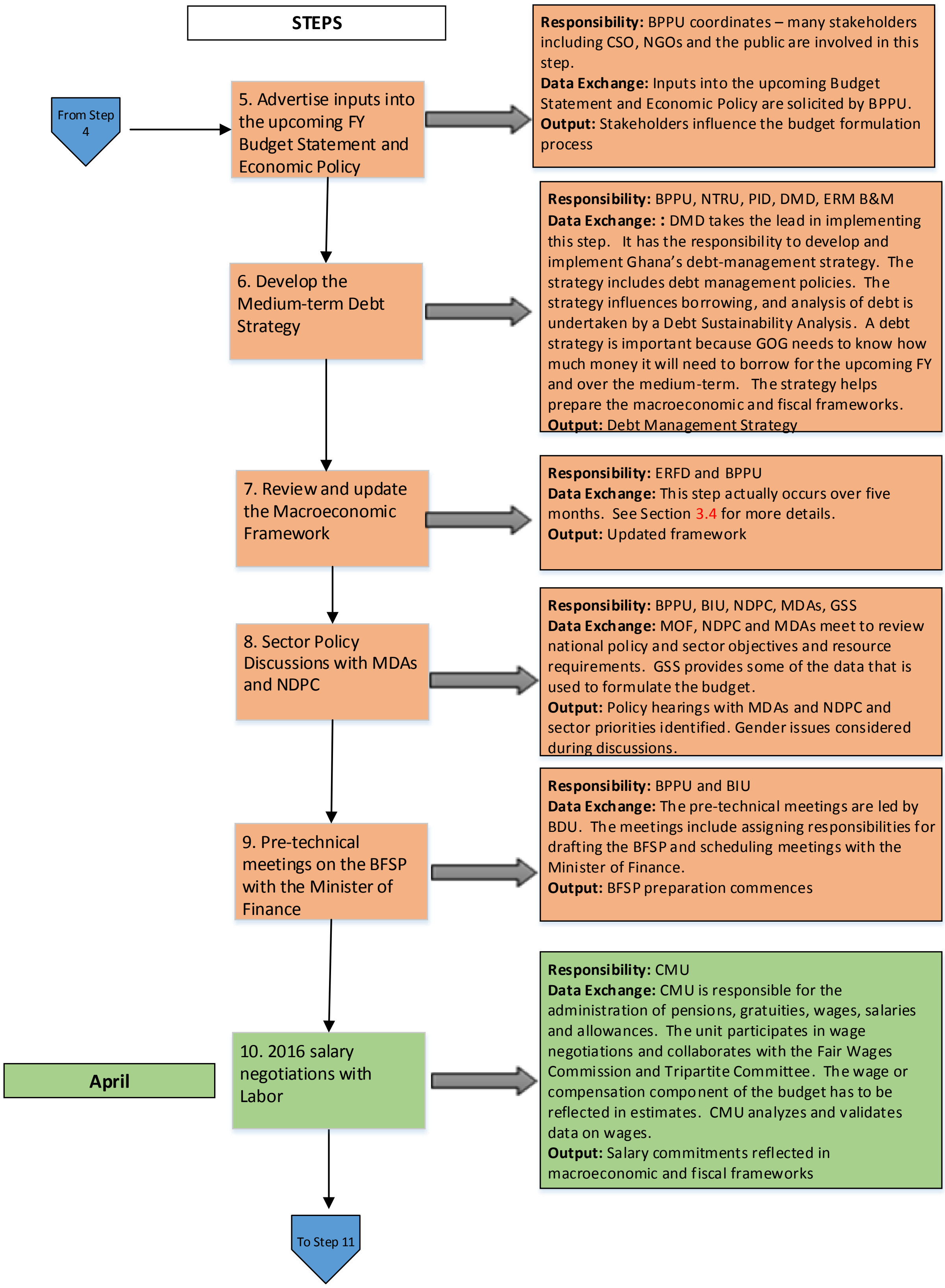
MOF Unit	Budget Formulating Roles and Responsibilities
MDAs	• Align MTDP strategic objectives with resource envelopes. • Rely on Budget Guidelines and other instructions from MOF about budget policy and timeframes to develop their internal or sector budgets and budget guidelines. • Oversee the budgets of their agencies. • Prepare an annual report about the performance of the previous FY's budget. • Attend meetings with MOF and their agencies to discuss policy and operational issues that have impacted the implementation of the current financial year's budget – the results of the meetings may be used to set new budget policies for the current financial year or the upcoming financial year. • Rely on ceilings, historic data and current FY data to prepare expenditure and revenue estimates for the upcoming financial year and the medium-term. • Refine their budget proposals based on ceilings issued by MOF (BPPU). • Finalize their budget submissions by 31 October every year.
Budget Planning and Preparation Unit	• Coordinates the budget cycle, budget submissions, budget revisions and the submission of the final budget to Parliament every FY. • Performs quality control of submissions and other documents before they are disseminated to the President, Parliament, Cabinet, Minister of Finance and the Budget Director. • Prepares Budget Calendar, BFSP and Budget Guidelines. • Issues indicative and definitive budget ceilings and the BFSP. • Conducts budget hearings, technical hearings and policy hearings with MDAs and other stakeholders. • Oversees the costing of MDA activities. • Oversees the development of MTEF and the quality control of forward estimates. • Prepares and presents the mid-year review of the current FY's budget. • Prepares annual Budget Performance Report for the previous FY. • Develops and delivers budget formulation capacity building training to MDAs.
Budget Implementation Unit	• Advises MDAs on budget inputs before technical budget hearings.

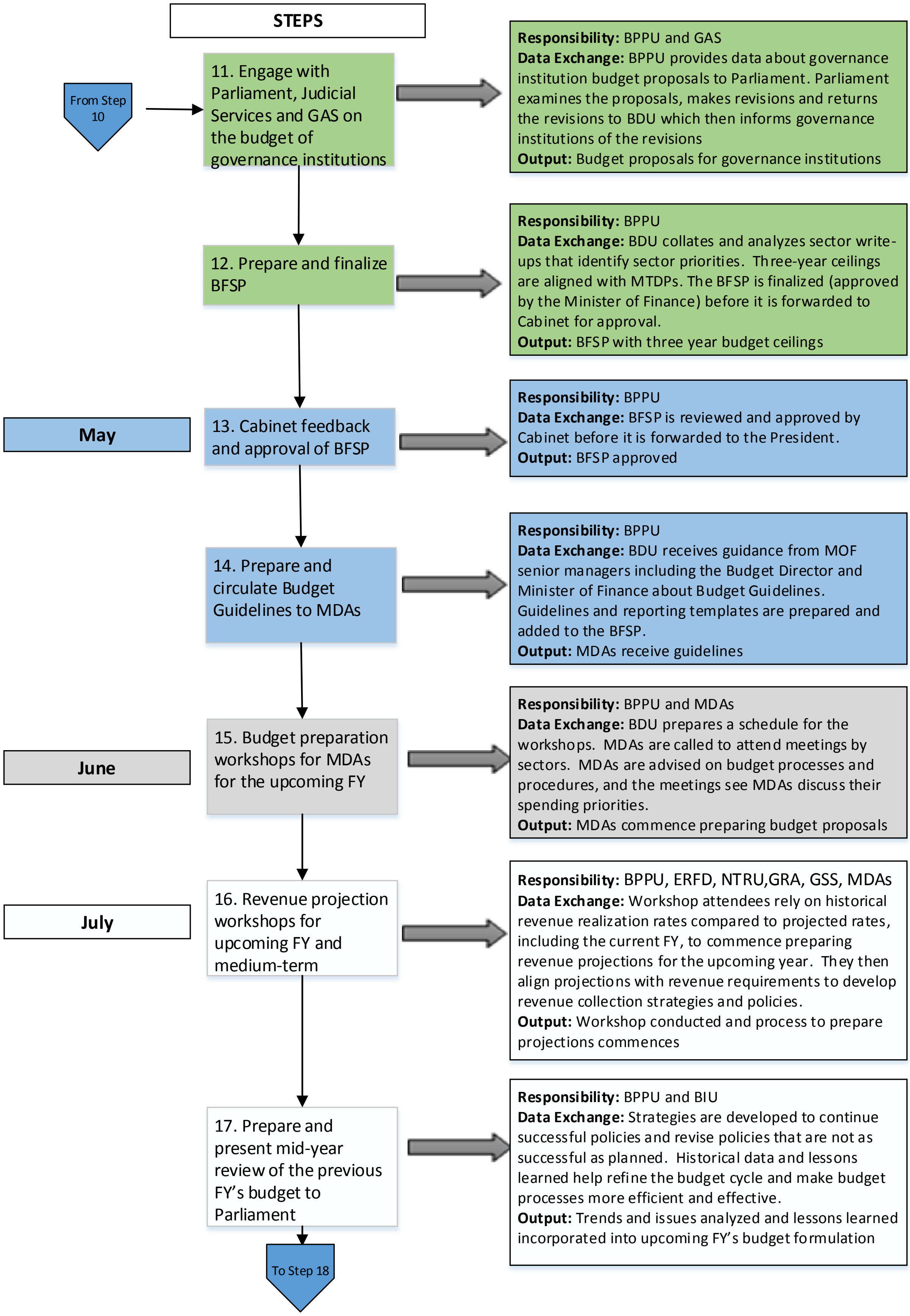
	• Advises MOF on budget realization for supplementary budget and budget revisions.
Economic Research and Forecasting Division	• Develops the Macroeconomic Framework and Fiscal Framework which determine aggregate sector resource envelopes and strategies included in the BFSP. • Performs research and designs strategies for resource mobilization. • Works closely with BPPU to formulate the national budget (expenditure and revenue) and MTEF.
Public Expenditure Monitoring Unit	• Plays a role in preparing budget revisions.
Fiscal Decentralization Unit	• Advises MMDAs/district assemblies about budget formulation. • Maintains data about planned and actual expenditure and revenue realization. • Develops guidelines for MMDA borrowing. • Vets MMDA budget proposals.
Non-Tax Revenue Unit	• Coordinates the raising of NTR by MDAs. • Develops ideas and policy options to improve IGF collection and management. • Data provided to prepare non-tax revenue forecasts that will be used to prepare macroeconomic framework. • Provides inputs to Budget Guidelines and BFSP.
Compensation Management Unit	• Participates in annual wage negotiations. • Projects annual wage outrun for the Budget Statement. • Computes the fiscal implications of the outcome of negotiations in the annual budget (macro-economic forecasts). • Helps MDAs determine the compensation component of their annual budgets.
Budget Technical Assistance and Support	• Ensure budget formulation data is properly formatted for inputting into GFMIS. • Ensure budget formulation data is properly formatted for inputting into Hyperion. • Ensure expenditure estimates and macro-economic forecasting data that helps MDAs develop MTDPs and costings are formatted for inputting into Hyperion. • Ensure project data from PIMS is properly formatted for inputting into Hyperion. • Ensures indexation of forward estimates which enhances fiscal discipline and the quality of MTEF.
Real Sector Division	• Prepares GDP projections, trends and forecasts for three years.

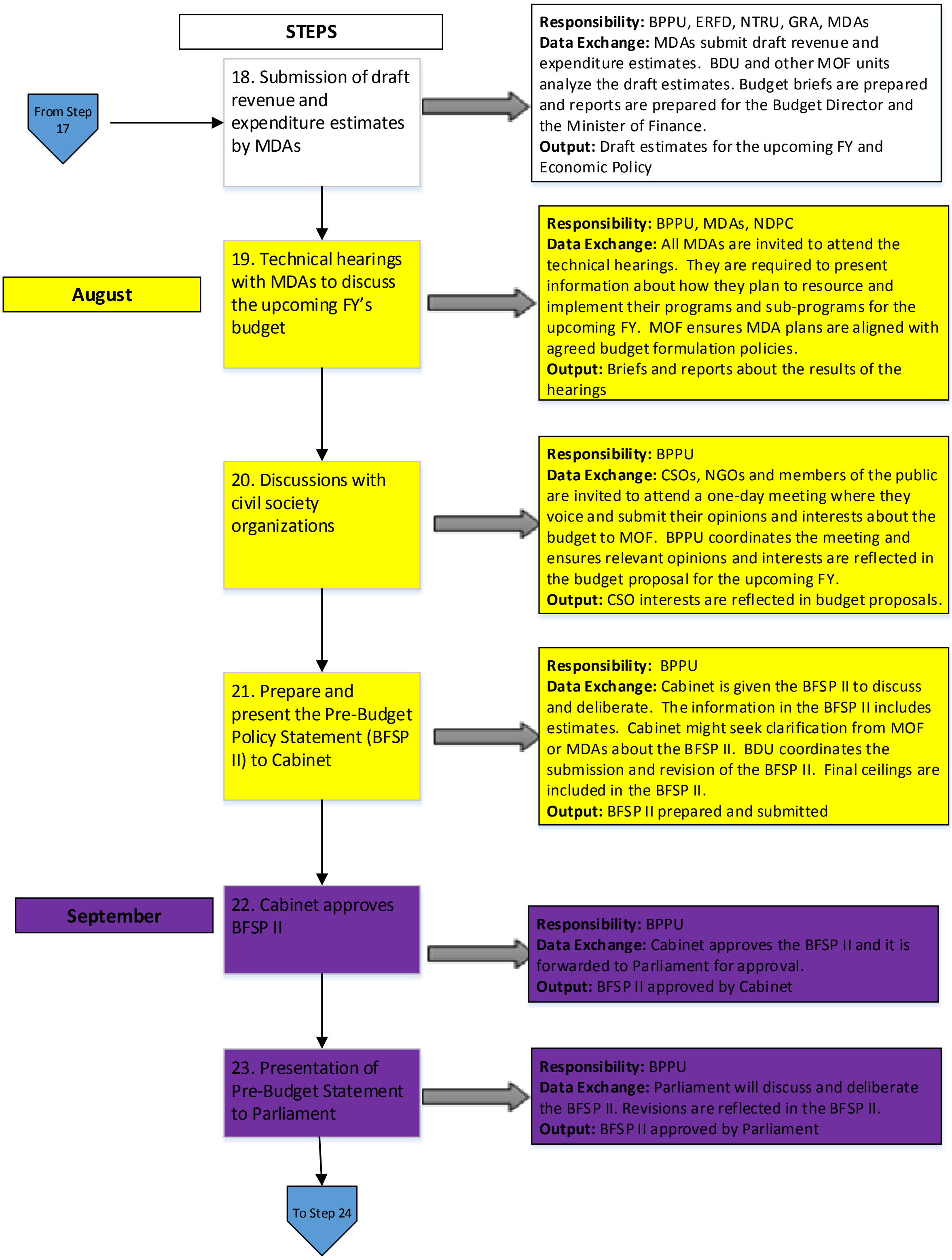
	• Prepares forecasts of petroleum revenue and other expectations that are used to prepare the macroeconomic framework.
Debt Management Division	• Analyzes debt issues that are reflected in the BFSP and budget statement. • Prepares debt estimates that are reflected in the budget. • Prepares the Medium-Term Debt Strategy Paper.
External Resource Mobilization – Bilateral and Multilateral	• Identifies and synchronizes donor support and pledges with budget formulation. • Provides data about donor pledges during budget hearings.
Public Investment Division	• Prepares the Public National Investment Plan and vets MDA investment plans. • Maintains a project contract database (PIMS).

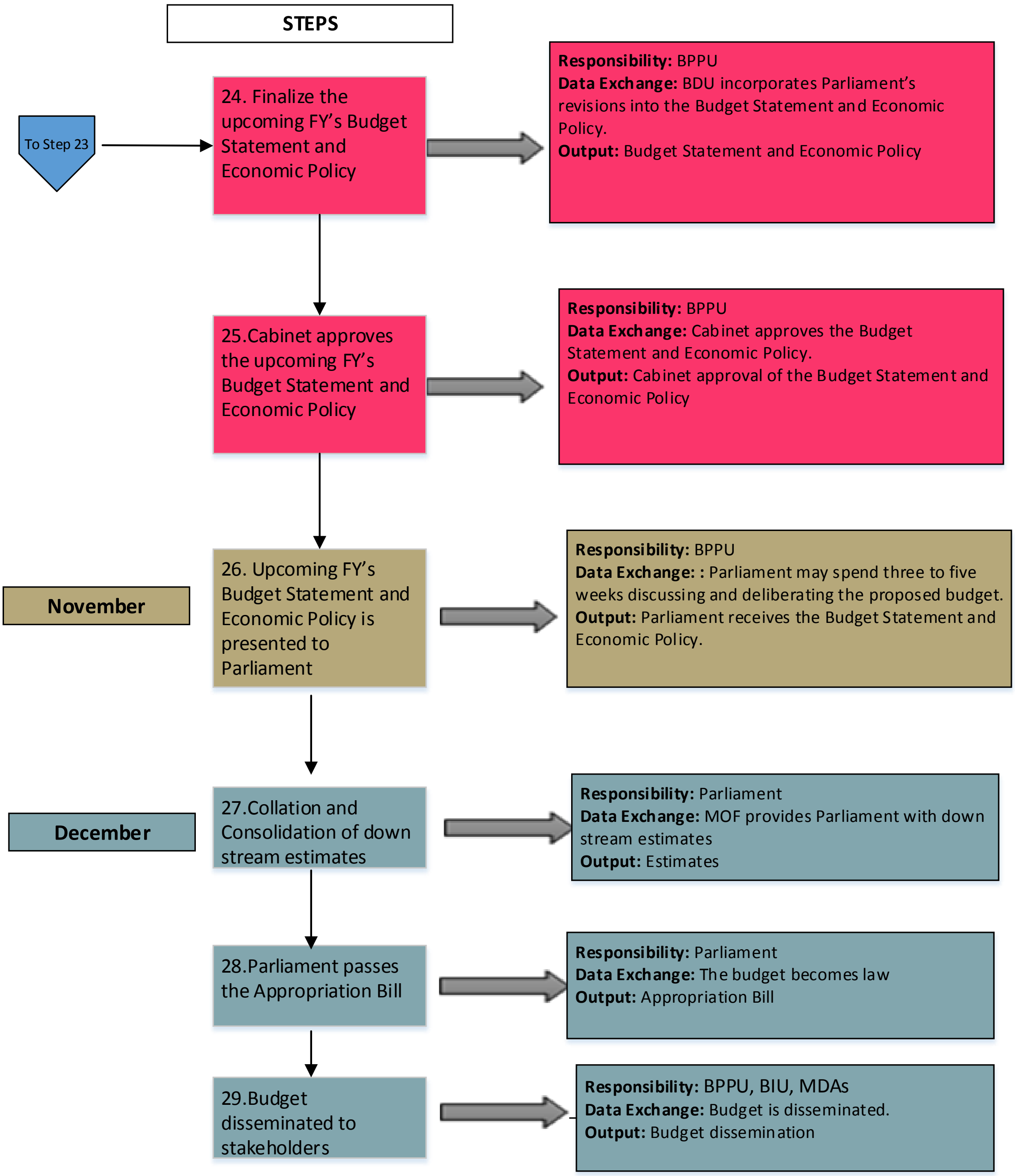
Figure 20: How the budget is formulated in Ghana




STEPS
From Step 4
5. Advertise inputs into the upcoming FY Budget Statement and Economic Policy
Responsibility: BPPU coordinates – many stakeholders including CSO, NGOs and the public are involved in this step.
Data Exchange: Inputs into the upcoming Budget Statement and Economic Policy are solicited by BPPU.
Output: Stakeholders influence the budget formulation process
6. Develop the Medium-term Debt Strategy
Responsibility: BPPU, NTRU, PID, DMD, ERM B&M
Data Exchange: : DMD takes the lead in implementing this step. It has the responsibility to develop and implement Ghana's debt-management strategy. The strategy includes debt management policies. The strategy influences borrowing, and analysis of debt is undertaken by a Debt Sustainability Analysis. A debt strategy is important because GOG needs to know how much money it will need to borrow for the upcoming FY and over the medium-term. The strategy helps prepare the macroeconomic and fiscal frameworks.
Output: Debt Management Strategy
7. Review and update the Macroeconomic Framework
Responsibility: ERFD and BPPU
Data Exchange: This step actually occurs over five months. See Section 3.4 for more details.
Output: Updated framework
8. Sector Policy Discussions with MDAs and NDPC
Responsibility: BPPU, BIU, NDPC, MDAs, GSS
Data Exchange: MOF, NDPC and MDAs meet to review national policy and sector objectives and resource requirements. GSS provides some of the data that is used to formulate the budget.
Output: Policy hearings with MDAs and NDPC and sector priorities identified. Gender issues considered during discussions.
9. Pre-technical meetings on the BFSP with the Minister of Finance
Responsibility: BPPU and BIU
Data Exchange: The pre-technical meetings are led by BDU. The meetings include assigning responsibilities for drafting the BFSP and scheduling meetings with the Minister of Finance.
Output: BFSP preparation commences
April
10. 2016 salary negotiations with Labor
Responsibility: CMU
Data Exchange: CMU is responsible for the administration of pensions, gratuities, wages, salaries and allowances. The unit participates in wage negotiations and collaborates with the Fair Wages Commission and Tripartite Committee. The wage or compensation component of the budget has to be reflected in estimates. CMU analyzes and validates data on wages.
Output: Salary commitments reflected in macroeconomic and fiscal frameworks
To Step 11


STEPS
From Step 10
11. Engage with Parliament, Judicial Services and GAS on the budget of governance institutions
Responsibility: BPPU and GAS
Data Exchange: BPPU provides data about governance institution budget proposals to Parliament. Parliament examines the proposals, makes revisions and returns the revisions to BDU which then informs governance institutions of the revisions
Output: Budget proposals for governance institutions
12. Prepare and finalize BFSP
Responsibility: BPPU
Data Exchange: BDU collates and analyzes sector write-ups that identify sector priorities. Three-year ceilings are aligned with MTDPs. The BFSP is finalized (approved by the Minister of Finance) before it is forwarded to Cabinet for approval.
Output: BFSP with three year budget ceilings
May
13. Cabinet feedback and approval of BFSP
Responsibility: BPPU
Data Exchange: BFSP is reviewed and approved by Cabinet before it is forwarded to the President.
Output: BFSP approved
14. Prepare and circulate Budget Guidelines to MDAs
Responsibility: BPPU
Data Exchange: BDU receives guidance from MOF senior managers including the Budget Director and Minister of Finance about Budget Guidelines. Guidelines and reporting templates are prepared and added to the BFSP.
Output: MDAs receive guidelines
June
15. Budget preparation workshops for MDAs for the upcoming FY
Responsibility: BPPU and MDAs
Data Exchange: BDU prepares a schedule for the workshops. MDAs are called to attend meetings by sectors. MDAs are advised on budget processes and procedures, and the meetings see MDAs discuss their spending priorities.
Output: MDAs commence preparing budget proposals
July
16. Revenue projection workshops for upcoming FY and medium-term
Responsibility: BPPU, ERFD, NTRU,GRA, GSS, MDAs
Data Exchange: Workshop attendees rely on historical revenue realization rates compared to projected rates, including the current FY, to commence preparing revenue projections for the upcoming year. They then align projections with revenue requirements to develop revenue collection strategies and policies.
Output: Workshop conducted and process to prepare projections commences
17. Prepare and present mid-year review of the previous FY's budget to Parliament
Responsibility: BPPU and BIU
Data Exchange: Strategies are developed to continue successful policies and revise policies that are not as successful as planned. Historical data and lessons learned help refine the budget cycle and make budget processes more efficient and effective.
Output: Trends and issues analyzed and lessons learned incorporated into upcoming FY's budget formulation
To Step 18


STEPS
From Step 17
18. Submission of draft revenue and expenditure estimates by MDAs
Responsibility: BPPU, ERFD, NTRU, GRA, MDAs
Data Exchange: MDAs submit draft revenue and expenditure estimates. BDU and other MOF units analyze the draft estimates. Budget briefs are prepared and reports are prepared for the Budget Director and the Minister of Finance.
Output: Draft estimates for the upcoming FY and Economic Policy
August
19. Technical hearings with MDAs to discuss the upcoming FY's budget
Responsibility: BPPU, MDAs, NDPC
Data Exchange: All MDAs are invited to attend the technical hearings. They are required to present information about how they plan to resource and implement their programs and sub-programs for the upcoming FY. MOF ensures MDA plans are aligned with agreed budget formulation policies.
Output: Briefs and reports about the results of the hearings
20. Discussions with civil society organizations
Responsibility: BPPU
Data Exchange: CSOs, NGOs and members of the public are invited to attend a one-day meeting where they voice and submit their opinions and interests about the budget to MOF. BPPU coordinates the meeting and ensures relevant opinions and interests are reflected in the budget proposal for the upcoming FY.
Output: CSO interests are reflected in budget proposals.
21. Prepare and present the Pre-Budget Policy Statement (BFSP II) to Cabinet
Responsibility: BPPU
Data Exchange: Cabinet is given the BFSP II to discuss and deliberate. The information in the BFSP II includes estimates. Cabinet might seek clarification from MOF or MDAs about the BFSP II. BDU coordinates the submission and revision of the BFSP II. Final ceilings are included in the BFSP II.
Output: BFSP II prepared and submitted
September
22. Cabinet approves BFSP II
Responsibility: BPPU
Data Exchange: Cabinet approves the BFSP II and it is forwarded to Parliament for approval.
Output: BFSP II approved by Cabinet
23. Presentation of Pre-Budget Statement to Parliament
Responsibility: BPPU
Data Exchange: Parliament will discuss and deliberate the BFSP II. Revisions are reflected in the BFSP II.
Output: BFSP II approved by Parliament
To Step 24


STEPS
To Step 23
24. Finalize the upcoming FY's Budget Statement and Economic Policy
Responsibility: BPPU
Data Exchange: BDU incorporates Parliament's revisions into the Budget Statement and Economic Policy.
Output: Budget Statement and Economic Policy
25.Cabinet approves the upcoming FY's Budget Statement and Economic Policy
Responsibility: BPPU
Data Exchange: Cabinet approves the Budget Statement and Economic Policy.
Output: Cabinet approval of the Budget Statement and Economic Policy
November
26. Upcoming FY's Budget Statement and Economic Policy is presented to Parliament
Responsibility: BPPU
Data Exchange: : Parliament may spend three to five weeks discussing and deliberating the proposed budget.
Output: Parliament receives the Budget Statement and Economic Policy.
December
27.Collation and Consolidation of down stream estimates
Responsibility: Parliament
Data Exchange: MOF provides Parliament with down stream estimates
Output: Estimates
28.Parliament passes the Appropriation Bill
Responsibility: Parliament
Data Exchange: The budget becomes law
Output: Appropriation Bill
29.Budget disseminated to stakeholders
Responsibility: BPPU, BIU, MDAs
Data Exchange: Budget is disseminated.
Output: Budget dissemination

Chapter 4 – The Roles of Parliament and the Public in Ghana's Budget Cycle

The Parliament and the public have unique roles to play in all four components of Ghana's Budget Cycle. The Parliament, Ghana's national legislative body, is the only body which exercises all primary legislative functions. Its role in budgeting is to drive policy choices and priorities, approve the budget and oversee budget implementation. For the purposes of this Manual, the public includes the citizens of Ghana, CSOs, NGOs, think tanks, trade unions, professional organizations, interest groups and the media. All of these stakeholders may benefit directly and/or indirectly from the efficient and effective formulation, implementation, monitoring and evaluating of the budget. The policies and programs that are included in MDA MTDPs, and funded by the budget, may significantly influence the quality of life of the public.

This chapter will discuss how Parliament and the public may influence budget formulation, approval, implementation and monitoring, evaluating and reporting in Ghana. It will discuss at what points in the budget cycle both stakeholders may influence the budget, and it will explain how both stakeholders actually influence budgeting in Ghana. The roles of politicians and how political decisions are coordinated with the budget cycle will be explored, and the public's participation in the budget cycle will demonstrate how budget transparency and accountability may be strengthened through public empowerment and participation in the budget cycle at specific times of the cycle.

This chapter will also discuss the steps Parliament implements to approve the budget and oversee the budget.

4.1. Parliament's roles in budgeting as mandated by the Constitution of Ghana (1992)

The Parliament of Ghana is a unicameral or on-house legislature. The Constitution (1992) guarantees and defines the Parliament's role in budgeting. It also defines the public's legal right to access public financial information, access public facilities (to attend meetings, hearings, or petition a public servant or parliamentarian), and to participate in political activities as follows:

- Article 11 vests the chief legislative power in Ghana with the Parliament of Ghana.
- Article 21 (1)(f) guarantees fundamental human rights and freedoms including access to information subject to qualifications and laws as are necessary in a democratic society.
- Article 21 (3) grants all citizens shall have the right and freedom to form political parties and to participate in political activities subject to such qualifications and laws

as are necessary in a free and democratic society and are consistent with the Constitution.

- Article 31 (3) notes that the State shall promote just and reasonable access by all citizens to public facilities in accordance with law.
- Article 108 sets rules for the limitations of introducing bills concerning the settlement of financial affairs.
- Article 162 (i to iii) guarantees freedom of the media, no censorship and not impediments for journalists, the media or access to information.
- Chapter 13 grants Parliament, under an Act of Parliament, the right to impose taxes, vote on appropriation bills, authorize the Government to spend money and enter into debt and paying debt.

The Constitution goes to great lengths to define Parliament's role in budgeting formulation, approval, control and oversight. It also guarantees the public's role in influencing the budgeting process. Political processes determine how the Parliament, the public and MDAs reach a consensus to resolve differences and ensure the budget reflects the needs and expectation of as many Ghanaians as possible.

Figure 21: An explanation of the roles of the Parliament and the public during Ghana's budget cycle

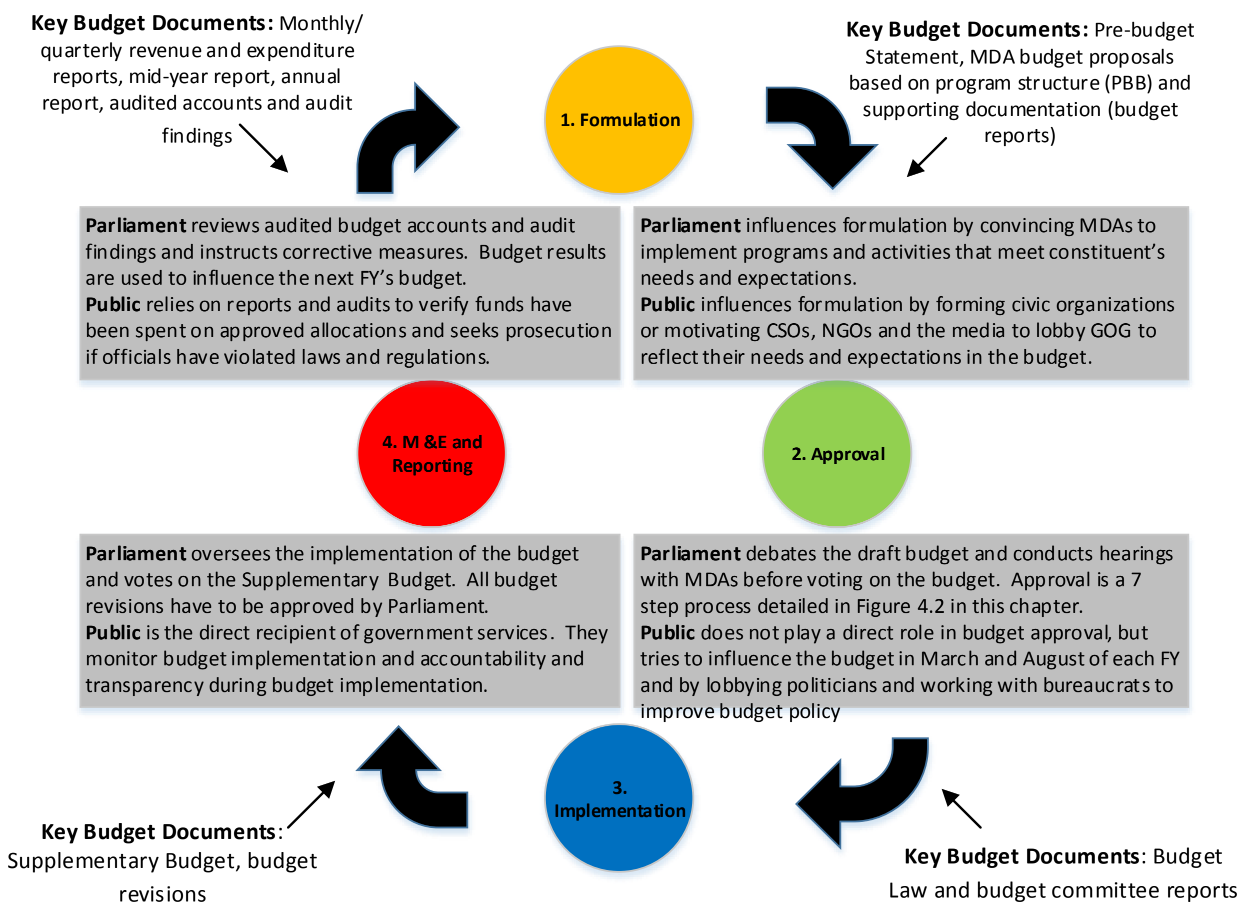


Figure 21 demonstrates how both Parliament and the public seek, and in some cases demand, accountability or explanations of why the budget is formulated and implemented a certain way. Indeed, at certain points of the budget cycle, Parliament engages with the public, specifically CSOs and NGOs, in order to better reflect constituent needs and policy priorities. Engagement occurs at the committee level where the political will to achieve budget accountability and transparency is essential.

The following three Parliament committees are responsible for public finance and budgeting issues in Ghana:

1. **The Special Budget Committee** that considers the budget of Parliament and other constitutionally independent bodies.

2. **The Public Accounts Committee** that examines audited accounts showing the appropriation of the sums granted by Parliament to meet the Government's expenditure. The PAC also considers the institutional capacity, mandate, procedures and processes of the CAGD and other entities that produce audited reports.

3. **The Finance Committee** that examines international loan agreements and monitors foreign exchange receipts and payments.

Parliamentary committees, according to the *International Public Financial Management Handbook*, exist for two basic reasons. First, they are bodies that make recommendations on the distribution of resources among various MDAs or sectors. Second, the committees provide information for decision-making on the budget by Parliament's plenary sessions.

The three committees listed above are composed of 19 to 25 members. They meet regularly to discuss relevant matters, and they produce committee reports. Reports are typically about annual budget and revenue draft estimates and final estimates for each MDA, levying taxes, debt management, issuing bonds and other finance and budget-related topics.

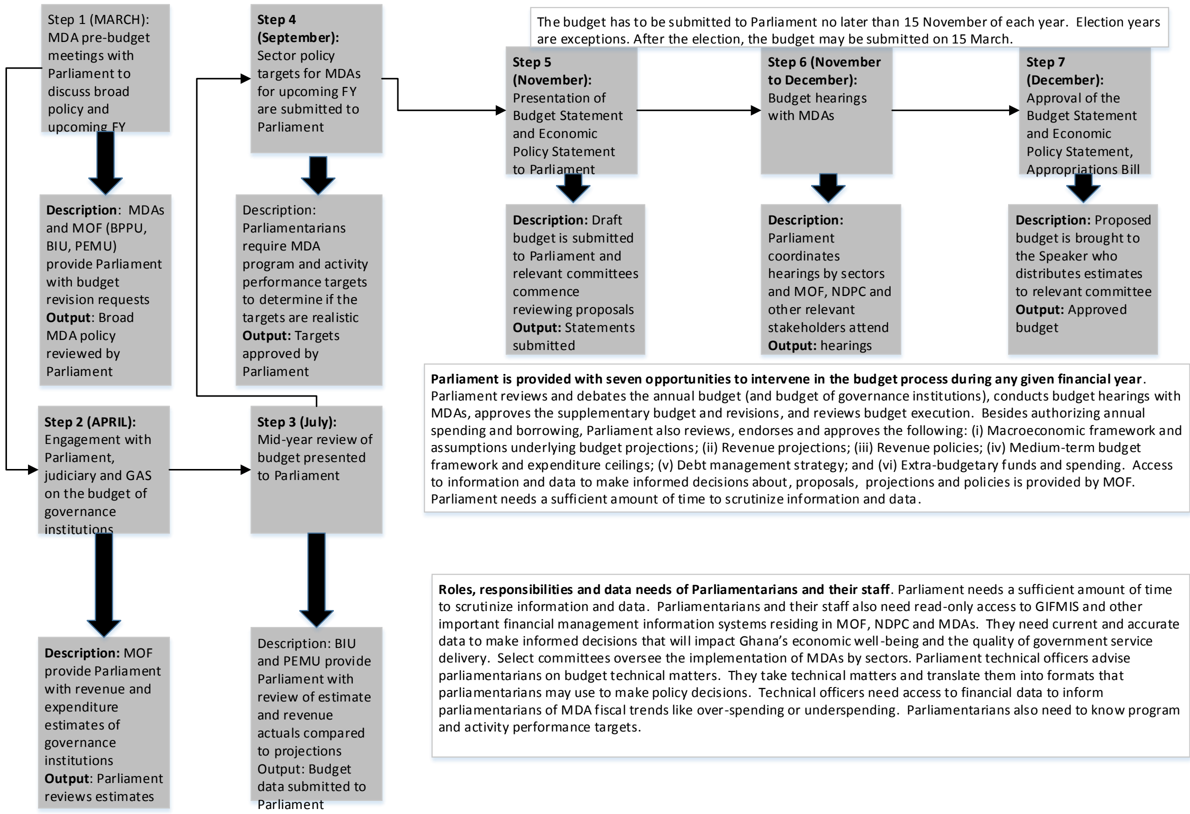
4.2. The steps Parliament implements to oversee and approve the budget

Like other budget stakeholders, Parliament intervenes at strategic points of the budget cycle to perform its legally mandated duties and responsibilities. Parliament is provided with seven main opportunities to intervene in the budget process in Ghana. Parliament reviews and debates the annual budget (and budget of governance institutions), conducts budget hearings with MDAs, approves the supplementary budget and revisions, and reviews budget execution. Besides authorizing annual spending and borrowing, Parliament also reviews and eventually approves the following:

- Macroeconomic framework and assumptions underlying projected economic performance;

- Macro-fiscal framework and assumptions underlying budget projections;
- Revenue projections;
- Tax policy and other revenue policy;
- MTBF and expenditure ceilings;
- Debt management strategies and schedules for incurring and repaying debt; and
- Extra-budgetary funds and spending.

Figure 22: The seven steps Parliament implements to oversee and approve the budget



Parliament is entirely reliant upon MOF and MDAs to provide timely finance and budget information and data. Parliament's oversight functions pertaining to budget expenditure and revenue collections ensure service delivery meets the needs of the people of Ghana. Parliament also considers whether policies, or programs and activities, are implemented according to plan and within resource envelopes. Oversight also requires Parliament to provide feedback to MOF and MDAs on how budget policy, fiscal policy and service delivery may be improved (See Appendix F and Appendix G for the templates Parliament needs to make informed decisions about the budget).

4.3. Empowering the public to get involved in budgeting

Citizen participation in influencing the formulation and implementation of the budget, and in ensuring the accountability and transparency of budget policy, is a hallmark of all democratic societies. The public's role in Ghana's budget cycle usually occurs in March and

August of each fiscal year when citizens are encouraged or invited to attend government-sponsored public hearings. The hearings offer CSOs, NGOs, the media and other members of the public the opportunity to voice their ideas or opinions in an effort to influence resource allocation.

Budgeting, as noted by OECD, is a fundamental activity of government symbolizing an explicit agreement between the people and their government. Citizens are taxed and charged fees for certain government services, and in exchange they receive public services and benefits. The public expects budgeting to be transparent and fair, and they want government officials to be held accountable. The public wants to know, and has a right to know, the composition of Ghana's budget and how GOG expects to achieve its national and sector service delivery and development objectives. The efficient and effective management of the government's resources instils a sense of confidence in MDA's ability to deliver what they pledged to deliver in their MTDPs.

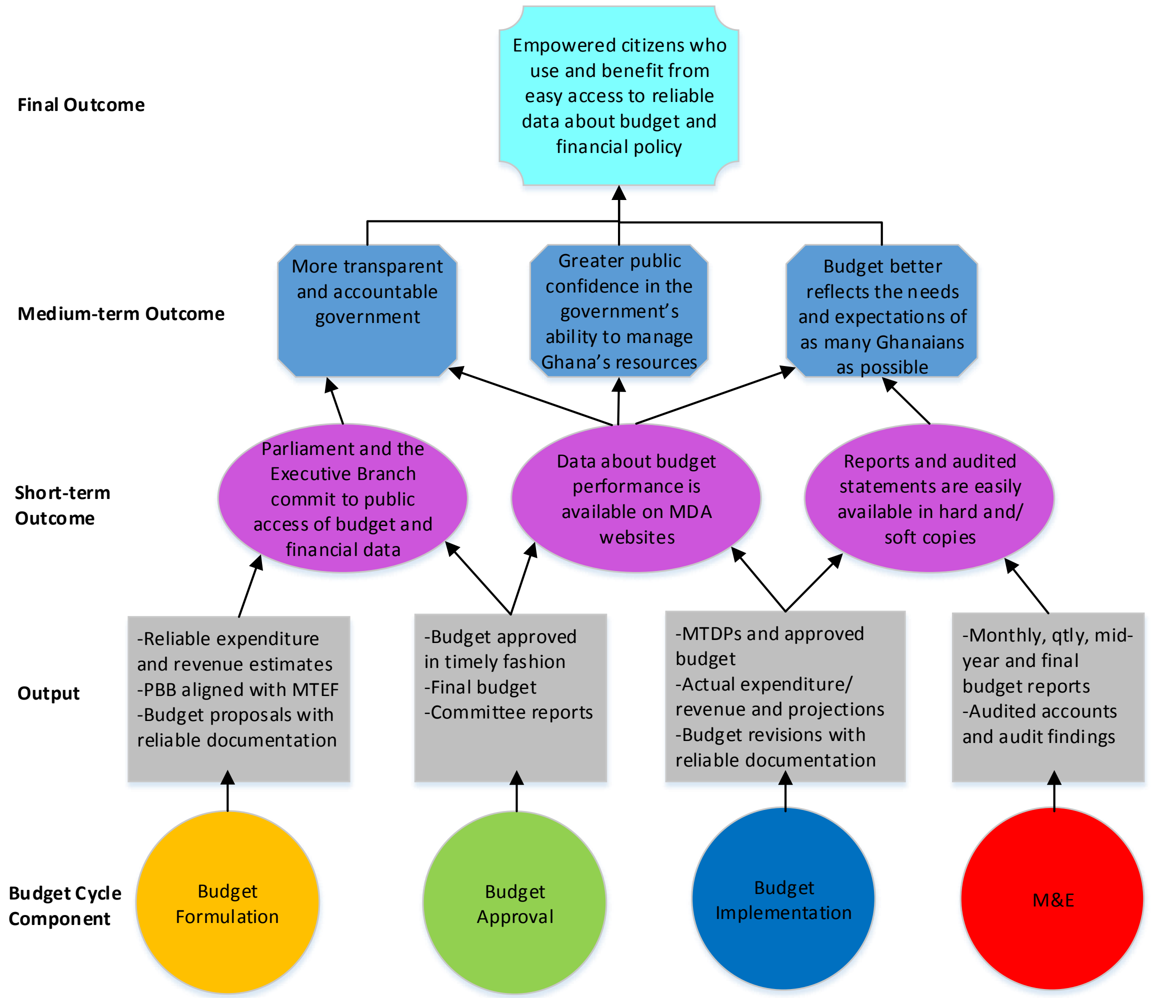
It is important to note that the public's role in budgeting in Ghana is not limited to several days a year for hearings with Parliament, MOF or MDAs. The public's input into the budget process includes having access to accurate and timely data and reports about budget and financial policy. It includes engaging with Parliament and MDAs and MOF during all four components of the budget cycle. It also involves convincing the government that the public can play a role in determining how Ghana's resources are allocated and expended – and no one stakeholder is more important than other stakeholders when it comes to formulating and implementing the budget.

Empowering the public to get involved in budgeting includes:

- Making the public more aware of why budgeting is important;
- Ensuring the public has access to data, information and reports;
- Helping the public make sense of data, information and reports;
- Supporting the public's efforts to make their public institutions reflect their values, views and interests;
- Making the public more aware that they have a legal right to access data, information and reports;
- Convincing the public that they can influence or shape budget policy; and
- Enhancing the quality of public service delivery through a more informed public that understands how the equitable and efficient allocation of resources leads to improved socio-economic development and fiscal stability.

Empowering the public to use budget data and information to make informed judgements and decisions about how they want Ghana's resources spent is a process that is achieved through engagement in the budget cycle. If the public is able to influence any of the four components of the budget cycle, a series of desired short-term outcomes, medium-term outcomes and a final outcome of empowering the public will likely occur.

Figure 23: A strategy map for how the public may become more empowered in budgeting



The above strategy map indicates how several of the important outputs for each component of the budget cycle may influence different stages of outcomes. The key to meaningful public engagement in Ghana's budget hinges on the public gaining access to information and opportunities to influence and participate in budget decisions.

Mechanisms to encourage public participation in budget formulation include:

- Inviting the public to attend budget technical meetings and affording them an opportunity during a designated time of the meetings to provide feedback and comments about any aspect of the proposed budget.
- Conducting public forums that would allow the public to concentrate on budget matters and service delivery issues for a particular MDA – or in the case of cross-sector issues conduct public forums that would allow the public to discuss budget matters and service delivery issues that are the purview of two or more MDAs.

- Requiring MOF, MDAs and other relevant government bodies to officially respond to all feedback and comments raised by the public during meetings and forums within a certain amount of time.
- Televising budget formulation meetings and forums.
- Publishing meeting or forum minutes in newspapers and on relevant government websites.

Mechanisms to encourage public participation in budget approval include:

- Inviting the public to attend Parliament debates about budget proposals before the Budget Appropriations Bill is passed.
- Televising the debates and any other meetings or hearings the government conducts to approve the budget.
- Publishing budget approval meeting or hearing minutes in newspapers and on relevant government websites.

Mechanisms to encourage public participation in budget implementation include:

- Inviting the public to attend the budget mid-year review meetings and affording them an opportunity during a designated time of the meetings to provide feedback and comments about any aspect of budget implementation.
- Conducting public forums for each MDA that would allow the public to ask questions and seek clarification about budget implementation issues.
- Requiring MOF, MDAs and other relevant government bodies to officially respond to all feedback and comments raised by the public during budget implementation meetings and forums within a certain amount of time.
- Televising the mid-year budget review meetings and any other meetings or hearings the government conducts to implement the budget.
- Publishing mid-year budget review meeting minutes in newspapers and on relevant government websites.

Mechanisms to encourage public participation in budget monitoring and evaluation include:

- Encouraging citizens to report fraud, financial mismanagement and tax evasion.
- Publishing all budget reports on MOF’s website or relevant MDA websites.
- Conducting public forums that would allow the public to ask questions and seek clarification about budget performance and evaluation.
- Requiring the appropriate government entity to officially respond to all feedback and comments raised by the public during budget performance and evaluation forums within a certain amount of time.

The role of the Internet in empowering the public to participate in budgeting

It should be clear from the above strategies that the Internet has to play a significant role in empowering the public to have more of say in how Ghana's resources are allocated. MOF and MDAs, to varying degrees, include information on their websites about the national budget and MDA budgets.

Electronically communicating budget data and information on websites is quickly becoming an effective way for governments around the world to publish information and reports. It is also an effective way for the public to ask questions, request additional information, check facts or confirm statements made by politicians, and report fraud or corrupt practices. Electronically communicating data on websites also reduces costs associated with printing reports, and it allows people who live in remote communities that have access to the Internet to research topics that meet their needs or interests.

The role of the media in objectively reporting on budgeting

The media also has a significant role to play in revealing and explaining GOG's decisions regarding resource allocation, income re-distribution and service delivery. The *OECD Journal of Budgeting* notes that the media, when reporting on budget issues, often focuses on fraud and waste and political winners and losers in budget debates and decisions. These stories often have a "corrosive'' impact on public opinion and they ''contribute to the perception that governments do not represent the public's interests." The media should take care to objectively report, when possible, on budget-related matters.

4.4. The eight key budget documents that should be published and made available to the public

The IMF, World Bank and organizations like the International Budget Partnership (IBP) acknowledge that there are eight essential documents that all governments should publish at different points of the budget cycle. The eight documents should be made available to the public in a timely manner, and electronic copies should be available on MOF's website or a relevant government agency's website.

According to international finance organizations and IBP, GOG should publish the following documents during budget formulation:

1. **Pre-budget Statement** which is prepared by MOF and includes macroeconomic assumptions like expenditure estimates, revenue estimates, projected debt requirements and broad sector allocations. These assumptions form the macroeconomic framework that is used to determine sector ceilings.

2. **Executive's Budget Proposal** which is prepared by MOF with inputs from MDAs and entails aligning policy and program priorities with resource allocations for all MDAs and agencies for the upcoming fiscal year.

During the budget approval stage of the budget cycle, GOG should publish the following documents:

3. **Enacted Budget** which is prepared by MOF (BPPU). It authorizes MDAs to implement their programs and activities. The Enacted Budget is issued by Parliament after it approves the budget proposals submitted by MDAs.

During the budget implementation stage of the budget cycle, GOG should publish the following documents:

4. **In-year Reports** which are prepared by MDAs and MOF (BIU, PEMU, NTRU) and include information on actual expenditure compared to projections, revenue collected compared to projections, and debt incurred during the current fiscal year. In-year Reports are generated monthly, quarterly or as needed.

5. **Mid-year Review** which are prepared by MDAs and MOF (BIU, PEMU, NTRU) and summarize the first six months of the budget's performance and re-evaluates macroeconomic assumptions that were used to set sector ceilings and, if necessary, revises allocations for the remainder of the fiscal year.

6. **Citizens' Budget** which is prepared by MOF (BPPU, BIU), and is a condensed version of the budget that was passed by Parliament. It is a guide for the public and it explains the budget in less technical terms than other documents that present the budget. It includes a broad review of the macroeconomic indicators that were used to determine sector ceilings. It also includes aggregate figures for actual expenditure and revenue figures from the previous fiscal year, and projected expenditure and revenue for the current fiscal year.

During the budget monitoring and evaluating stage of the budget cycle, GOG should publish the following documents:

7. **Year-end Report** which shows the position of GOG's accounts after the close of the fiscal year. It should also include an evaluation off the progress made towards achieving the goals and objectives of the NMTDPF. This is prepared by MOF with assistance from GAS, GRA and GSS.
8. **Audit Reports** which are prepared by GAS and evaluate the GOG's financial performance and non-financial performance.

In addition to the eight reports or budget documents listed above, each MDA and governance institution should publish an annual corporate plan and annual report. The corporate plan aligns a MDA's planning and budgeting by explaining how internal management systems and organization functions and mandates will help achieve MTDP and program objectives in any given fiscal year. The annual report will be similar to the Year-end

Report discussed above, however it will explain a MDA's performance compared to what the MDA expected to achieve in MTDP and corporate plan.

Chapter 5 – Budget Implementation

The important activities performed to formulate the budget, which are described in Chapter 2 (PBB) and Chapter 3 (Policy and Budget Formulation) of this Manual, prepare the groundwork for the implementation of the expenditure budget. Budget implementation is the component of the budget cycle that requires MDAs to implement their MDTPs, work plans and cash plans and spend their money. It is the component of the budget cycle where MDAs and other stakeholders strive to achieve the GOG's socio-economic development objectives and deliver essential public services.

Budget implementation in Ghana is guided by the PFM legal framework, by control mechanisms that ensure MDA MTDPs, work plans and cash management plans, and by lessons learned during the implementation of previous FY's budgets. Lessons learned helps MOF and other budget formulation and implementation stakeholders identify and implement more accountable, reliable and useful budget formulation policies in future FYs.

Budget implementation does not happen automatically. It is an involved process that ensures compliance with the budget that was approved by Parliament, and it should work seamlessly with the budget cycle's other components or steps.

In Ghana, budget implementation commences 1 January and concludes 31 December. It is the stage in the budget cycle where policies and sector development strategies found in MTDPs are translated into actionable steps to achieve policy and sector development strategic objectives.

This chapter will explain the budget implementation process in Ghana. It will explain the key agents and stakeholders of budget implementation, their roles and responsibilities and the information and data they exchange to implement the budget. It will describe the budget implementation cycle, the role GIFMIS play in controlling budget implementation, how MDAs implement their budgets and how MOF and CAGD control the implementation of MDA budgets in Ghana.

The link between budget formulation and budget implementation

The link between budget formulation and budget implementation is critical. Budget formulation sets the resources (and direction or strategies included in MTDPs) that will be used to achieve national and sector development objectives. Budget implementation is the mechanism used to achieve national and sector development objectives. Both budget formulation and budget implementation require accurate information and data about expenditure and revenue estimates, realization rates and financial transactions. If the budget is unrealistically formulated it will not be possible to properly implement. Credibility/realism of the budget is an important factor in the predictability and timeliness of funds control and funds release.

What is the goal of effectively implementing the budget?

Effectively implementing the budget assures the citizens of Ghana that public funds are being used legally to deliver effective and essential services and in a manner prescribed by the President and the Parliament. Effectively implementing the budget requires:

- Flexibility and adaptability in responding to fiscal or economic changes;
- Identifying and resolving issues that could impact budget implementation during the budget formulation process – particularly with issues that may affect program implementation;
- Efficiently and effectively managing programs and activities and procuring goods and services that will help achieve program and activity performance targets; and
- Mitigating or preventing the mismanagement of public funds and corruption.

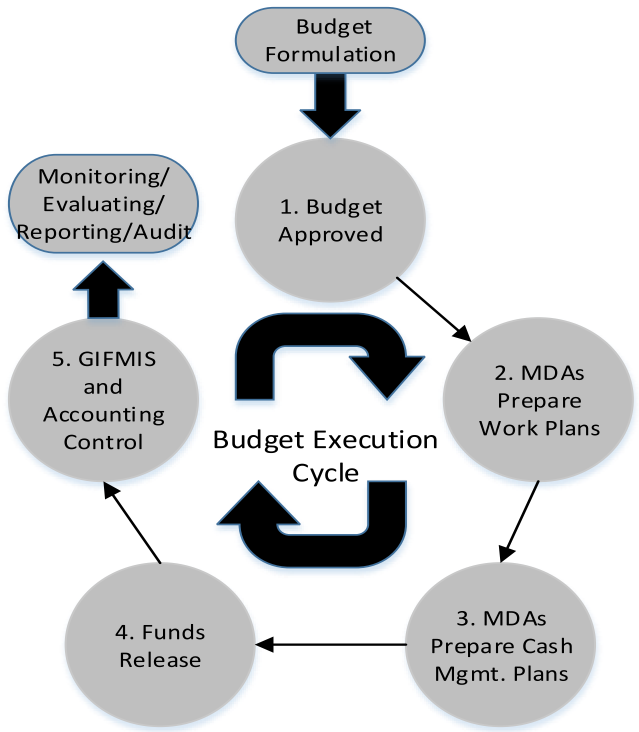
How to effectively implement the budget is described in the next section of this Manual.

5.1. Budget implementation cycle

Once the budget is approved by Parliament MDAs have to implement their budgets. The success of budget implementation hinges on how well budget formulation and approval are conducted. It also hinges on: (i) how well MDA management systems are prepared to implement their MDTPS, work plans and cash management plans; (ii) and on how well control functions performed by MOF and CAGD are implemented.

The budget implementation cycle in Ghana consists of five main components.

Figure 24: The five components of the budget implementation cycle in Ghana



Component 1 – Budget Approval

The first component is the enactment of the Budget Appropriation or budget approval by Parliament. The approved budget includes the approved appropriations that MDAs have to follow to implement their MTDPs and spend their funds. The budget must become law before MDAs have the authority to begin implementing their programs and activities and spend money.

Component 2 – MDA Work Plans

MDA work plans, also called Plans of Action, help MDAs determine how they will implement their MTDP programs and activities during the FY. MDA work plans are approved by MOF (BI and PEMU). Work plans are prepared and approved before the end of the first quarter of any given FY.

Component 3 – MDA Cash Management Plans

A well-conceptualized cash management plan and strategy helps MDAs ensure cash liquidity during any given FY. The plans should reflect cash requirements and information about when warrants will be requested and when budget implementation status reports will be submitted to MOF (BI and PEMU). Cash management plans are prepared and approved before the end of the first quarter of any given FY.

Component 4 – Funds Release

Funds release involves the approval, commitment and release of funds (warrants). Funds release may occur at any point of a FY.

Component 5 – GIFMIS and Accounting Control

GIFMIS controls and tracks financial transactions and allows MOF and CAGD to determine if MDA financial transactions comply with the FAA and FAR and budget appropriations.

Monitoring, reporting and evaluating are discussed in Chapter 6. Budget implementation monitoring and reporting occurs at specific points during the budget implementation cycle. Evaluating and audit tend to occur after a FY has closed.

Table 7: A Summary of the budget implementing roles and responsibilities of MDAs, MOF units and other stakeholders

Unit	Budget Implementing Roles and Responsibilities
MDAs	• Prepare work plans and cash management plans and implement the plans. • Request warrants based on ceilings. • Ensure accounting procedures adhere to important financial regulations like the FAA and the FAR. • Ensure accounting and finance staff are familiar with FAA and FAR and follow the intent of the regulations. • Procure goods and services in accordance with the Public Procurement Act, FAA and FAR. • Maintain proper records of all financial transactions. • Ensure commitment control mechanisms are in place to reduce fraud, overspending, and irregularities. • Oversee the implementation of the budgets of their agencies. • Attend meetings with MOF and their agencies to discuss budget implementation policy and budget implementation operational issues. • Rely on budget implementation lessons learned to develop enhanced budget implementation policies for future FYs.
CAGD	• Issues warrants (treasury function) to MDAs. • Issues cash transfers to BOG (for MDAs to pay suppliers) after warrants have been processed by Schedule Officers. • Ensures government officers who play a role in funds release abide by the FAR and FAA and other relevant regulations. • Ensures all warrants and cash releases are in accordance with FAR. • Ensures accounting practices, policies and systems are properly established and adhere to FAR, FAA and any other relevant regulations. • Releases compensation allotments (according to monthly

	ceilings) to MDAs every month and breaks down classification of allotments into categories (expenditure and arrears). • Facilitates the opening of bank accounts for MDAs. • Processes payroll for the public sector. • Carries out inspections to ensure the integrity of MDA internal control systems.
NDPC	• Recommends ways for planning and budgeting to be better aligned.
Ghana Revenue Authority	• Supports weekly tax revenue collection and the recording of revenue actuals compared to projections.
Bank of Ghana	• Provides cash liquidity to MDAs on a daily basis.
Budget Implementation Group	• Processes MDA warrant requests. • Ensures warrant requests are within cash ceilings and are in accordance with FAA and FAR.
Budget Development Group	• Coordinates/conducts the mid-year budget review. • Participates in various committees created to safeguard budget implementation. • Regulates funds releases/transfers to MMDAs. • Sets monthly cash ceilings for MMDAs. • Supervises and monitors all NTR receipts lodged into designated transit bank accounts for transfer to MDA operational accounts. • Supervises and monitors all revenue that is lodged except IGF that MDAs may retain. • Monitors NTR collection performance against targets and suggest policies or measures to improve collection to the BD Director. • Serves as member of Cash Management Committee and advises members on ways to improve NTR collection. • Advises the Budget Director on MDA compliance with monthly compensation cash ceilings and MDA cash management plans (compensation component). • Prepares briefs for the Minister of Finance to negotiate or arbitrate with Labor in relation to wages.
Budget Monitoring and Reporting Group	• Prepares monthly MDA cash ceilings. • Guides MDAs in their expenditure requests. • Collects and collates weekly and monthly cash in-flow and out-flow data. • Determines weekly and monthly inflows with advice from CAGD (expenditure), GRA (non-tax) and BOG (financial). • Reports to MOF management on variances and reasons for variances

	• Recommends policies or steps to improve MDA cash management. • Attends Cash Management Committee meetings and advises members on cash management issues. • Issue warrants to MDAs (to ensure requests for funds are within ceilings). • Maintain Hyperion to ensure budget implementation data is accurate/updated regularly. • Maintains and provides budget implementation data (MDA outturns) for monitoring, reporting and evaluating budget performance. • Maintains and provides data about funds release.
PFM Reform Group	• Regulates funds releases/transfers to MMDAs. • Sets monthly cash ceilings for MMDAs.
Real Sector Division	• Tracks petroleum revenue actuals compared to projections.
Debt Management Division	• Maintains debt management database (CS-DRMS). • Chairs the Treasury Management Committee. • Produces weekly debt forecasts. • Predicts weekly debt borrowing needs.
External Resource Mobilization – Bilateral and Multilateral	• Ensures donor assistance (loans and grants) are identified. • Serves as mediator between DPs and GOG to ensure the smooth implementation of projects.
Public Investment Division	• Maintains PIMS.

5.2 How MDAs prepare to implement their budgets

MDAs commence preparing to implement their budgets on 1 January of any given FY. MDA work plans and cash management plans are the blueprints MDAs will use to implement their budgets.

MDAs rely on their approved allocations to accurately prepare their cash forecasts. The approved allocations let MDAs know their resource envelopes, and they need to prepare work plans and cash management plans based on how much money they will have to achieve their program objectives.

Figure 25: How MDAs prepare to implement their budgets

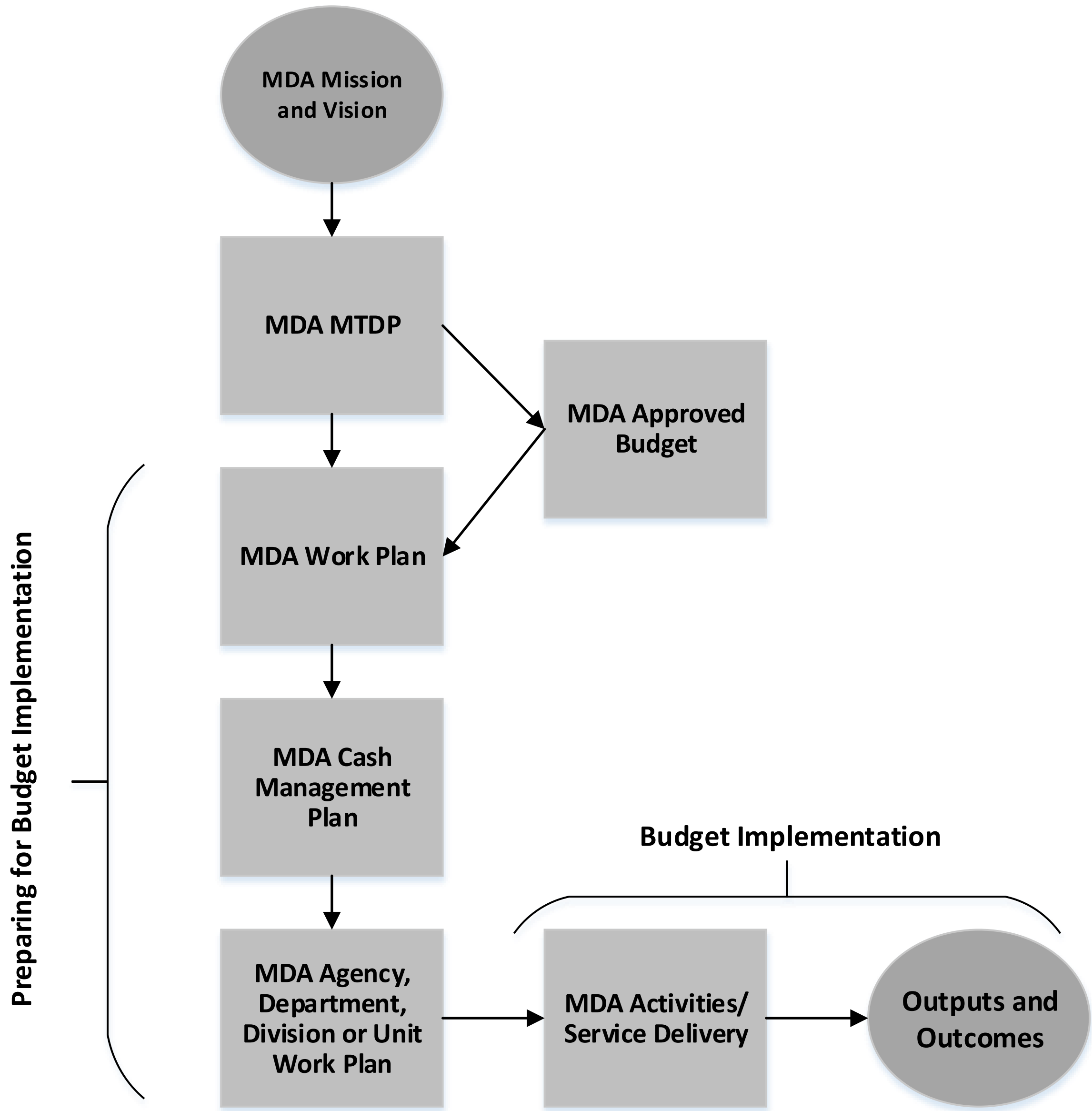


Figure 24 above explains the main steps MDAs perform to prepare to implement their budgets. The programs and strategies laid out in the MTDP are translated into MDA work plans and cash management plans. Both plans are guided by the amount of resources MDAs have to achieve their strategic objectives.

Agency, department, division's work plans are guided by a MDA's MTDP, work plan and cash management plan. Once these important documents are finalized, MDAs commence implementing their activities and delivering essential services to the people of Ghana. Outputs are goods and services that are produced by MDAs in a given period (usually over the short-term).

Outcomes relate to the strategic policy objectives of MDAs. Unlike outputs, outcomes may take several or more years to achieve, and they may be influenced by factors that are beyond the control of MDAs. For example, the output of a vaccination program may be the number of vaccinations delivered to a particular region or village over the course of one FY. This can be measured relatively soon after the vaccination program concludes. The outcome of the vaccination program may be a reduced incidence of certain diseases resulting from the vaccination program. However, this desired outcome of the vaccination program may take several years to measure and achieve.

What is a work plan (Step 2 in Ghana's budget implementation cycle)?

In early January MDAs commence preparing their work plans or annual action plans. A work plan is a road map for what a MDA plans to achieve over the course of a FY. It is aligned with a MDA's MTDP. MDA's decide how to best implement programs and activities based on factors such as available resources, strategic priorities and staff capacity. MDAs will discuss with agencies strategies and methodologies to implement their budgets. Work plans are submitted to the MOF's Budget Division for approval.

Table 8: Work plan template

No.	Program, Sub-Program, Activity or Task Name and Description	Responsibility	Month	Expected Outputs	% Completed	Budget Allocated	Budget Expended

What is a cash management plan?

Cash management is an important part of financial management, and it helps MDAs know the amount of cash they have on hand and the amount cash they will need. Cash management plans let MDAs know how much cash they will need over the course of a FY in relation to a program, sub-program or activity. A forecast of cash requirements for any given FY is based on known and anticipated commitments for recurrent and capital expenditures.

MDAs prepare and submit their cash management plans to PEMU usually by February. The plan is informed by MDA programs and procurement plans. PEMU performs monthly cash reconciliation on a rolling basis to ensure consistency between plan and actuals. MDA managers prepare a report on cash management and submit the report to PEMU. CAGD prepares a cash management and movement report each month.

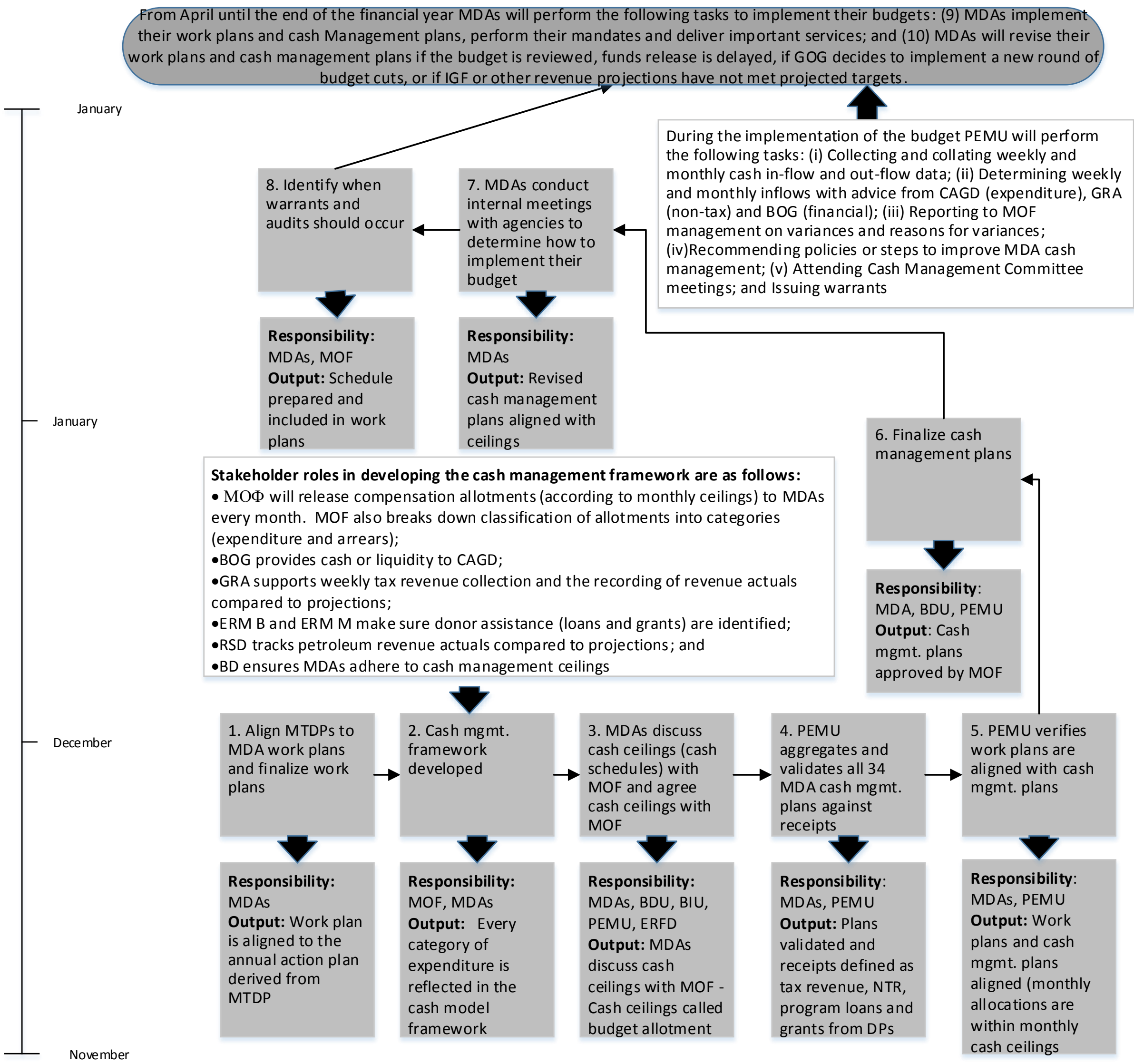
Table 9: Cash management plan template (quarterly)

No.	Program, Sub-Program, Activity or Task Name and Description	Budget Allocation	1st Quarter Cash Allocation	2nd Quarter Cash Allocation	3rd Quarter Cash Allocation	4th Quarter Cash Allocation

The template above suggests a common format for a cash management plan. The template may be revised to accommodate specific needs of a particular MDA or agency.

The 10 steps MDAs conduct to prepare and implement their work plans and cash management plans is explained in the process map included in Figure 25. The first five steps are completed before the end of any given FY in preparation for the next FY. The sixth and seventh steps are completed at the very beginning of the new FY. Steps eight, nine and ten are conducted from April until 31 December of any given FY.

Figure 26: An explanation of how MDA work plans and cash management plans are formulated, approved and implemented



Monthly work plans are used to validate MDA monthly cash management plans. Work plans are important because they determine the start and end date of all activities under all MDA programs detailed in a MTDP. The formulation of MDA work plans and their alignment with MDA cash management plans is important because MDAs have to implement their programs and activities within cash ceilings determined by MOF.

5.2.1 How MDAs implement their budgets - the release of funds

Once MDA work plans and cash management plans are approved by MOF, and appropriations are made available, financial transactions proceed through a set of four stages before financial liability is incurred and payment is made.

Stage 1 – Commitment – a legal commitment is entered into when a good or service is ordered or a contract is entered into.

Stage 2 – Verification – which follows the delivery of goods or services.

Stage 3 – Payment Order – is issued by an authorised officer after verification and is forwarded to an accountant responsible for generating payment.

Stage 4 – Payment – occurs when an invoice is paid by cash, check or electronic funds transfer.

Separation of duties or powers for the four stages described above for an authorizing officer, an accountant and a financial controller reduces the chance for fraud and administrative errors. Separation of duties ensures that no one individual officer can control payment processing from Stage 1 to Stage 4.

Box 6: Key budget implementation functions

The implementation of the budget rests on the existence of three different functions, which must be performed separately:

- The **authorizing officer** (called a Chief Director of MDA in Ghana) administers the appropriations. The officer has the power to enter into commitments and to authorize the payment and is subject to disciplinary action (and may be held financially liable) for failure to comply with relevant financial regulations.
  <u>See FAR, Part I, Financial Responsibilities of Public Officers for authorizing officer's duties and responsibilities</u>
  <u>See FAA, Part VII, clauses 60 to 65 and FAR, Part I, Clause 8 for disciplinary actions and financial liability</u>

- The **accountant** makes the payments and is the officer empowered to handle monies and other assets. Accountants are responsible for the safekeeping of monies and assets, and they may be subject to discipline for irregularities and procedueral errors.
  <u>See FAR, Part I, Financial Responsibilities of Public Officers for authorizing officer's duties and responsibilities and Part II, Public Monies (Section 12 Custody of Public and Trust Monies and Section 13 Custodial Role of Head of Department)</u>

- The **financial controller** (called a Budget Officer in Ghana) checks the regularity of operations including entering into commitments. The financial controller checks whether all procedures were carried out, all authorizations are obtained and all documents signed.
  <u>See FAR, Part I, Financial Responsibilities of Public Officers for authorizing officer's duties and responsibilities and Part II, Public Monies (Section 12 Custody of Public and Trust Monies and Section 13 Custodial Role of Head of Department)</u>

Elements of this box are from *The International Public Financial Management Handbook*

Initiating and issuing warrants

Initiating and issuing warrants is the main way the budget is implemented in Ghana. Warrants are the mechanism that is used to request funds to pay for goods, services and contractual obligations. Approved warrants let MDAs spend their cash.

The PFM legal framework in Ghana, specifically the FAR, includes rules governing the generation, submission and processing of warrants. The mandate of Sector Heads and Schedule Officers is derived from articles 163 and 165.

According to FAR, Article 163 – Release of Funds to Meet Expenditure Warrant

(1) ''After Parliament has approved the Budget Estimates, authority to
   (a) Commit funds is conveyed to departments by the issue of warrants signed by the Minister [of Finance] on behalf of Government and copied to the Controller and Accountant General.
   (b) Disburse funds to meet expenditure is conveyed by the issue of cash releases instructions signed by the Minister on behalf of Government to the Controller and Accountant General.

(2) Upon the issue of a warrant, the authority conveyed by the provisional warrant shall lapse, and all expenditure made under the provisional warrant shall be deemed to have been made under authority of the warrant.''

According to FAA, Section 165 – Release of Funds

(1) The ''Release of funds to departments shall be in accordance with warrants issues by the Minister or the Minister's authorized representative with copies to the Controller and Accountant-General.
(2) The Minister shall issue cash release instructions to the Controller and Accountant-General for the transfer of cash to the Operational Bank Accounts of departments.
(3) Without prejudice to the above provision, where a revote has been approved, disbursements may be done in arrears.''

According to FAA Section 166 – Audit Copies

> ''Copies of all warrants and cash release instructions issued to departments shall be sent to the Auditor General or Regional and District representatives or to both as appropriate."

There are two types of warrants in Ghana (Specific and General).

- **Specific Warrants**
  Specific warrants are initiated by MDAs and they are issued by MOF (BIU). The five categories of specific warrants are as follows:

  1. **Financial clearance** warrants are initiated by a MDA when a new staff is hired for a position that is already approved in the MDA's budget. For example, if a staff is no

longer employed by a MDA, the MDA may recruit a person to replace the vacant position. This type of warrant may be initiated and issued at any moment during the budget cycle.

2. **Compensation arrears and allowances** warrants are initiated by a MDA when a staff is hired but their position is not budgeted. The new position requires financial clearance which may take many months. This type of warrant may be initiated and issued at any moment during the budget cycle

3. **Allowance** warrants are initiated by a MDA when any of the three categories of allowances are paid to a public servant. This type of warrant may be initiated and issued each month with payroll.

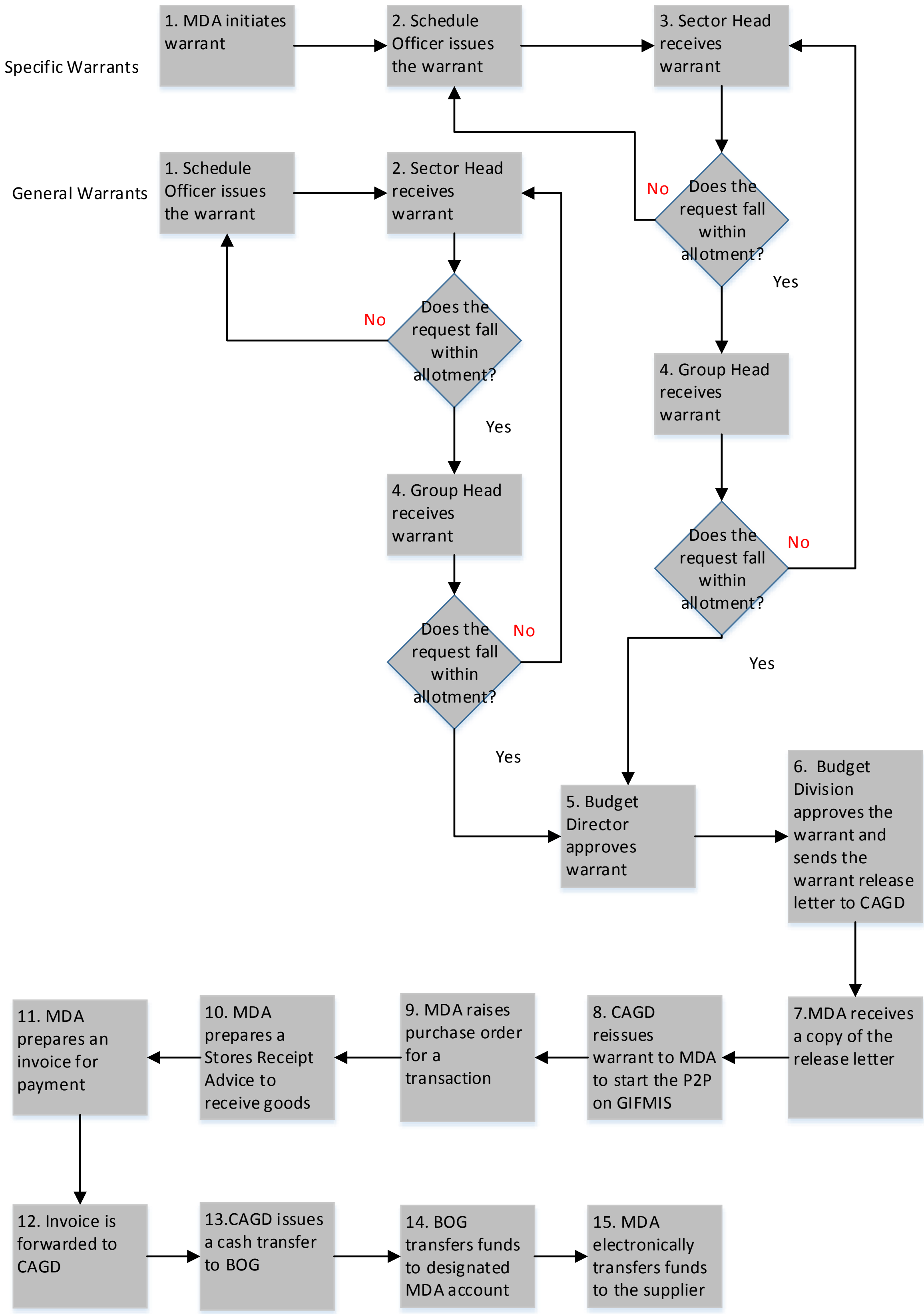
4. **Commencement** warrants are initiated for capital expenditure. This type of warrant authorizes a contractor to commence a construction project or a vendor to deliver capital goods. This type of warrant is initiated and issued according to the terms and conditions of a contract.

5. **Capital expenditure payment** warrants are initiated for contract milestone payments. This type of warrant is initiated and issued according to the terms and conditions of a contract.

- **General Warrants**
  General warrants are issued by MOF without MDAs initiating the warrant. General warrants are issued for compensation (wages and salaries) and goods and services. General warrants for compensation are issued each month when the budget allotment is approved by the Minister of Finance. General warrants for goods and services are issued each quarter when the budget allotment is approved.

The process of issuing a warrant in Ghana has 15 steps. MOF issues a warrant for control reasons – to make sure the request for funds it within a MDA's ceiling. CAGD also issues a warrant but this is related to the treasury function of actually releasing funds.

Figure 27: The 15 steps for issuing specific and general warrants in Ghana



Warrants may be issued at any point during the FY. The 15 steps described in Figure 26 may take several days to complete. Under certain circumstances, the process described above may be completed in one day. Warrants are processed on GIFIMIS.

MDA warrants are scrutinized with expenditure ceilings. PEMU sets the ceilings. Schedule Officers examine the warrant request and verify the request is within cash ceilings that were issued to the MDA by PEMU. This is a key commitment control. If the request is within cash ceilings, the Schedule Officer processes the request and forwards it to the Head of the Sector Unit within BIU. The request is then sent to the Budget Director for authorization.

The process described above requires accurate and timely information about available cash and objective criteria for allocating cash. Control applies to goods, services, assets and discretionary spending like allowances.

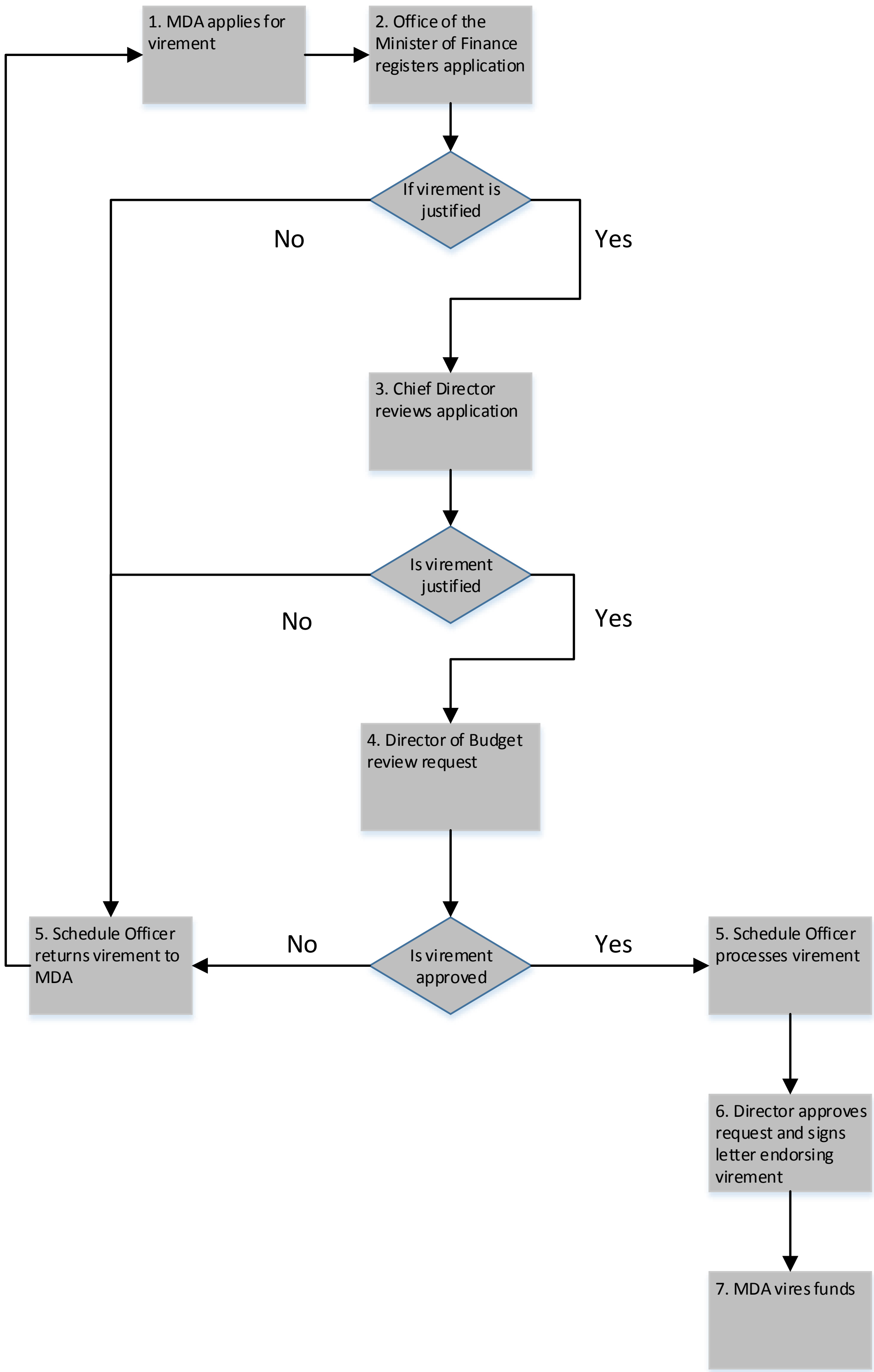
When goods and services are delivered (verification), documentary evidence that goods have been received or services have been rendered has to be established. CAGD may request copies of documents for the purposes of verification.

Before payment is made it should be confirmed that the expenditure has been properly committed. A designated officer has to sign that the goods have been received or services have been rendered. Invoices and documents have to be complete and the supplier has to be correctly identified.

Virements

A virement is the transfer of funds within administrative expenditure or service expenditure. The transfer must be within a single budget heading (expenditure classification). Virements do not affect the total amounts of funds disbursed to a single budget heading, but they will affect amounts of funds for sub-heads, sub-items or sub-sub-heads. In Ghana, the Financial Administration Regulation, Article 171, defines a virement and the rules for issuing a virement. Virements are processed on GIFIMIS.

Figure 28: The 7 steps for issuing a virement in Ghana



5.2.2 GIFMIS and Accounting Control

Ghana Integrated Financial Management Information System

The Ghana Integrated Financial Management Information System was launched in September, 2009. GIFMIS is an electronic financial management system that integrates financial information and records and controls all GOG expenditure – MOF loads all cash ceilings into GIFMIS and as MDAs draw money out of their operational accounts MOF and CAGD are able to track actual expenditure compared to planned expenditure. It is a more accountable, effective and transparent way for GOG to manage public resources than earlier systems (both electronic and manual). As the budget is implemented and MDAs spend money to pay suppliers, GIFMIS electronically records all transactions. Transactions are recorded in real time which means officials who have access to GIFMIS can see transactions the moment they are recorded.

BTAS provides IT support and system support and capacity support to the BD and assists in the inputting and validating all data into the following three information systems:

- GIFMIS (accounting system) – GIFMIS ensures all MDA expenditure and project expenditure is assigned a budget code that is in line with the Chart of Accounts (COA). GFMIS tracks current FY expenditure outturns, whereas PIMS tracks the expenditure of a project for the life of a project. GIFMIS modules are used for accounts payable and accounts receivable.

- GIFMIS Budget Module/Hyperion – Hyperion is a system that captures important financial and non-financial data for budgeting. It captures important data from MDA MTDPs like output types and output volumes, and it captures information about wage bill ceilings for each MDA. Macro-economic forecasting data, and indexation rates for forward estimates are also reflected in Hyperion. Hyperion is a web-based application.

- PIMS (Public Investment Management System) – PIMS is a project and contract management system that helps identify project funding requirements and tracks project expenditure over the medium term which helps resource allocation planning align with MTEF. The system tracks expenditure and performance data about contracts and projects. Projects may be funded entirely by a donor (through loans or grants), partially funded by a donor (GOG counterpart funding required), or funded in-kind (donations from CSO, NGOs or private donors). PIMS is a web-based application. PIMs and GIFMIS are able to interface which means information from both systems may be tracked and viewed in either system.

GIFMIS contains main function processes or elements like budget preparation and budget implementation. It also contains electronic financial modules or sub-elements for:

- **Accounts receivable** – for tracking revenue

- **Accounts payable** – for logging invoices/purchase vouchers, creating accounting and tracking liabilities including multi-year commitment
- **General ledger** – repository of all accounts
- **Purchasing** – for purchase requisition and purchase orders and SRA
- **Cash management** – managing bank accounts, bank transfers, bank reconciliations, cash pooling and cash forecasting
- **Fixed assets register** – for tracking assets

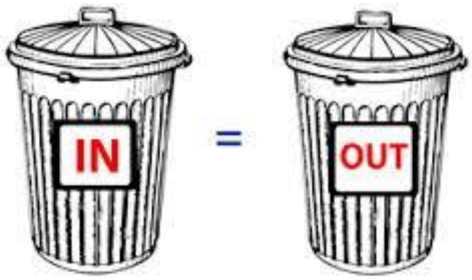
Funds covered by GIFMIS include:

- Consolidated Fund;
- Donor funds;
- Statutory funds;
- IGFs; and
- Any other public funds.

Why is GIFMIS important?

Accurate and timely information about financial transactions and other financial and nonfinancial data is very important to managers. GIFMIS records financial transactions, and records are essential for financial accountability. Records provide an auditable trail of data that can be verified, and they are valuable tools in combatting the misappropriation of funds.

Figure 29: The quality of data captured by a financial information management system is determined by the quality of data inputted into the system (garbage in = garbage out)



However, it is important to keep in mind the data in GIFMIS and the reports that it can generate are only as reliable as the quality of the data that is entered into GIFMIS. The physical maintenance of GIFMIS is also important. System hardware and software have to be maintained and updated, and records management control has to be strong. Financial instructions and rules governing how data is entered into GIFMIS is dictated by the GIFMIS user manuals that inform authorized GIFMIS users on how to input data and generate data for reports. Neglecting to adhere to GIFMIS rules and instructions can lead to the build-up of unnecessary records, system disorganization and system break-down. Audits become difficult to conduct, and managers lose the ability to make informed decisions because GIFMIS data may be rendered unreliable.

The International Records Management Trust, in 1999, prepared six system requirements that create an enabling environment that will enhance the success of record management systems. According to IRMT, governments need to promote an environment which will encourage the better maintenance and use of records systems. Managers and GIFMIS users should support an agenda for the future adaptability of GIFMIS that includes:

- Developing a culture of creating, maintaining and using records;
- Strengthening the role of records management and records managers within institutions;
- Identifying and strengthening records legislation;
- Defining and implementing records related standards;
- Developing tools to assess the vulnerability of records systems to corruption and fraud; and
- Imposing disciplinary action for poor record keeping and providing incentive for better records maintenance.

IRMT points out, in its frequently referenced document *Managing Financial Records* (page 15), that the breakdown of financial systems is often related to the breakdown in records management.

> “People rarely make the link between problems in financial management and inadequacies in the way records are managed, yet records are the source of all the information used in financial management systems. If records become so disorganised that it is difficult or impossible to audit properly, the long-term effect will be that fraud or errors will not be detected or corrected.”

Chapter 6 – Budget Monitoring, Evaluating and Reporting

Chapter 2 of this Manual discusses PBB and how it has changed the way GOG monitors budget performance and the quality of MDA service delivery. The advent of PBB means that MDAs and other budget stakeholders like MOF are now focusing on how to measure the success or lack of success of implementing MDA MTDPs. This approach, also called managing for results, helps GOG prioritize and align national and sector development objectives with available resources.

When managing for results, decision makers need to have access to timely and accurate data and information to make informed and responsible policy and operational decisions. Budget monitoring, evaluating and reporting, if properly performed, help decision makers effectively implement the budget. Effective budget implementation may translate into effective service delivery. Moreover, if budget monitoring, evaluating and reporting are conducted in a professional and accountable manner during the implementation of a budget, future budgets may be positively influenced by the lessons learned during the implementation of previous budgets.

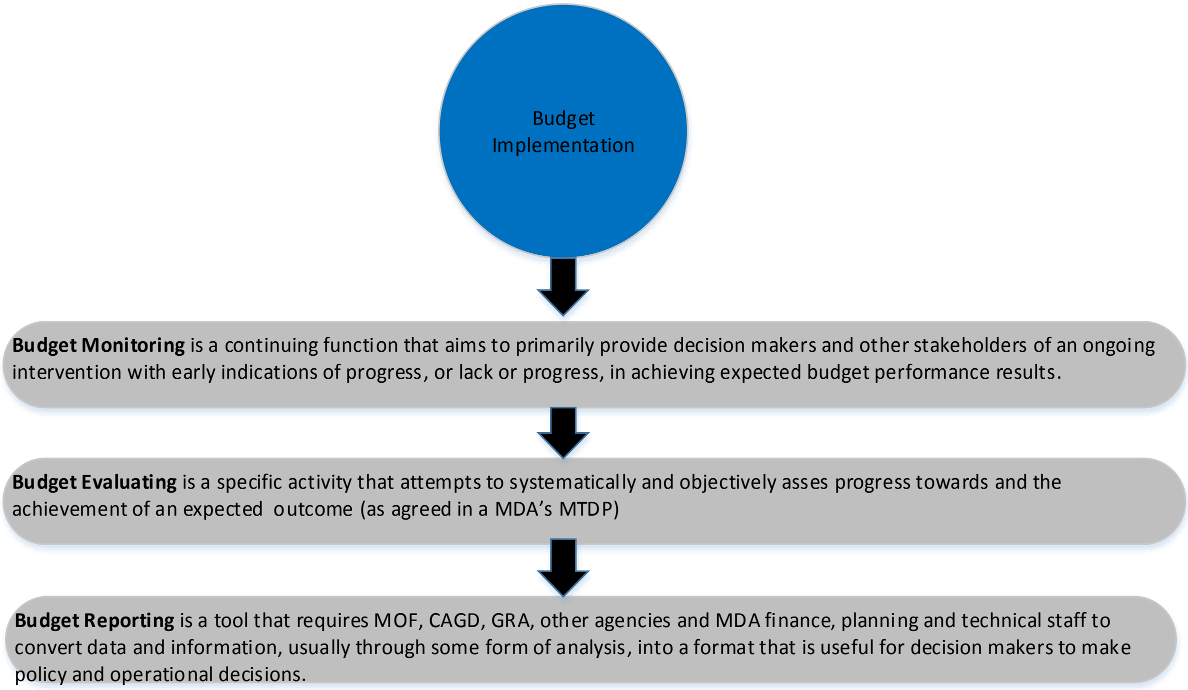
For Ghana, budget monitoring, evaluating and reporting is how the Government ensures that its resources are allocated and spent in a transparent and responsible manner. The three activities let all budgeting stakeholders know if MDAs are spending their resources according to MTDPs and agreed programs and activities.

Budget monitoring, evaluating and reporting are the mechanisms GOG uses to accomplish the following:

1. Track actual MDA spending compared to projected expenditure;
2. Track actual MDA revenue (tax and non-tax) collection compared to projected revenue;
3. Track MDA non-financial performance;
4. Determine if policies and resource allocations need to be revised;
5. Enhance transparency and accountability in terms of how GOG's resources are used;
6. Provide a record of financial transactions that may be used at a later date by internal or external auditors or as evidence during the prosecution of officials who have misappropriated public funds; and
7. Inform the public and other stakeholders about how well or not so well MDAs are delivering services to the people of Ghana.

Budget monitoring, evaluating and reporting should not be performed to simply meet the legal or regulatory requirements of a relevant law or specific agency's mandate. They are not administrative functions. The three important activities have to be performed in a coherent, regular and methodical manner by specific officials because they play an important role in determining if MDAs are adequately implementing their programs and activities as agreed in MTDPs.

Figure 30: Budget monitoring, evaluating and reporting defined



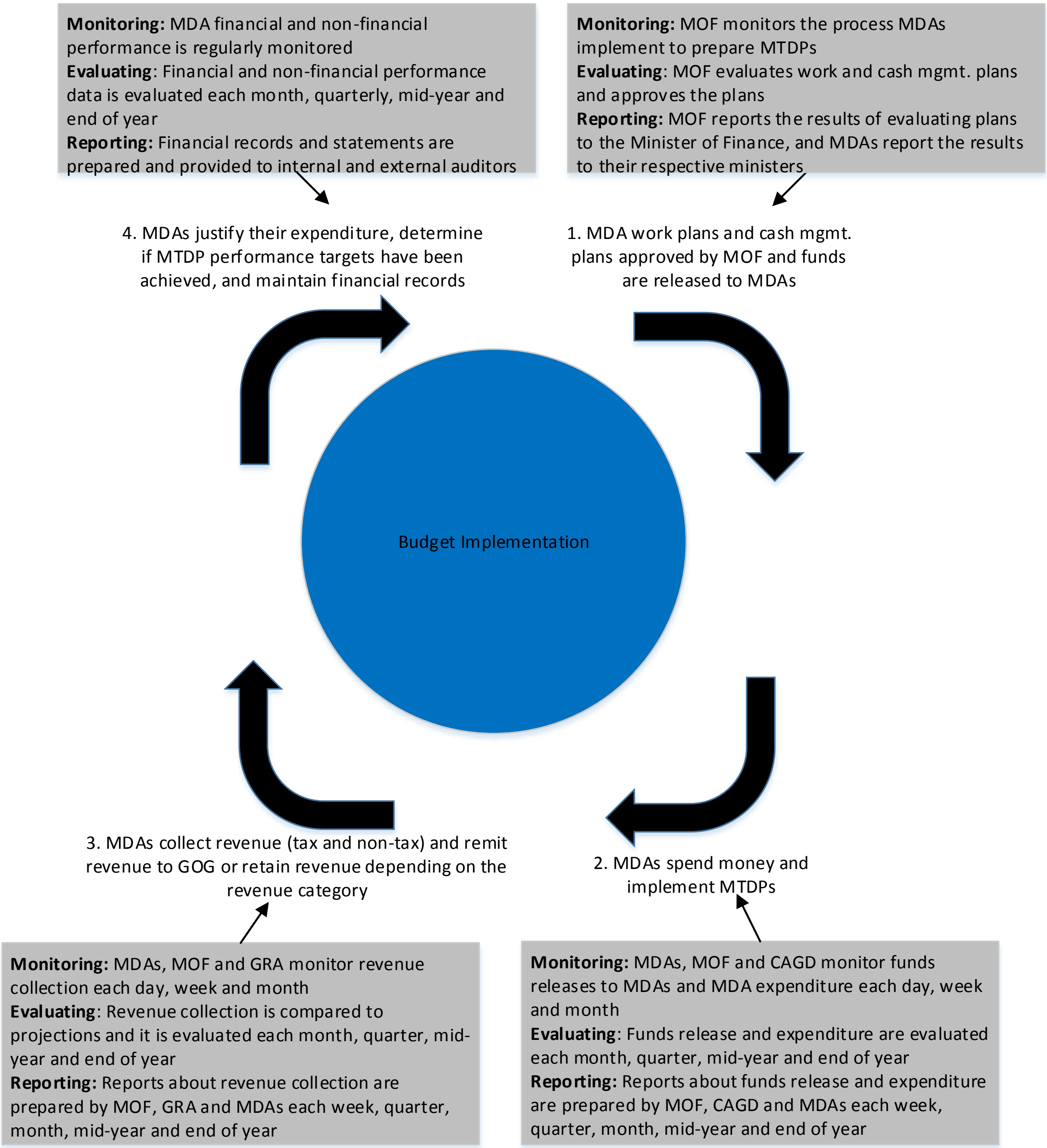
Why is monitoring, evaluating and reporting the budget's performance important?

The information gathered while monitoring and evaluating budget performance provides decision makers with a clearer basis for maintaining or altering resources or the focus of programs and activities. The results of monitoring and evaluating budget performance are refined and presented to budget stakeholders as reports. Reports become a valuable management tool that lets decision makers and other budget stakeholders decide if the budget is delivering desired effects. The information included in reports may improve program and activity planning and developments when guided by lessons learned from program and activity implementation.

Monitoring, evaluating and reporting budget performance involves:

- Developing budget performance indicators for efficiency, effectiveness and positive outcomes;
- Establishing systems to collect information in and efficient and effective manner;
- Collecting and recording information;
- Standardizing information and data analysis; and
- Presenting data and information in a manner that is useful to managers and comprehensible to the public.

Figure 31: An explanation of how budget monitoring, evaluating and reporting influences budget implementation



6.1. Analyzing budget performance

The introduction to this chapter points out budget monitoring, evaluating and reporting are not administrative activities. They should not be performed to "tick all of the boxes." They should be performed because decision makers need to know how well or not so well the budget is performing, and the public and other stakeholders want to know if resources are being managed in a transparent and accountable manner.

According to the Australian National Audit Office (ANAO), organizations analyze actual budget performance results against approved budget expenditure allocations to guide current and future decision making and hold managers accountable for budget performance.

Key processes to effectively manage approved budgets include:

- Monitoring and reporting against internal budgets on a consistent and regular basis to assess whether performance targets are being met, to guide decision making and enhance accountability;
- Revise the budget through a controlled and coordinated process that maintains clear lines of accountability between budget estimates and actual results;
- Forecasting to manage gaps between budget estimates and actual results to quickly identify and respond to macroeconomic changes or unforeseen challenges; and
- Reviewing and improving internal budget processes by monitoring the accuracy and timeliness of budget setting processes to identify areas for improvement.

Budget-to-actual comparison

The first step to evaluating and monitoring the budget each day, week, month, and/or quarter will tend to focus on how much a MDA has actually spent compared to what it was approved to spend (budget appropriation) and what it planned to spend (MTDPs, work plans and cash management plans).

Decision makers are not only interested in actual expenditure compared to planned expenditure (also called year-to-date expenditure, budget actuals or budget realization). They are also interested in knowing why expenditure is trending a certain way – they want explanations for under-spending or over-spending. They want explanations for why revenue targets have been met or not met, and they want to know why MTDP performance targets are on track to be achieved or not achieved.

In addition to year-to-date or actual expenditure, decision makers are also interested in the following types of budget data and information:

- Budget actual figures and revenue actual figures for the same period in previous years to compare historical trends and explain or project future possible scenarios;
- Forward estimates to forecast future expenditure needs;
- Percentage realization comparisons from year-to-year;
- Historical estimates compared to actual realization rates to justify budget revisions or supplementary budgets;
- Capital budget realization compared to estimates to identify project overruns or delays and take corrective actions before a project is significantly delayed (or abandoned);

- Financial data and its impact on non-financial data like outputs, outcomes (program and activity performance targets); and
- Standardized methodologies or approaches to collecting, analysing and reporting budget data and information.

For decision makers, the types of data and analysis described above take some of the guess work out of predicting budget performance – risk may be mitigated and budget implementation is may therefore more efficient and effective.

6.1.1 Data quality

GIMIS provides the most reliable source of budget data. All financial transactions are entered in to GIFMIS, and GIFMIS produces many valuable reports.

Financial information about the budget has to be consistently collected and analysed. Data quality may be enhanced if the following occurs:

- Data adheres to budget codes and economic classifications included in the Chart of Accounts;
- Data standards across all MDAs, agencies and government institutions are agreed and adhered;
- Data validation includes processes and procedures that check, confirm and compare electronic records and manual records;
- Data storage and security procedures are maintained, and formal procedures are in place to backup data in case of a catastrophic loss of data;
- CAGD and MOF analyse collected data to prevent waste, fraud and abuse;
- MDA PPME officials and finance directorate officials report to MOF and CAGD on the quality and accuracy of budget and financial data.

The last bullet point needs to be routinely performed. If any of the bullet points described above are not implemented in an acceptable manner, warnings, penalties and (if necessary) legal prosecution should be considered.

MOF and CAD are responsible for developing and monitoring data quality, and MDAs must follow all agreed data quality policies, methodologies and processes.

6.2. Monitoring the budget's performance

Monitoring the budget's performance is essential to keep the machinery of government properly functioning. It focuses on identifying deviations or changes to MTDP spending, and if properly performed it helps decision makers implement corrective measures so resources can be allocated to priority programs or activities or poorly performing programs and activities.

Monitoring, evaluating and reporting budget performance should not be confused with merely presenting raw data or large amounts of financial information in spread sheets or other tables and formats. The key to successfully monitoring, evaluating and reporting budget performance includes analysing data and presenting budget trends and possible outcomes in a manner that decision makers can use to make policy decisions.

Effective monitoring of budget performance requires managers to be provided relevant, timely and accurate information appropriate to their level of responsibility. It also requires managers to provide clear and consistent feedback in a timely manner about underlying causes and effects of budget variations, as well as planned actions to manage variations for which they are responsible.

How often should the budget's performance be monitored?

Budget monitoring benefits all budget stakeholders as it is a process that lets decision makers quickly identify and implement corrective measures so MTDPs and development goals can be achieved. Regularly monitoring budget performance means issues and obstacles to successfully implementing the budget may be resolved before they become detrimental.

Table 10: A Summary of the budget monitoring roles and responsibilities of MDAs, MOF units and other stakeholders

Unit	Budget Monitoring Roles and Responsibilities
MDAs	• Monitor the implementation of their budgets and their agency's budgets weekly, monthly, quarterly and biannually • Weekly and monthly monitoring tends to focus on budget performance (budget estimates compared to outturns and revenue estimates compared to actuals) • Quarterly and biannual monitoring tends to focus on budget performance and non-financial performance including information about achieving or not achieving MTDP output targets, work plan objectives and cash management plans
BD	• Monitors MDA cash expenditure • Ensures MDAs adhere to cash management ceilings
BIU	• Monitors (and controls) MDA expenditure and cash management requirements
PEMU	• Weekly and monthly monitors budget implementation performance and cash management performance • Collects and collates actual cash in-flows and out-flows • Monitors MDA expenditure is within agreed ceilings and in line with cash management plans
FDU	• Monitors MMDA IGF • Monitors fund flows to MMDA
NTRU	• Monitors non-tax revenue collection and lodgement

	• Monitors non-tax revenue disbursements
Ghana Revenue Authority	• Monitors weekly tax revenue collections and records revenue actuals compared to projections
RSD	• Monitors petroleum revenue actuals compared to projections
CMU	• Monitors MDA compensation budgets and identifies early warning signs and potential risks that could cause wage overruns in the budget
DMD	• Monitors debt management issues and how they impact the budget

6.3. Evaluating the budget's performance

Evaluating budget performance relies upon the steps or activities MDAs and other budget stakeholders implement when monitoring their budgets.

Evaluating program and budget performance lets MDAs apply lessons learned to future programs and budget decisions. Evaluation is an important part of the budget cycle because it lets decision makers and practitioners know what has worked well and what has not worked very well as far as budget implementation is concerned. An audit is a formal evaluation of the financial or non-financial performance of an MDA that lets stakeholders know if MDAs or other organizations are complying with laws or regulations.

How often should the budget be evaluated?

MDAs tend to evaluate their budget performance at specific points during budget implementation. It usually takes an MDA until the end of the first quarter of any given financial year to prepare an annual report about the performance of the previous financial year. Periodic evaluation of the budget's performance is necessary to assess whether a MDA's programs and activities are performing as planned.

Table 11: A Summary of the budget evaluating roles and responsibilities of MDAs, MOF units and other stakeholders

Unit	Budget Evaluating Roles and Responsibilities
MDAs	• Evaluate budget estimates compared to outturns and revenue estimates compared to actuals • Evaluate how well or not well work plans and cash management plans are implemented •
BIU	• Evaluates MDA expenditure and cash management requirements and suggests revisions to expenditure and cash management plans as required.

PEMU	• Evaluates budget implementation and cash management and suggests revisions to cash management plans as required.
NTRU	• Evaluate NTR revenue collection and evaluates why NTR targets are met or not met • Evaluate non-tax revenue disbursement

6.4. Budget and financial reporting

Budget and financial reporting makes the information and data collected and analyzed during budget monitoring and evaluating available to all budget stakeholders. Reports are the tools that managers use to make informed decisions about budget policy and implementation.

According to the American Governmental Accounting Standards Board (GASB), the objectives of government financial reporting should:

- Provide information to determine whether current-year revenues were sufficient to pay for current-year services;
- Demonstrate whether resources were obtained and used in accordance with a MDA's legally adopted budget;
- Assist stakeholders in evaluating the operating results of the government (usually in a given financial year);
- Provide information about how MDAs financed their activities and met their cash requirements;
- Determine if a MDA's financial position improved or deteriorated as a results of a given financial year's operations; and
- Provide information about a MDA's physical and non-physical resources having a useful life beyond the current financial year.

Table 12: A Summary of the budget reporting roles and responsibilities of MDAs, MOF units and other stakeholders

Unit	Budget Reporting Roles and Responsibilities
MDAs	• Prepares annual budget performance report (by April of the next FY). • Prepares quarterly financial performance reports (information about cash flows, outturns and revenue). • Prepares quarterly program performance reports (information about program budgets and strategies and performance indicators). • Prepares biannual and annual minister reports to the President and the Head of the Civil Service. • Prepares monthly budget execution reports and cash management reports. • Prepares weekly reports about budget execution and cash

	management. • Publishes budget reports and data on their websites.
BIU	• Reports MDA expenditure and cash management requirements and suggests revisions to expenditure and cash management plans as required.
PEMU	• Reports to MOF management on budget variances and reasons for variances. • Prepares weekly and monthly reports that include recommendations to improve MDA cash management planning. • Prepares an annual report that discusses: (i) fiscal framework; (ii) MDA budget performance at the program level; and (ii) significant developments that affected the budget during the previous financial year. • Monthly and quarterly flash reports that discuss: (i) monthly MDA budget performance (allotments and releases compared to ceilings and cash management plans); (ii) budget development; and (iii) revenue performance. • Budget approval reports (January) will guide MDAs and the public on: (i) information about appropriations receipts; (ii) information about payments; (iii) significant variances between approved budget and budget appropriation • Relies on the Annual Auditor General's Report to develop PEMU's year-end report.
FDU	• Reports about MMDA IGF and funds releases.
NTRU	• Monthly revenue reports submitted to BD Director – includes information about why revenue collection projections are being achieved or not being achieved (or exceeded). • Quarterly aggregate reports submitted to BD Director – reports recommend policies to improve NTR collection. • Annual report on NTR performance (prepared in February for the previous financial year) that compares actual revenue collection to revenue plans and projections. • Reports used by MDAs, CAGD and ERFD to help decide future NTR collection policies and directives.
DMD	• Reports about debt management and performance on a weekly, monthly, quarterly and annual basis.
Ghana Audit Service	• Prepares the Annual Auditor General's Report that is usually produced in June (for the previous financial year).

Appendix A – MDA Summary

MDA Title	

GSGDA Policy Objectives Relevant to MDA	

MDA Goal/Mission	

MDA Core Functions	**1.** **2.** **3.** **4.** **5.**

MDA Strategic Policy Objective	**1.** **2.** **3.** **4.** **5.**

MDA Outcome Indicators	**1.** **2.** **3.** **4.** **5.**

MDA Program Targets	**1.** **2.** **3.** **4.** **5.**

Appendix B – Expenditure by Budget Program and Economic Classification

Expenditure by Budget Program	Current Year Actual	Year 1		Year 2 Budget	Year 3 Budget	Year 4 Budget
		Budget	Est. Outturn			
Expenditure by Economic Classification	0	0	0	0	0	0
Current Expenditure 21 Compensation of Employees 22 Use of Goods and Services 25 Subsidies 26 Grants 27 Social Benefits 28 Other Expenditures **Capital Expenditure** 31 Non Financial Assets						
Total Expenditure (by Economic Classification)	0	0	0	0	0	0

Expenditure by Projects	Current Year Actual	Year 1		Year 2 Budget	Year 3 Budget	Year 4 Budget
		Budget	Est. Outturn			
P1						
P2						
P3						
P4						
P5						
Total Expenditure (Projects)						

Appendix C – Budget Program Results Statement

The following output indicators are the means by which the MDA measures the performance of this program. The table below indicates the main outputs and indicator. The projections for the MDA should estimate future performance.

Main Outputs	Output Indicator	Past			Current Year	Projections	
		Year 3	Year 2	Year 1		Year 1	Year 2

Appendix D – Expenditure by Budget Sub- Program and Economic Classification

Expenditure by Budget Sub-Program	Current Year Actual	Year 1		Year 2 Budget	Year 3 Budget	Year 4 Budget
		Budget	Est. Outturn			
Expenditure by Economic Classification	0	0	0	0	0	0
Current Expenditure 21 Compensation of Employees 22 Use of Goods and Services 25 Subsidies 26 Grants 27 Social Benefits 28 Other Expenditures **Capital Expenditure** 31 Non Financial Assets						
Total Expenditure (by Economic Classification)	0	0	0	0	0	0

Expenditure by Projects for Sub-Program	Current Year Actual	Year 1		Year 2 Budget	Year 3 Budget	Year 4 Budget
		Budget	Est. Outturn			
P1						
P2						
P3						
P4						
P5						
Total Expenditure (Projects)						

Appendix E – Budget Sub-Program Results Statement

The following output indicators are the means by which the MDA measures the performance of this sub-program. The table below indicates the main outputs and indicator. The projections for the MDA should estimate future performance.

Main Outputs	Output Indicator	Past			Current Year	Projections	
		Year 1	Year 2	Year 3		Year 1	Year 2

Appendix F – Year-end Comparison of Variance between Allocated Budget and Actual Budget (by programs and by MDAs)

Budget Program	Allocated Budget	Actual Budget	% Variance	Remarks

MDA	Allocated Budget	Actual Budget	% Variance	Remarks

Appendix G: Monitoring Template for MDA Non-financial Performance

THEMATIC AREA	POLICY OBJECTIVE	PROGRAMME	INDICATOR	TARGET	LEVEL OF ACHIEVEMENT Current Fiscal Year				REMARKS
					1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	