
Investing in institutions: How governance pays off in Ghana

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There are no ghosts in Ghana. However, one can assume that a considerable number of government employees only exist on paper. Many gratefully draw a salary without working. The government combed through the data of all its 455'000 employees. In the end, 507 deceased, 1123 retired and 720 discharged people were taken from the salary list. 1567 cases remain unsolved. The result of this exercise is an annual reduction of eight million Swiss Franks in salary expenses – no staggering amount, but better than nothing. Within the scope of budget support the government committed itself in 2007 to resolve the issue of ghost employees.



Parliament holds an important role when it comes to controlling the government and administration.

Numerous reform successes...

Since 2003 numerous foreign donors have co-financed Ghana's state budget. Between 2003 and 2008 the cumulative external contribution amounted to 1,8 billion US dollars which equals around ten percent of the annual government budget. Switzerland's annual contributions amount to nine million Swiss Francs. An independent evaluation of budget support, done by a British-Ghanaian research group, concluded that the government is the driving power behind the political reforms: "The Budget support dialogue has encouraged

the government to stay on track and to deepen such reforms."

Various elements in public finance management are part of the institutional reform successes. The entire budget cycle, including the audit of the state budget is now in accordance with internationally recognised standards:

- In 2006, for the first time, parliament approved the budget presented by the government before the fiscal year started. Now it goes almost without saying that the budget is presented in November and adopted by parliament in December.
- If in the course of the year it turns out that partial budgets are insufficient, the government presents supplemental credits, as it is customary in many countries. Linear budget cuts, however, are no rarity and make planning for the different administrative units often difficult.
- External and internal audits of the public budgets have been institutionalised. In his report for the budget 2005 the independent Auditor-General notes that he received the relevant documents from the Ministry of Finance on time and that for the first time he is in a position to present his report to parliament on time, within the required grace period of six months. Before, there were delays of several years and nobody was interested in the reports anymore as they were water under the bridge.

A real success story is the reorganisation of the Public Procurement Authority (see interview with A.B. Adije). For many years, its institutional organisation and rules were the on the agenda of many top-level meetings between the government and donors. 2008 was the first year that specifications with respect to public procurement are no longer an element of the budget support's performance assessment framework (PAF). Providing expertise ("technical co-

operation”) is one element of the budget support approach and as is provided by donors like Great Britain (DFID), the World Bank and particularly Switzerland. Switzerland has been active in this field since the beginning (2003) and is also supporting the implementation of the procurement rules during the next years, particularly the training of all those engaged. Based on a suggestion by the procurement authorities Switzerland also facilitates procurement on the basis of explicitly sustainable principles. Since the Earth Summit on Sustainable Development in 2002 in Johannesburg Switzerland chairs a UN task force dealing with sustainability in public procurement. Ghana is also a member of this task force, which means that its experiences in taking into account not only economic but also social and ecological principles in public procurement processes, are also available to other countries.

... but much remains to be done

The budget audit is now being carried out according to rules, however, its results are not only comforting. The Auditor-General announced some reservations with respect



Stable institutions are a good foundation for businesses.

to expenses of 717 million dollars (2005) respectively 1051 million dollars (2006), because according to his opinion the accounted for credits or transactions are not adequately documented. As there is an ongoing political tug of war between him and the government, the scope of these reservations are difficult to assess.

Further weaknesses can be identified. At the end of the year the discrepancies between the accounts and budgeted expenses are considerable. When in the period between 2004 and 2006 the Ministry of Defence has spent 20 percent less than the



Predictable and participative institutions are the best capital for children...



... and for adults.

amount budgeted and approved by parliament, this does not cause a headache. When however, the Ministry of Education spends 20 percent more, or public utility subsidies, for example for electric power companies, amount to almost the quadruple with 364 percent of the approved sum, it is alarming. Furthermore, the mid-term financial planning over three years is not yet clearly linked to the annual budgets.

Information concerning the budget and the use of public money which is easy to understand and provided on time is a precondition for the citizens' participation and control. In an independent evaluation of budget transparency conducted by the Open Budget Initiative in 2008, Ghana was awarded 49 of 100 possible points. The information with respect to the budget presented to parliament was good, however, transparency with respect to the use of money was insufficient. In June 2008, an external report which was commissioned jointly by the government and the budget support donor group, has made detailed recommendations with respect to transparency. The government acknowledges the need for improvement which means that

further progress can be expected. An extension of access to information is in accordance with press freedom which Ghana enjoys. Independent newspapers, radio and television stations are an important precondition for effective parliamentary work and a vital civil society.

More participation, better results

Parliament is only starting to recognise its role as the executive's supervision and as a steering authority representing the citizen's will. However, it set new standards itself: The Public Accounts Committee commissioned a special report and for the first time conducted a public hearing. This approach caused a sensation and increased the parliament's reputation with the population. The investigation led the government to discharge the previous director, as it seems that the accusations was well founded.

So far, non-governmental organisations only play a marginal role in the budget process. 2007/08 the Ministry of Finance took the initiative and for the first time conducted a formal consultation with civil soci-

ety representatives previously to the budgeting process. Other contacts with government representatives reveal apprehensions that the contribution of non-governmental (NGO) people could be destructive. NGO-representatives try to dispel this fear: "Budget support is a very useful instrument. But civil society needs to be able to play its role in the process in an adequate manner", says Siapha Kamara, CEO of the SEND Ghana foundation. And: "Civil society should have a chance to participate. Our knowledge of the situation in districts and villages is a real value added in sectors such as health or education." That is why, in addition to budget support, Great Britain, Canada, Denmark and the Netherlands are financing a programme for non-governmental organisations (G-RAP), in order to improve their capacities to accom-

pany and influence the budget process in the service of poverty reduction and development.

Ghana has not only set the aim of reaching the Millennium Development Goals by 2015, but also wants to ascend to the category of middle income countries – precondition for that is a per capita income of 1000 dollars. The imminent oil production will continue to strengthen Ghana's economic position. International cooperation and budget support confirm the government's development efforts. Investing in institutions, be they of governmental or independent nature, can therefore be considered to yield the most sustainable economic, social and ecological results for Ghana's future.



Ghana's stock exchange in Accra offers investors the opportunity to invest in the as of now modest number of local listed companies.

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