



REPUBLIC OF GHANA

MINISTRY OF FINANCE

GAME CHANGERS



Outline

Problem Statement

Progress so far

Engagement with stakeholders

Key Outputs

Lessons Learnt

Way forward



In the beginning....

Before the framing workshop the team had chosen the problem as stated below:

“The absence of an effective Cash Management Mechanism and its impact on meeting the core PFM objective of Budget credibility and predictability and control in Budget execution.”

However, after a brainstorming session at the Framing Workshop in South Africa, the team chose to redefine its problem.



Subsequently...

PROBLEM STATEMENT

**Over Spending by Ministries, Agencies and
Departments leading to Budget overruns which
impedes service delivery**



What causes the Problem?

Fishbone



What are the Effects of this Problem?

The problem leads to.....



Accumulation of arrears that eventually result in “Judgement Debts”



Inability of government to deliver on planned programmes impeding the efficient delivery of goods and services and in effect leading to poor living standards



Delay in the completion of projects resulting in contract variations and high interest cost



Lack of Budget credibility as programmed cash flows differs from actual cash available



Higher than budgeted borrowing resulting in unsustainable debt, rising interest rates and very little fiscal space to execute other priority spending



Solving the Problem

Identification of Entry Points

Budget Formulation

- Changes in Budget ceilings
- Allocate only 90% of the approved ceilings to MDAs and leave 10% buffer (unknown to MDAs)

Budget Execution

- Non enforcement of Sanctions
- Raise Red flag for Minister
 - Name and shame
 - Include in Budget Guidelines

Overspending by Ministries, Departments and Agencies (MDAs) leading to budget overruns which impede service delivery



What we hoped to achieve with Entry Points

- The ***creation of the buffer*** to reduce significantly the variation between initial (soft) ceilings and the final (hard) ceilings
- **Naming, shaming and applying sanctions** to any MDA that overspends its budget.



After the Framing Workshop.... Putting our hands to the Plough

(2nd June).

- In the first week the team held a debriefing session with our Authorizer to seek authority and acceptance on the Entry Points as identified

(4th-7th June, 2018).

- The team also collated and analyzed data on expenditures of MDAs for 2016 and 2017 to ascertain the MDAs whose outturns exceeded their approved budgets and the degree of variance

(From 7th June, 2018 to date).

- The team also met severally with the Head of Budget Planning and Preparation Unit, Sector Heads and the Schedule Officers of the some MDAs to introduce to them the problem and also to get their views

(from 12th June, 2018).

- Subsequently, the team held several engagements with budget officers of selected MDAs whose budgets had overruns

(14th June, 2018).

- The team after these consultations presented a Report, detailing our findings and recommendations (Entry Points) on the immediate steps to be taken



Lessons learnt

Per the data available, engagements with key stakeholders and contributions as made by these stakeholders, the team identified the following:

- that for the purposes of this assignment, an MDA is deemed to have overspent its budget when its expenditure within a fiscal year exceeds the MDA's appropriation;
- overspending by MDAs is also attributable to the Ministry of Finance. Initially, the team was of the view that the phenomenon was caused only by MDAs. However, upon engagements with various stakeholders, it came to light that Ministry of Finance also contributes to this problem (Ministry of Finance controls the “below the line” expenditure items, from which reallocations/virements are made to MDAs when in need);



Lessons learnt

- budget ceilings given to MDAs are mostly unrealistic because they are unable to cover the needs of MDAs preventing MDAs from adequately budgeting for their planned expenditures;
- arrears carried over from previous years becomes the first charge on the MDA's budgets in the ensuing year, reducing fiscal space for planned programmes;
- Ministry of Finance, upon requests from MDAs, reallocates funds from central votes resulting in variance between the approved MDA budgets and actual expenditures;
- that the total appropriation may not necessarily be exceeded on a year on year basis even though MDAs individual budgets may be. However, over spending occurs as a result of the reallocation of funds from the centralised votes to the MDA's budgets;



Lessons learnt...cont'd

- political interference on the payment of requests submitted to the Ministry of Finance is partly the cause of overspending by MDAs;
- Entry Point 1 was met with skepticism from some stakeholders (Sector Heads) who did not think the problem could be solved by this. The team realised there is the need for continuous engagements with stakeholders to build trust and acceptance;
- Entry Point 2 of Naming and shaming fell through because of the lack of Authority, acceptance from management and political support, as this is deemed to have the potential of making Ministers of State unpopular; and
- following consultations and a further deconstruction of the problem, there was the need to review the Fishbone.



Moving Forward

Fishbone edited



New Fishbone explained

- The team took out the Poor Revenue branch in the Fishbone diagram because we are of the view that poor revenue forecast by central government may not necessarily cause MDAs to overspend their approved budgets.
- Again, studying our revenue projections vis-à-vis performance, we observed that on the average, variations in annual revenue forecast vis-a-vis outturn is normally minimal. The slight variations may be more of over ambitious revenue forecasts.
- The team agreed to rather focus on the following four key causal elements.



Putting our hands to the Plough.....

Engagements with Budget Officers

- The team participated in a 5 day Budget Production workshop with Budget Officers from MDAs and took the opportunity to interact with more people and seek their views on the problem. The team also identified the focal people to liaise with in achieving our objectives.
- Team members worked with MDAs during Budget Production workshop to use Hyperion to prepare proper cash plans during the costing of their Budgets.



Authority, Acceptance and Ability *Engagements with Stakeholders*

To gain Authority, Acceptance and Ability, the team undertook the following activities:

Continued engagements with our Authorizer, Sector Heads, Schedule Officers of MDAs of the Ministry of Finance and Budget Officers of MDAs to deconstruct the problem and seek their views;

Worked with the Budget Committee towards the issuance of budget guidelines with credible ceilings; and

Thereafter, team members were assigned to specific MDAs to engage them on their Budgets during the Technical Hearings (27th August - 2018).



Formulation of Alternative Entry Points

As a result, of the lack of authority and acceptance for the 2nd Entry point of Naming and Shaming of MDAs that overspend, the team came up with the following alternative Entry Points:

- Communicating to MDAs a possible cut-off date for initiating requests (Capital Projects and Goods and Services) on the GIFMIS to allow the Ministry of Finance and Controller and Accountant-General to clear outstanding payments taking into consideration the balance balances of respective MDAs. This will in effect help to decrease overspending and reduce the build of arrears; and
- Train MDAs Budget Committee Members on Budget Implementation Instructions and Common User Price List to enable them do proper costing of Projects.



Putting our hands to the Plough

Achievements so far and way forward

1 The team was able to influence the creation of a buffer during the allocation of ceilings to MDAs to cater for variations in ceilings.

- The team will continue the advocacy for a buffer to be created during budget allocations.

2 The work of the team has brought to the fore the role of the Ministry of Finance in managing commitments and expenditures.

- The team intends to create a platform to further discuss the ability of the ministry to control commitment.

3 The engagements with stakeholders has created a platform which has brought together key stakeholders to finding solutions.



Putting our hands to the Plough

Achievements so far and way forward

- The team has stimulated awareness and discussion on overspending by MDAs and culminated in the Chief Director issuing a circular for staff to come up with efficiency measures for the 2019 budget. The team believes this will carry on for years to come and continue to engage stakeholders towards spending within limits.
- Budget Officers of MDAs are now fully aware of the need to properly prepare work and cash plans since cash allotments are modelled on these plans.



About the problem...

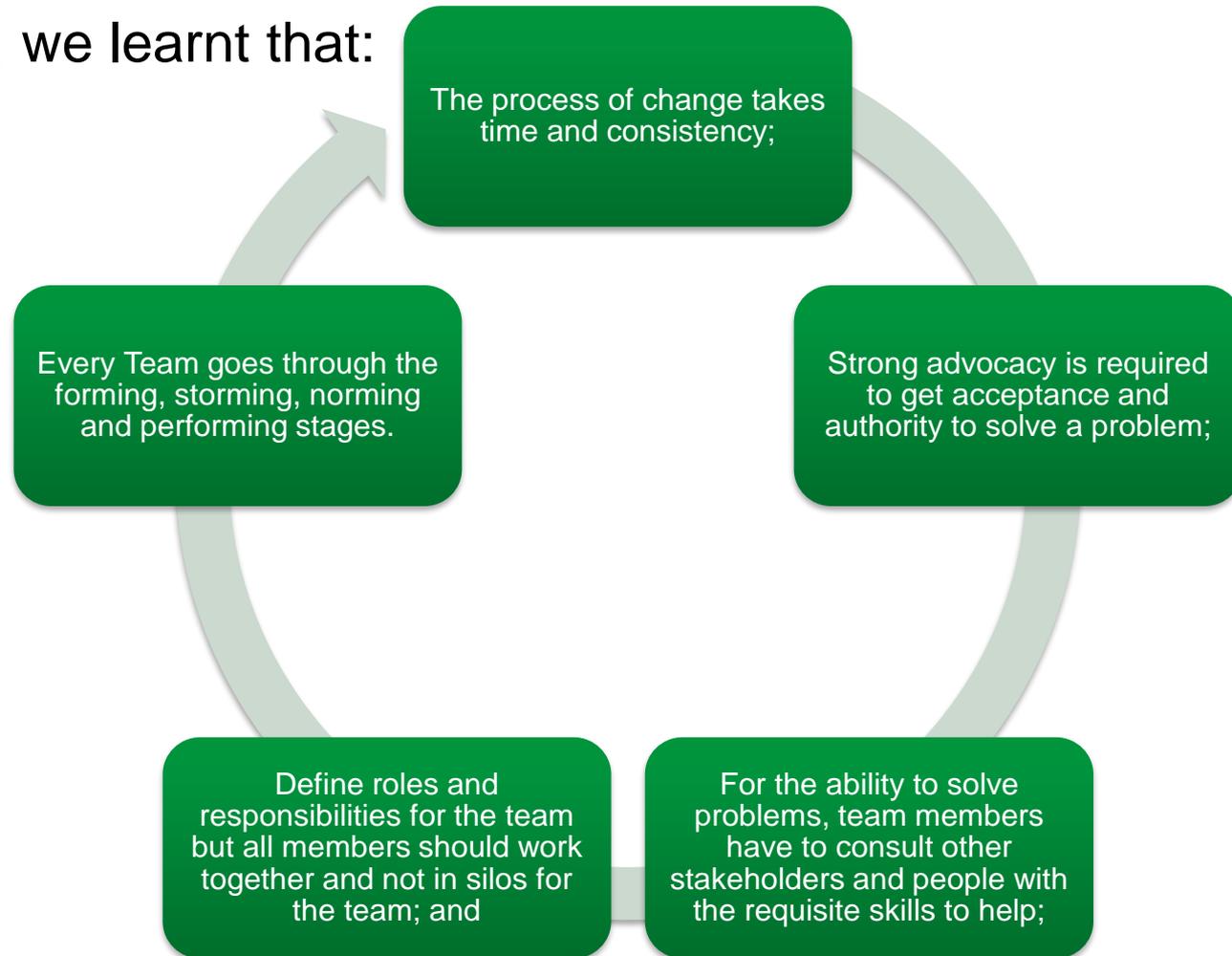
To solve the problem:

- Problems can mobilize change only when it is recognized that there is a problem and those who can influence the change are willing to question the status quo and adopt mechanisms that can bring about change
- Deconstruct the problem
- Identify the entry points
- Identify and engage relevant stakeholders
- Build authority, acceptance and ability



Growing as a Team

Working as a Team, we learnt that:



Building our authorizing environment

The Team did this through;

Continuous engagement with our authorizers;

Showing clearly the consequences of the problem if unresolved;

Persevering even in the face of obstacles; and

Sending periodic briefs to sustain their interest and keep them in the loop.



Engaging with others....

Through these engagements:

- The team has built trust with relevant stakeholders;
- The team has learnt to work together and seek for help from other professionals;
- There will always be opposition especially from those who don't understand or benefit from the problem; and
- The Team recognized that there is the need to start a change by engaging stakeholders before going to political leaders (bottom-up approach).



Way forward

S/N	ACTIVITY/ACTION	STAKEHOLDERS	TIMELINES
1	Conclude on alternative entry point	Team	December
2	Prepare status report	Team	January
3	Engage stakeholders on new entry points	Team and Stakeholders	February
4	Monitor to see if cash allotment are informed by MDAs cash plans	Team and PEMU	February
5	Collate and analyze expenditure reports of MDAs to ascertain if MDAs are spending within limits	Team and Budget Implementation Unit	April
5	Continue engagement with the Budget Committee to create a buffer during budget allocations	Team and Budget Committee	May



Changes in our fishbone

- Poor Revenue forecast
 - Inefficiencies in revenue collection
 - Unpredictability of donor inflows
 - External shocks
 - Static revenue base
 - Undiscovered expenditure claims
- Lack of effective commitment control
- Reprioritization
- Contingencies
- Non enforcement of sanctions
- Weak link to NDP/MTEF



Next bone

- Lack of effective commitment control
 - Engage stakeholders to understand the implications of poor commitment
- Poor cash planning
 - Ensure MDAs continuously prepare the cash plan to reflect same in the budget preparation module



Thank you

