

**Managing budget  
reallocations and  
arrears in  
The Gambia**

**practice  
notes**

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# Acronyms and abbreviations

<b>BPFMC</b>	Building PFM Capabilities (programme)
<b>CABRI</b>	Collaborative Africa Budget Reform Initiative
<b>ECOWAS</b>	Economic Community of West African States
<b>GPPA</b>	Gambia Public Procurement Authority
<b>IFMIS</b>	Integrated Financial Management Information System
<b>MDAs</b>	ministries, departments and agencies
<b>MoFEA</b>	Ministry of Finance and Economic Affairs
<b>PDIA</b>	problem-driven iterative adaptation
<b>PFM</b>	public financial management

# The Building PFM Capabilities programme

The mission of the Collaborative Africa Budget Reform Initiative (CABRI) is to strengthen the capabilities of African government officials for the implementation of reforms that achieve functional public financial management (PFM) systems. The Building PFM Capabilities programme, launched in 2017 and premised on the problem-driven iterative adaptation (PDIA) approach, contributes to CABRI's mission through action-oriented work.

The Building PFM Capabilities programme was developed in collaboration with the Building State Capability (BSC) programme at Harvard University's Center for International Development. It consists of a seven-month-long engagement with African country teams that aims to build the capability of a set of officials. The programme is broken down into: (i) an online course on the PDIA approach; (ii) a framing workshop where teams learn how to construct and deconstruct their PFM problems; (iii) an action-push period during which country teams experience regular iterations towards solving their problems with the regular support of a CABRI dedicated coach; and (iv) a closing workshop where teams expound on the actions taken, assess the progress achieved and share their learning with their peers.

In supporting PFM reforms, the programme emphasises principles such as country ownership by relying on local solutions to local problems, experimentation by promoting an iterative and adaptive approach, and multi-stakeholder engagement by supporting diffusion and co-ordination within the administration.

Seven Anglophone African country teams successfully completed the first edition of the Building PFM Capabilities in Africa programme in 2017. A team of Gambian officials from the Ministry of Finance and Economic Affairs (MoFEA) participated in the programme to address the long-standing problem of virements (budget re-allocations) and arrears leading to a misalignment in the appropriated budget and spending. This paper details the experience of the team, providing documented evidence of the progress over time and how the team built its own capabilities and diffused them over seven months.

# Foreword



The Gambia participated in the Building PFM Capabilities (BPFMC) programme in 2017 during a period of political transition that ushered in a strong mandate for reform that necessitated changes in the trajectory of public finance management (PFM). This meant the Ministry of Finance and Economic Affairs (MoFEA) has had to take a proactive stance on tackling the weaknesses in its PFM system. Budget credibility issues pertaining to arrears and deviations between budgeted and actual expenditure have undermined the strategic allocation of resources and, therefore, the realisation of critical public policy objectives in the various sectors. CABRI's BPFMC programme, with its focus on deriving local solutions to local problems was thus timely in facilitating a focus on these core issues.

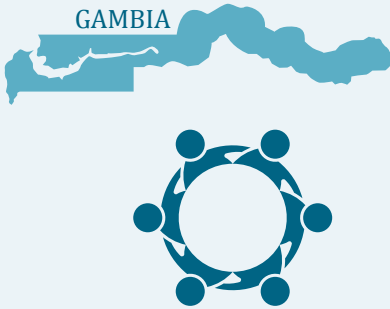
As the authoriser for the team of six officials from the Budget Directorate that participated in the programme, I was driven by an approach to PFM reform that prompted a shift in how we typically initiate and conduct reform, which has been driven largely by external consultants. Further, through the process, there has been a noticeable change in how the Budget Directorate engages its counterparts within the ministry as well as sector ministries, motivated by collaborative effort and consensus building as opposed to the usual sensitisation approach.

The Gambia's new development plan sets out ambitious targets for the next three years, which creates urgency in the need for the government of The Gambia to carry out transformation. As the nerve centre of the government, the change will need to start with MoFEA. The strides that have been made by the team showcase that we have the ability to not only effect but to lead that change. It is, therefore, my hope that the team capitalises on the momentum that has been built to explore other pressing issues in PFM.

**Lamin Camara**  
*Permanent Secretary*  
*Ministry of Finance and Economic Affairs*

# 1

## A novel approach to PFM reform in The Gambia



The Gambia, one of the smallest countries on the African continent, with a land mass of 11 295 km<sup>2</sup> and a population of under two million, made international headlines in 2016 with the shock electoral defeat of the long-serving incumbent, Yahya Jammeh. After years of authoritarian rule, a peaceful transition with the support of the Economic Community of West African States (ECOWAS) led to the expectation of change, grounded largely in the reform of public institutions. Furthermore, with citizens engaging more actively in the business of government, and demanding greater transparency and accountability, as well as better public services, the old way of conducting government business was no longer tenable.


One of the many challenges faced by the newly elected government, led by President Adama Barrow, was the poor state of public finances and very limited fiscal space to tackle the many demands that citizens directed at the new administration. Recovery from the twin effects of erratic rainfall and the aftermath of the Ebola crisis in the region has seen economic growth improve by 5.1 per cent in 2017 compared to -0.2 per cent in 2014. However, the service cost of public debt – 34.61 per cent of total expenditure in 2017 – continues to crowd out priority spending. Other challenges in the management of public finances include deviation between budgeted and actual expenditure of over 10 per cent in 2012, reaching a high of 31 per cent in 2013 (Morachiello, Nicolau & Hegbor 2015). The accumulation of expenditure arrears and concerns over value for money in public spending due to limited compliance with public procurement regulations are additional challenges, made worse by the rising wage bill.

Over the past decade, The Gambia has undertaken numerous public finance reforms that have been mainly donor funded and driven. These have included:

- acquisition and roll-out of an Integrated Financial Management Information System (IFMIS) to improve accountability, resource allocation and management processes;
- adoption of the Public Procurement Act, alongside the establishment of a procurement cadre and an oversight organisation to improve value for money;
- introduction of medium-term budgeting to support the achievement of long-term expenditure targets;
- establishment of internal audit units to strengthen controls across all of government, as well as a PFM unit to oversee public finance reform; and
- improved budget transparency through the use of social media and a better designed website that includes monthly expenditure reports.

More recent reform efforts have included an audit to eliminate ‘ghost workers’, implementing restrictions on first class travel, introducing a vehicle policy to reduce the size of government vehicles as well as budget cuts to historically high-spending budget entities such as the Office of the President.

The challenge, however, as with many efforts to reform the way that public finances are managed, has been the translation of the new formal rules into procedures and



practices that contribute to a more functional PFM system. Despite the modernisation of the PFM regulatory framework,<sup>1</sup> audit findings show significant challenges with compliance, some of which have been the channelling of resources for purposes not originally intended, the payment of higher prices for goods and services and limited transparency in government spending (MoFEA 2016).

With high expectations of the Gambian authorities, the improvement in the management of public finances is a top priority. This created the space for a group of six Gambian officials from the Budget Directorate of the Ministry of Finance and Economic Affairs (MoFEA) to participate in a novel approach to PFM reform. Adopted in 2017, the Building PFM Capabilities (BPFMC) programme, jointly designed by CABRI and the Building State Capability (BSC) programme at Harvard University's Center for International Development, uses the problem-driven iterative adaptation (PDIA) approach to build the capabilities of teams of officials to find and fit local solutions for local problems.

**Box 1**

*It is suggested by the co-authors of the paper 'This is PFM' that a functional PFM system is meant to promote prudent decision-making and the sustained fiscal health of a government in a way that deficits are not too high, debt is manageable, and spending is prioritised (see Andrews et al. 2014). Most would also hope that PFM systems provide an orderly means by which governments raise and spend money, fostering credibility and reliability. An outcome of a credible and reliable budget is that money reaches the front-end interface of government and citizens – where financial resources lead to service delivery and actual results.*

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1 Through financial regulations, the Public Finance Act, the Public Procurement Act, etc.

# 2

## Determining entry points for action

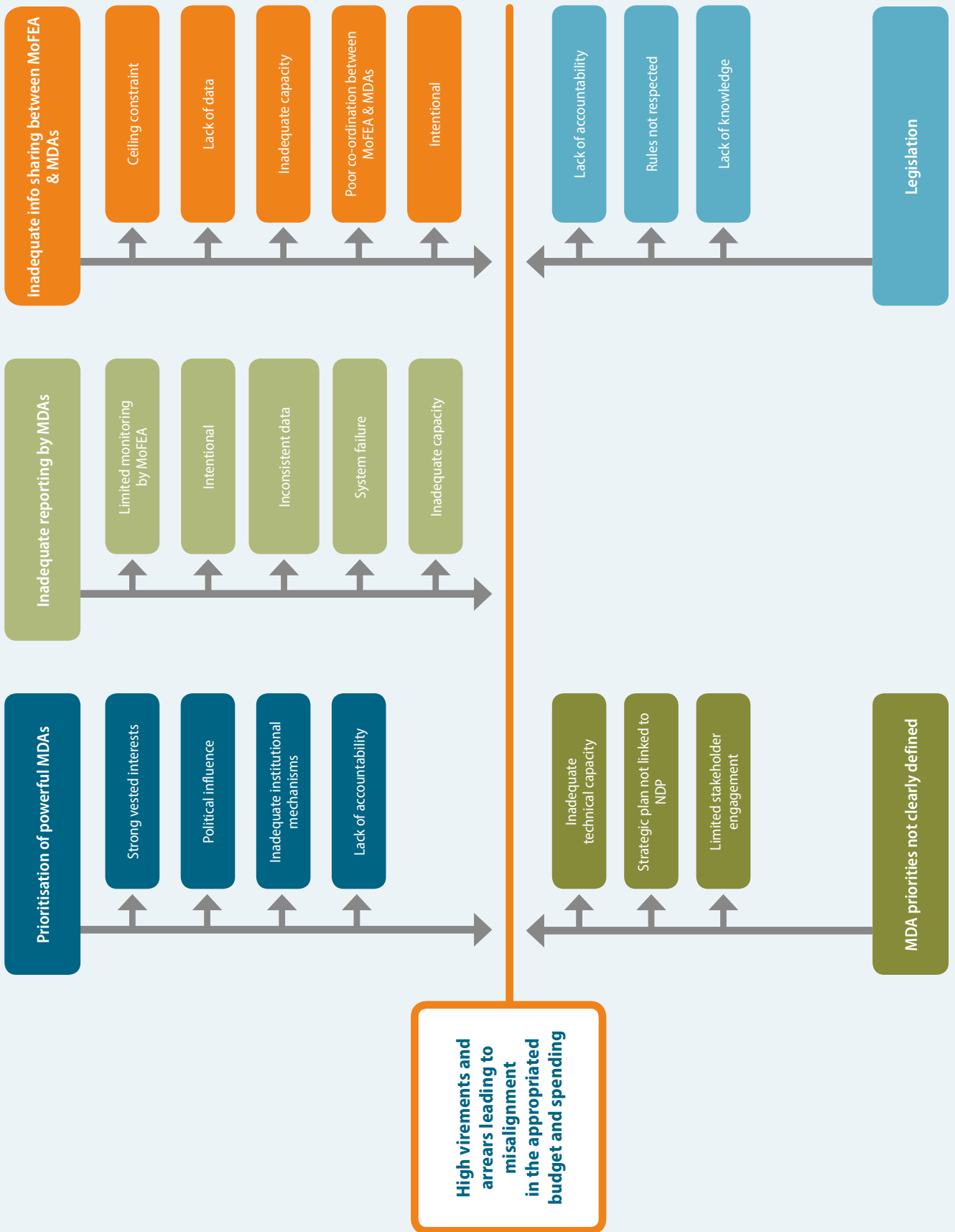
Following an application process, the Gambian team experienced various iterations in the conceptualisation of the PFM problem it decided to solve. Starting as a budget-formulation problem caused by the lack of stakeholder engagement and expenditure controls, the team decided that the real problem was the accumulation of arrears and exceptionally high virements (shifting of funds between budgeted items). The first lesson for the team, thus, emerged as: problems are not the absence of a solution (lack of stakeholder engagement and internal controls, in this instance). This reflection led to a further refinement of the problem statement to: high virements and arrears leading to misalignment in the appropriated budget and spending.

The construction of the problem was an important first step in a seven-month engagement aimed at addressing the root causes of a problem that has negatively impacted on the management of public finances for many years. With a tangible problem (illustrated in Figure 1), the team was able to identify its main causes, as (i) prioritisation of influential ministries by MoFEA, which were able to exert significant political pressure in the manner that resources are allocated; (ii) lack of clearly defined priorities for ministries, departments and agencies (MDAs), caused by inadequate stakeholder engagement and misalignment between sector strategic plans and the national development plan; (iii) non-compliance with rules, and limited knowledge of PFM legislation; (iv) inadequate budget reporting, driven by non-monitoring by MoFEA, data accessibility issues and inadequate capacity; and (v) inadequate information sharing between MoFEA and MDAs.

Probing into the sub-causes of all five main causes revealed the complexity of the problem and the need for the sequencing of interventions. The team selected two causes as entry points for immediate action to be taken: (i) the inadequate information sharing by MoFEA and MDAs; and (ii) the inadequate reporting by MDAs. This was based on the authorisation that the team had received from the permanent secretary and budget director. The team also had the ability to tackle the two main causes, and strongly believed that they could gain the acceptance of their peers, where this did not already exist.



FIGURE 1: The ‘fishbone’ of causes and sub-causes



# 3

## Action-push period

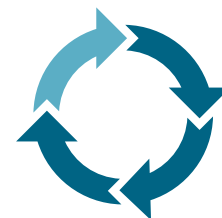


### Building consensus on the problem

The conclusion of the framing workshop left the team with a reconstructed problem statement and a well-elaborated fishbone that captures the intricacies of a problem that challenged the MoFEA for many years (see Figure 1). It was evident to the team from the outset that taking on long-standing budget practices would require the full support of management and the buy-in and partnership of other members of the ministry. Therefore, with a clearer framing of the problem, the first point of action was to brief the budget director – the team’s immediate boss. His support was critical because the team would be tackling issues directly within his purview and would require the commitment of a significant amount of time. The team subsequently convened a meeting with the permanent secretary and the various directorate heads to discuss its approach and to ensure consensus on the problem statement. A bleak picture was presented, highlighting the country’s debt situation and the importance of strategically allocating the limited available resources, which was significantly undermined by the frequent budget reallocations and the continuous accumulation of arrears. This narrative, coupled with the presentation of an adaptable approach to address the problem, mobilised management support from the start. That support was driven particularly by the fact that the team would lead the work, as opposed to external consultants, as often is the case.

The team embarked on its journey with a data collection exercise to attain a clearer understanding of the magnitude of the arrears and virement problem. This was complemented by efforts to understand the MDA constraints on expenditure reporting with the roll-out of a survey. When the team took these critical steps, the permanent secretary’s signature on the letters requesting data on MDA arrears, commitments and priorities, and the survey on expenditure reporting, was important in providing the necessary weight for MDAs to take the process seriously. The first month of the action-push period was dominated by telephonic and in-person engagements and follow-ups with MDAs. This first ‘touch’ with the MDAs was crucial in developing a collaborative spirit between MoFEA and MDAs. The level of co-operation by MDAs was a surprise for the officials, as they were willing to share their data and make time to engage, although a proactive follow-up by the team was often required. An example of MDA eagerness to share was the visit to the Ministry of Energy and Petroleum where the permanent secretary ensured that the meeting included all relevant persons – himself, his deputy as well as the accountant, as opposed to a meeting with the accountant alone, as might have been the case.

With the preliminary insights from the survey (see Annex 1), it became increasingly clear that there was limited understanding of the IFMIS and knowledge of the various reports it made available for MDA use, for expenditure monitoring and reporting. The survey also revealed a communication failure between MoFEA and MDAs, with MDAs unaware of the requirement that they report to MoFEA. Thus, with some of the MDA survey submissions pending, the team began the groundwork for developing a reporting guideline for MDAs (see Annex 2), and took note of the need to incorporate expenditure reporting in the 2018 budget execution guidelines in order to ensure that reporting requirements were clear. Also, with the increasing submission of arrears data, it became evident that such data would require verification before the



government would accept liability for the arrears. This was contrary to the typical practice of allocating resources in respect of requests for the payment of arrears, with little or no documentary evidence as to their validity. The team, therefore, recognised the need for close collaboration with the Internal Audit Directorate in overseeing the verification of arrears, and the accountant-general's department in building the capacity of MDAs on the IFMIS.

During this period, the team had to work around the practical realities of shorter working hours during Ramadan, a heavy workload at the Budget Directorate and dedication of time to the BPFMC work.

*The most rewarding part has been seeing things materialise, getting the MDAs to submit their arrears and commitments and knowing that we have acceptance and management showing their full support for the process. (Team member)*



### Understanding the problem – the use of data

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The team's work was stalled by activities at the Budget Directorate, with the team grappling to balance work on their problem and a mid-year revision of the annual budget that entailed several sessions in the National Assembly.

During this period, the focus was on continued engagement with the data requests and survey questions. In survey responses, some officials expressed familiarity with the expenditure reports generated through the IFMIS, but articulated the need for further sensitisation with regard to the reporting mechanism and procedures, and for capacity-building in the area. A review of the existing, but dormant, reporting guidelines was conducted by the team, driven by the need to better actualise expenditure monitoring by the Budget Directorate. Even though the Budget Directorate conducted expenditure monitoring through its monthly expenditure briefs, this merely provided a snapshot of budget execution rates by MDAs, budget classifications and line items, without non-financial information on how these expenditures relate to MDA priorities. A more holistic depiction of MDA spending patterns would enable the Budget Directorate to exercise more strategic decision-making in respect of MDA requests and budget allocations.

Additionally, a compilation of data on virements in all MDAs for the period 2014–2016 was made. This was the first time a compilation and analysis of virements had been done. In fact, the only member of the team who had knowledge of where to extract the data from was the IFMIS specialist within the team. The objective was to conduct an analysis that would indicate the frequency and volume of virements to provide a sense of the magnitude and trends of the practice. The analysis would highlight the largest offenders and the most prominent expenditure areas.

*Going through the data and seeing the problem unfold has been quite exciting. We cannot wait to engage management on the results of the analysis. (Team member)*

# 3

## Action-push period



### A balancing act – incorporating PDIA into everyday work

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The team concluded its analysis of the data on virements and arrears (see Annex 3); and the budget bilaterals were then used as an opportunity to interact with the MDAs employing tangible data. This enhanced the quality of the 2017 budget bilaterals – discussion was not focused merely on cutting budget lines to ensure that MDA submissions were in line with the approved ceilings, as had often been the case. MDAs were engaged on the credibility of their budgets on the basis of data on virements, arrears and unutilised funds. This stimulated an enlightening dialogue on the specific constraints of each MDA and enabled MoFEA to flag and caution their untenable practices. On the other hand, it was an opportunity for the ministry to commend positive outliers such as the Ministry of Works, Transport and Infrastructure, which exhibited no outstanding expenditure arrears. These engagements were the beginning of MoFEA’s signal to MDAs that it was seriously intending to curb issues related to virements and arrears. At the time, it was common to hear MDAs say: ‘Finance, you came prepared for us.’

This period was a critical turning point in how the team related to the work under the BPFMC programme. Until then, it was largely perceived as an addendum to the team’s routine work, which often had to take a back seat to the everyday hustle and bustle of the ministry work. The lesson for the team was that there is a tendency for reform activities to be perceived to be competing with day-to-day priorities. However, by inserting it into the budget process through the budget bilaterals and acknowledging its relevance, especially with buy-in from senior management, the process was starting to feel like part of the team’s ‘usual’ work. The team started to meet more regularly than in the previous month, during which its members struggled to balance various responsibilities. The team learnt that the discipline and consistency of meeting on a weekly basis, not despite the team members’ busy schedules but particularly because of them, was key to making progress. These meetings were critical in providing updates on assigned tasks, discussing challenges and strategies moving forward, but also as a team-building process where team members motivated and learnt from each other in an unprecedented manner.

*We have been struggling to come together as a team and this is perhaps attributed to the reduction in the frequency of our meetings, which makes it harder to stay on top of things. (Team member)*



### The beginning of a narrative

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With comprehensive data on both arrears and virements, the team had information to create a narrative to engage both MDAs and senior management at MoFEA on the problem as well as potential mitigation strategies.

The preliminary stock of arrears that had been established, if serviced, would represent 9.05 per cent of budget expenditure for 2017. Further, the composition



of the arrears data showed motor vehicle related expenditure as the most recurring budget item. This was not a revelation for the team, which routinely processed motor vehicle related cash allocation requests to service late payments. It resonated with the urgent need for the vehicle policy to be drafted, which aimed at tackling various areas of motor vehicle related spending so as to curb expenditure. Arrears in telecoms and electricity also repeated a popular narrative that central government institutions routinely failed to make payments to utilities. At the budget entity level, eight entities accounted for 95 per cent of total government arrears. The largest offenders were identified as the Office of the President (43.94 per cent), the Ministry of Basic and Secondary Education (20.45 per cent), the Ministry of Defence (10.97 per cent) and the Ministry of Health and Social Welfare (9.50 per cent). Discussions with the director general of the Internal Audit Directorate, however, revealed concerns regarding the authenticity of some of the arrears. He added that some arrears, especially those relating to the maintenance of vehicles, were likely to decrease after a verification process had been effected. This raised a pertinent issue – the tendency to pay arrears the authenticity of which was questionable.

The virement data showed an increase in the frequency of yearly virements between 2014 and 2015, from a total of 990 to 1044, but a subsequent decrease in 2016 to 873. Further, the data indicated complete depletion of certain budget lines contrary to the public finance regulations, which capped virements at 70 per cent of a particular budget line. A cross-national comparative analysis of virement regulations in the region showed that The Gambia was an outlier in providing such a high cap in the reallocation of funds. This sparked discussion on the disincentives created by such policy for proper planning and budgeting by MDAs and whether the changes in the regulations relating to virements were necessary and feasible. The data also showed that funds were moved to non-priority areas, where expenditure cuts were desired, such as travel expenses. The Ministry of Foreign Affairs was the largest offender, followed by the Office of the President, the Ministry of Agriculture and the Ministry of the Interior.

During this period, attempts at engaging senior management on the data were constrained by the team members' busy schedules with the ongoing budget bilaterals and work on MDA budgets. However, the team expanded its constituency by creating 'the fishbone team', consisting of members of various directorates within the ministry whose expertise was used to revisit the fishbone diagram that had been developed during the framing workshop. The fishbone team consisted of officials from the: (i) Directorate of Development Planning; (ii) Directorate of Public Financial Management Reform; (iii) Directorate of Loans and Debt Management; (iv) Directorate of Macroeconomic Policy Analysis; (v) Directorate of Public Private Partnership; (vi) Directorate of Internal Audit; and (vii) Directorate of Aid Co-ordination. The meetings were chaired by the deputy director of budget where possible to ensure that the team continued to build authorisation.

*Our next step is to present our arrears and virement stories to management. (Team member)*

# 3

## Action-push period



### Building ability

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The team elicited the help of the Internal Audit Directorate to verify the authenticity of the arrears data. This was not a task that the team or the Budget Directorate, more generally, had the technical capacity to conduct. A work plan was developed, outlining the start of the process and scheduling the field work with MDAs over the course of several weeks. At the end of the process, the audit team would submit 'confirmed' arrears to the Budget Directorate, which would consider it the government's confirmed stock of arrears, a feat accomplished for the very first time. The 2014 PEFA assessment highlighted the lack of systematic tracking of government arrears and procedures for both monitoring and validation, as well as the lack of full information on the total stock (Morachiello, Nicolau & Hegbor 2015).

It was not sufficient to establish the extent of the government's liabilities in terms of arrears; preventive measures were necessary to mitigate the effects of servicing arrears on budget execution. The team began preparations for a workshop on arrears management entitled 'Preventing and Managing Expenditure Arrears for Effective Public Financial Management' (see Annex 4 for the workshop programme). The workshop would target key actors such as permanent secretaries (vote controllers), procurement officers and accountants. The objective of the workshop was to present the preliminary stock of arrears, emphasising key trends in expenditure, and the implications and legal ramifications for effective budget management, an important additional intention being to start an inclusive dialogue with the MDAs that contribute to the accumulation of arrears and, hence, are key to solving the problem.

At the same time, the team continued to engage the fishbone team on the new reporting template that had been developed in response to the need for guidance indicated by the survey results. The fishbone team was initially constituted for a once-off engagement on the team's fishbone diagram, but the team saw an opportunity to broaden ownership of the problem within MoFEA so that the process was not merely an initiative of the Budget Directorate but of MoFEA as a whole. Indeed, given the cross-cutting nature of the problem, any meaningful progress would require the input and co-operation of other officials within the ministry.

*The Internal Audit Directorate will be a key collaborator in this exercise, particularly in terms of validating data submissions pertaining to arrears. (Team member)*



## Building acceptance

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The arrears workshop was well attended with about a hundred participants representing all of the MDAs. Getting the right attendance can be a challenge for workshops, but the workshop was attended by the prescribed officials (permanent secretaries, procurement officers and accountants). This success was a result of face-to-face engagements and follow-up calls with individual permanent secretaries in all MDAs a day before the workshop to explain the importance of the event and the significance of having in the room the three parties identified above. It was fitting that the workshop was jointly opened by the deputy permanent secretary, fiscal affairs and the director of budget, which signalled the importance of the gathering. Further, it featured presentations by the Budget Directorate, the Internal Audit Directorate and the Gambia Public Procurement Authority (GPPA) with discussions on: i) risk management; ii) recording of arrears; iii) essential elements of the Procurement Act and Regulations; and iv) adding value through internal audits. Additionally, the Ministry of Works, Transport and Infrastructure and the Ministry of the Interior were selected as 'positive' and 'negative' deviants to highlight good and poor procurement practices, respectively.

Active participation by the various stakeholders resulted in many useful takeaways. Firstly, The Gambia's public finance legislation does not provide a clear definition of arrears in terms of the period of time needed for late payments to be classified as arrears. Further, it was emphasised that functional budget committees would play an important role in mitigating the contraction of arrears. Also, expenditures were being made for purposes not originally intended, and funds were being committed beyond what had been allocated in the IFMIS. The need to enforce sanctions to create a deterrent, and the development of a reward mechanism to incentivise effective arrears management, were highlighted. The critical role of the permanent secretaries as the vote controllers was particularly stressed, not only because of the pressure they sometimes exert on accounting officers to get things done at all costs, but also because of the authority they have in curbing expenditures outside of the formal process within their ministries. The importance of having functional budget committee meetings was also emphasised.

The culmination of the reflections and analysis from the data-collection exercise, the arrears workshop and verification exercise and the feedback from various stakeholder engagements enabled the team to develop a brief for the finance minister. The brief provided a detailed analysis of the different components of the problem and proposed measures for the minister's feedback and endorsement. The team understood that implementation of some of the proposed measures would have to be gradual and, therefore, took the initiative to propose both short-term and long-term measures.

*They are deeply rooted issues that require the involvement and co-operation of various stakeholders, particularly the MDAs implementing the budget ... wider engagement within the ministry during both the problem definition and solution deliberation adds significant value.*  
(Team member)

# 4

## Progress made

The action that the team took resulted in significant progress towards tackling some of the sub-causes of the problem.

### Catering to capacity needs in expenditure reporting

The team was able to identify the capacity needs of MDAs in expenditure reporting and was able to secure management's buy-in for IFMIS training to be conducted by the accountant-general's department in the subsequent year. Additionally, the team developed a reporting template that would aid quarterly reporting on sector spending by countering some of the capacity gaps. And in order to encourage compliance, penalties such as the withholding of cash allocations for non-compliance would be enforced in line with the team's recommendation.

### Revised budget execution guidelines with tough provisions on arrears and virements

The 2018 budget execution guidelines reflect the MoFEA's newly established intolerance for the accumulation of arrears and offer stringent measures on virements. This includes the following:

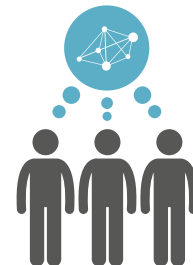
- prohibition of virements during the first two quarters of the fiscal year;
- prohibition of virements from certain line items;
- virement requests to be accompanied by a justification relating to a shift in priorities or the provision of an adequate explanation for omission of an expenditure item in the budget; and
- approval of travel clearance is contingent on the presentation of sufficient budget balance.

The 2018 budget execution guidelines reflect the MoFEA's newly established intolerance for the accumulation of arrears

### Broadened ownership and enhanced information sharing

The establishment of data on arrears and virements, and the productive engagements this has enabled with the MDAs, signals the commencement of better data flows between MoFEA and the MDAs. The available data allowed the team to probe into and flag untenable budget practices as well as provide advice during the budget bilaterals. The preliminary data analysis also sparked the need to sensitise MDAs on the extent of the problem, its causes and implications and the way forward. This, in turn, culminated in the arrears workshop, where key stakeholders were engaged in genuine dialogue. These initiatives contributed significantly to broadening ownership of the problem, which was key in facilitating co-operation in the implementation of the proposed measures.





**The productive engagement with the Internal Audit Directorate encouraged the team to adopt a more collaborative approach to its work**

The seven-month process encouraged inter-directorate collaboration in MoFEA, as is evident in the multiple engagements on the project, including the fishbone analysis. The productive engagement with the Internal Audit Directorate encouraged the team to adopt a more collaborative approach to its work and led to the establishment of quarterly meetings between the audit, budget and accountant-general teams. With the availability of on-the-spot monitoring by internal auditors at the MDA level, budget execution issues can be relayed to the budget team for necessary action through these meetings and the provision of quarterly budget execution reports.

### **A targeted approach**

Given that the team was able to highlight problematic expenditure areas and offending MDAs regarding both arrears and virements, a more targeted approach was feasible. During the budget bilaterals, the focus centred on the worst offenders, and this will also be the case during execution years. The disallowance of virements to expenditure areas such as travel and miscellaneous expenses is an indication of the focused approach on expenditure items as well.



# 5

## Lessons learnt

### Consistency in team work

The exercise resulted in significant learning in terms of team work. The importance of discipline and structure in the functionality of the team was clear. During Ramadan, in particular, the team struggled to focus on its reform efforts in the midst of shorter working hours, National Assembly sessions and routine budget tasks. The team was able to overcome this challenge through weekly team meetings, with flexible timing and the setting of tasks and internal deadlines to ensure that the team consistently shared its progress and next steps.

### Setting an example

Also, as the team gathered evidence on the problem, it became clear that MoFEA itself had significant compliance issues and undesirable budget practices. For instance, while it did not feature amongst the MDAs with the highest arrears, the virement data (2014–2016) displays substantive use of budget reallocations. The team acknowledged that it is important for MoFEA to act as an exemplar of good budget practices if it is to effectively and credibly advance its recommendations during the 2018 budget execution.

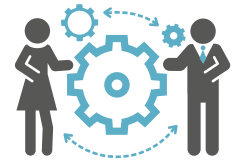
### Establishing an inclusive process

The degree of progress the team made was greatly facilitated by the building of alliances and co-operation. For instance, the consultative approach in analysing the root causes of the problem offered other perspectives, sometimes challenging the team's assumptions. Furthermore, the inclusive approach compensated for capacity gaps within the Budget Directorate. During the arrears workshop, the team relied on the expertise of the GPPA, the accountant-general's department and the Internal Audit Directorate to sensitise attendees on issues outside the purview and expertise of the budget team.

### Using data for effective decision-making

Through their achievements, the team grasped the greater need for harnessing data. The team came to the realisation that it had been underutilising a significant amount of data at its disposal via the IFMIS and at the MDA level. It was somewhat surprising that MDAs were willing to relinquish their data and co-operate with MoFEA. Regarding the IFMIS, the team learnt that there was a need to familiarise itself with the various reports and to more routinely use them in making strategic decisions regarding MDA spending. The use of data was critical for going beyond problem recognition to adequately define and make the problem matter so as to provide legitimacy and credibility to the team's work.

The importance of discipline and structure in the functionality of the team was clear



## Initiating reform from within

The donor-led nature of many of Gambia's PFM reforms outlines the level of influence that donors have in setting the reform agenda. However, the team learnt that it places the government in an advantageous position when local agents take stock of and define their own problems, because thereby they have greater leverage in soliciting the required support and in steering the process. The initiatives that have emanated from the team's work are low-cost, practical, technically correct and, most importantly, administratively implementable.



# 6

## Concluding comments: taking the work further

The team's success has been in being able to develop a compelling narrative around a problem that has persisted for so long that it has become business as usual. In doing so, the team was able to investigate the 'real' causes of the problem in an inclusive manner, which allowed it to attract both authorisation and acceptance. In order to build on the gains that have been made, the team will need to maintain consistency in how it works on the problem and to sustain management's commitment to the process. The continued support of the minister will be necessary, particularly in tempering the level of political interference that has often sustained unsound budget practices. There are, however, several bright indicators that suggest the potential for significant change:

- the new vehicle policy aimed at curbing vehicle-related expenditure (which the team's data-collection efforts reinforced as an issue) shows the ministry's willingness to take on tough reforms that require significant buy-in;
- the unprecedented level of scrutiny that emerged from the newly elected members of parliament, as evidenced by the extensive probing of the revised 2017 and the recently passed 2018 budget, places added demands on the MDAs and MoFEA to better execute their mandates; and
- the success of the recently launched National Development Plan (2018–2020) amidst high public expectations will require a change in the trajectory of public spending, which exerts extra pressure for reform, and, therefore, significant incentive for sustained political commitment.

**One key lesson for the team has been the importance of being proactive to ensure that the recommended measures are fully implemented**

Going forward, one key lesson for the team has been the importance of being proactive to ensure that the recommended measures are fully implemented. The team's next steps consist of: (i) ensuring the availability of the PFM documents (the Public Finance Act, financial regulations and other relevant documents) on online platforms, and the distribution of hard copies to MDAs; (ii) the issuance of a press release to suppliers (the government to issue a caution on entering into contractual obligations without following formal processes); (iii) a workshop with all GPPA-registered suppliers in collaboration with the GPPA to provide sensitisation on procurement regulations; (iv) training for accountants by the accountant-general's department; and (v) the implementation of the new directives in the 2018 budget guidelines.

In the longer run, the team seeks to advocate for a review of the PFM laws and regulations to incorporate a formal definition of arrears and a reduction in the 70 per cent virement cap, as well as the development of an arrears management strategy.

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# ANNEXURES

## ANNEX 1: Excerpts of survey results from selected ministries

### Excerpts

OFFICE OF THE PRESIDENT	
SURVEY QUESTION	SURVEY RESPONSE
Are you aware that your MDA is mandated to send quarterly expenditure reports to MoFEA?	Yes.
Has your MDA submitted any quarterly reports to MoFEA in the past? Please list period.	No.
If previous response is 'no', why has your MDA not submitted quarterly reports to MoFEA?	<i>Not used to it, not sensitised, inadequate human capacity, not a priority. Submission of these reports needs to be enforced.</i>
Are you aware of the different reports available in the IFMIS system that can be used to produce budget reports?	<i>Aware of a few.</i>
What can MoFEA do to assist your MDA in preparation and submission of quarterly expenditure reports?	<i>Prepare a standard template that MDAs can use for preparing reports.</i>

MINISTRY OF HEALTH AND SOCIAL WELFARE	
SURVEY QUESTION	SURVEY RESPONSE
Are you aware that your MDA is mandated to send quarterly expenditure reports to MoFEA?	Yes.
Has your MDA submitted any quarterly reports to MoFEA in the past? Please list period.	<i>Yes, 1st quarter 2016 budget analysis sent to PS-MoFEA.</i>
If previous response is no, why has your MDA not submitted quarterly reports to MoFEA?	N/A.
Are you aware of the different reports available in the IFMIS system that can be used to produce budget reports?	<i>No, the planning unit is not trained on the IFMIS.</i>
What can MoFEA do to assist your MDA in preparation and submission of quarterly expenditure reports?	<i>Install IFMIS at the Directorate of Planning and Information.</i>

### MINISTRY OF INTERIOR

SURVEY QUESTION	SURVEY RESPONSE
Are you aware that your MDA is mandated to send quarterly expenditure reports to MoFEA?	No.
Has your MDA submitted any quarterly reports to MoFEA in the past? Please list period.	No.
If previous response is no, why has your MDA not submitted quarterly reports to MoFEA?	Not aware.
Are you aware of the different reports available in the IFMIS system that can be used to produce budget reports?	Yes.
What can MoFEA do to assist your MDA in preparation and submission of quarterly expenditure reports?	Explain procedure in detail so MDAs can start as soon as possible.

### MINISTRY OF DEFENCE

SURVEY QUESTION	SURVEY RESPONSE
Are you aware that your MDA is mandated to send quarterly expenditure reports to MoFEA?	No.
Has your MDA submitted any quarterly reports to MoFEA in the past? Please list period.	No.
If previous response is no, why has your MDA not submitted quarterly reports to MoFEA?	Not aware.
Are you aware of the different reports available in the IFMIS system that can be used to produce budget reports?	Aware but not utilising it.
What can MoFEA do to assist your MDA in preparation and submission of quarterly expenditure reports?	Build capacity on report writing. Need for more understanding of programme-based budgeting.

# ANNEXURES

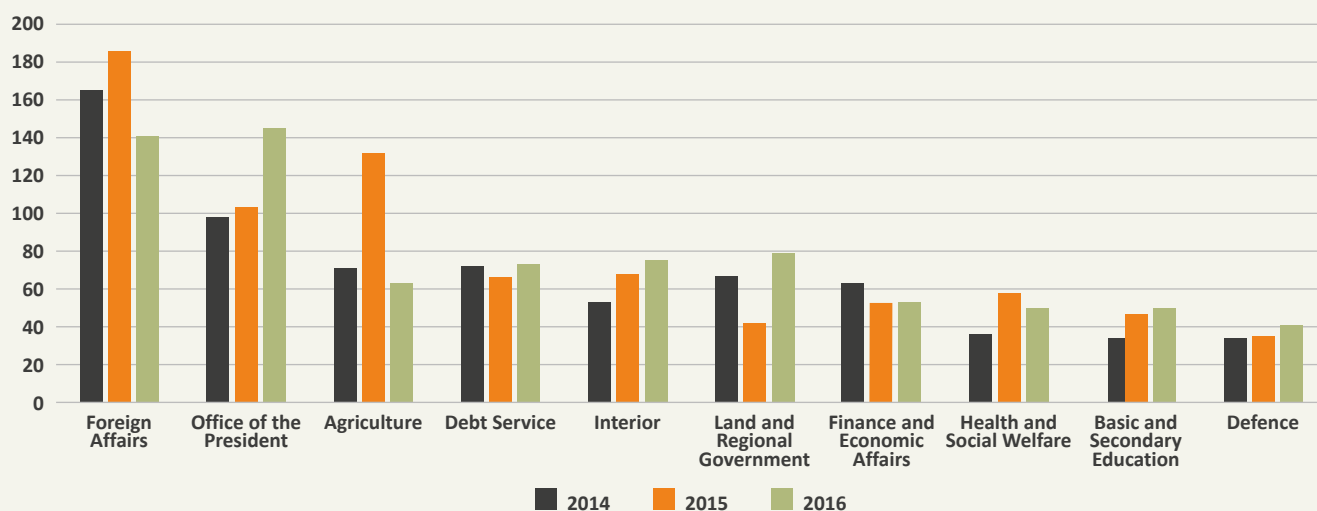
## ANNEX 2: Reporting guideline for MDAs

DIRECTORATE OF BUDGET					
MINISTRY OF FINANCE & ECONOMIC AFFAIRS					
DATE	CASH ALLOCATED (Allocations from MoFEA during the quarter)	DISTRIBUTION TO LINE ITEMS (Indicate amount distributed to specific line items)	ACTIVITY (Indicate activity spending is allocated to)	CASH BALANCE (Indicate cash balance after spending on activity)	OBJECTIVES FOR NEXT QUARTER (Indicate priorities for next three months)



## ANNEX 3: Analysis of data on virements and arrears

### Virements from 2014–2016 per year across MDAs



### Gambia arrears by item – top 5 occurring items

BUDGETARY ITEMS	FREQUENCY OF ARREARS IN ITEM
Maintenance of vehicles and vehicle-related expenses	16
Telecommunications	9
Utilities	8
Travel	6
Contribution to international organisations	4

# ANNEXURES

**Gambia arrears by entity (the 8 entities identified in various shades of grey account for 95.75 of total arrears)**

ENTITY	% OF TOTAL ARREARS
Office of The President	43.94%
Ministry of Basic and Secondary Education	20.45%
Defence: GAF	10.97%
Ministry of Health and Social Welfare (MHSW)	9.50%
Ministry of Agriculture	3.53%
Ministry of the Interior	3.04%
National Pharmaceutical Services (MHSW)	2.44%
Ministry of the Environment	1.88%
Ministry of Trade and Regional Integration	0.97%
Centralised Services	0.81%
National Assembly	0.59%
Ministry of Foreign Affairs & Beijing Embassy	0.41%
Ministry of Lands and Regional Government (MLRG)	0.33%
Ministry of Information and Communications	0.20%
Judiciary	0.20%
Ministry of Fisheries	0.17%
Lands and Surveys (MLRG)	0.13%
Physical Planning (MLRG)	0.10%
Ministry of Finance and Economic Affairs	0.08%
Ministry of Youth and Sports	0.07%
Defence: Ministry	0.07%
Community Development (MLRG)	0.06%
Ministry of Tourism and Culture	0.02%
Ministry of Energy	0.01%
Ministry of Petroleum	0.01%

## ANNEX 4: Programme – ‘Preventing and Managing Expenditure Arrears for Effective Public Financial Management’

DATE: 31 OCTOBER 2017 VENUE: OCEAN BAY HOTEL		
TIME	SESSION	RESPONSIBILITY
8:30–9:00	Registration	
9:00–09:30	Welcome and opening remarks	Permanent Secretary MoFEA
9:30–10:00	Definition of arrears and the legal framework	Budget Unit
10:00–10:15	Q & A	
<b>10:15–10:30</b>	<b>Morning coffee/tea break</b>	
10:30–11:00	Status of arrears and the effect of arrears on the budget	Budget Unit
11:00–11:15	Q & A	
11:15–11:45	Role of vote controllers in mitigating arrears	Internal Audit Directorate
11:45–12:00	Q & A	
12:00–12:30	Risk management and effective internal controls on government arrears	Internal Audit Directorate
12:30–12:45	Q & A	
<b>12:45–13:15</b>	<b>Role in recording and reporting on arrears and implications</b>	<b>Accountant-general’s dept.</b>
13:15–13:30	Q & A	
13:30–14:30	Lunch break	
14:30–15:00	Case studies by MOTWI & MOI	MOTWI, MOI
15:00–15:15	Q & A	
<b>15:15–15:45</b>	<b>Arrears exercise (group work)</b>	
<b>15:45–16:30</b>	<b>Report on exercise</b>	
<b>16:30–16:45</b>	<b>Closing remarks</b>	<b>Director of Budget</b>



## Acknowledgements:

This publication was prepared by the Collaborative Africa Budget Reform Initiative (CABRI) as part of its Building Public Finance Management Capabilities in Africa programme.

Awa Touray from the CABRI secretariat compiled the case study together with Abdou Salam Jatta, Fatou Kinney Jobe, Maria Azzi, Ismaila Bah and Lamin Manneh from the Gambian Ministry of Finance and Economic Affairs.

CABRI would like to thank the participants in the 2017 Building PFM Capabilities in Africa programme for their commitment to the work and their openness to adopting a novel approach to PFM reforms. We would like to register our appreciation to Mr Lamin Camara and Mr Abdoulie Jallow, permanent secretaries at the Ministry of Finance and Economic Affairs in the Gambia, for supporting the work of the team, and to Professor Matt Andrews for his guidance in writing this case study.

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Design and layout by COMPRESS.dsl

The 2017 Building PFM Capabilities in Africa programme was funded with the kind support of the Swiss State Secretariat for Economic Affairs (SECO) and UK aid from the UK government. The findings and conclusions contained within this publication do not necessarily reflect their positions or policies.

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