



# **BUILDING PFM CAPABILITIES**

## **CABRI PEER REVIEW SEMINAR**

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DAKAR, SENEGAL

10<sup>th</sup> – 12<sup>th</sup> December 2018

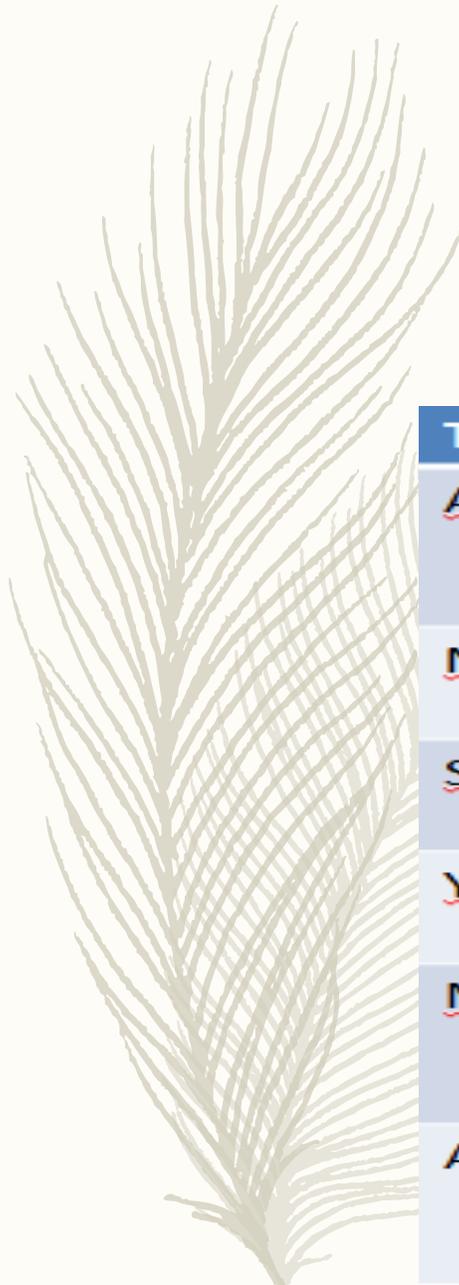


# Presentation by The Gambian A-Team

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# PRESENTATION BY THE GAMBIAN TEAM (A TEAM)



Team Member	Role
<u>Abdoulie Puve</u>	<b>Logistical manager</b> – organizes meetings, manages time in meetings etc...
<u>Ndey Anta Taal</u>	<b>Moderator</b> – manages interactions in <u>meetings</u>
<u>Sohna Fatou Ceesay</u>	<b>Presenter</b> – presents the team work to others
<u>Yankuba Ceesay</u>	<b>Data Coordinator</b> – collect all relevant data
<u>Mya Azzi</u>	<b>Follow-up person</b> – tasked to ensure members do what they commit
<u>Aisha Sillah</u>	<b>Scribe</b> – who takes notes, minutes and writes things up on canvas



# Team Constitution

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1. Meeting every Wednesday at 10am at the PPP conference room – flexible
2. Skype conference with Adil every other Wednesday at 11am – flexible
3. Transparency
4. Respect and openness
5. Commitment to agreed upon tasks
6. Quorum – minimum of 4 people
7. Inform others beforehand if late or absent
8. No phones in meetings – penalty charge of 50 Dalasi



# Identifying Our Problem Statement

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- Our initial problem statement that was submitted in the application form was:
  - RISK AND CONTINGENT LIABILITIES OF SOES AND PPP CONTRACTS**
- By the framing workshop in **month** we had done multiple revisions to your problem statement:
  - **BUILD UP OF SOE ARREARS LEADING TO DETERIORATING PUBLIC SERVICE DELIVERY**
  - **MISMANAGEMENT OF SOES LEADING TO DETERIORATING PUBLIC SERVICE DELIVERY**
  - **WEAK OVERSIGHT OF SOES LEADING TO INCREASE IN ARREARS AND DETERIORATING PUBLIC SERVICE DELIVERY**
- We decided on this as a critical problem that needed attention because the state of our public service delivery is appalling which we attributed to the build up of SOE arrears.
- Due to the high debt SOEs are in, they are unable to use the revenue they generate into improving capacity and delivery of service to the public as a huge chunk of these monies are used to pay off these arrears.

# SOE CONTINGENT LIABILITIES

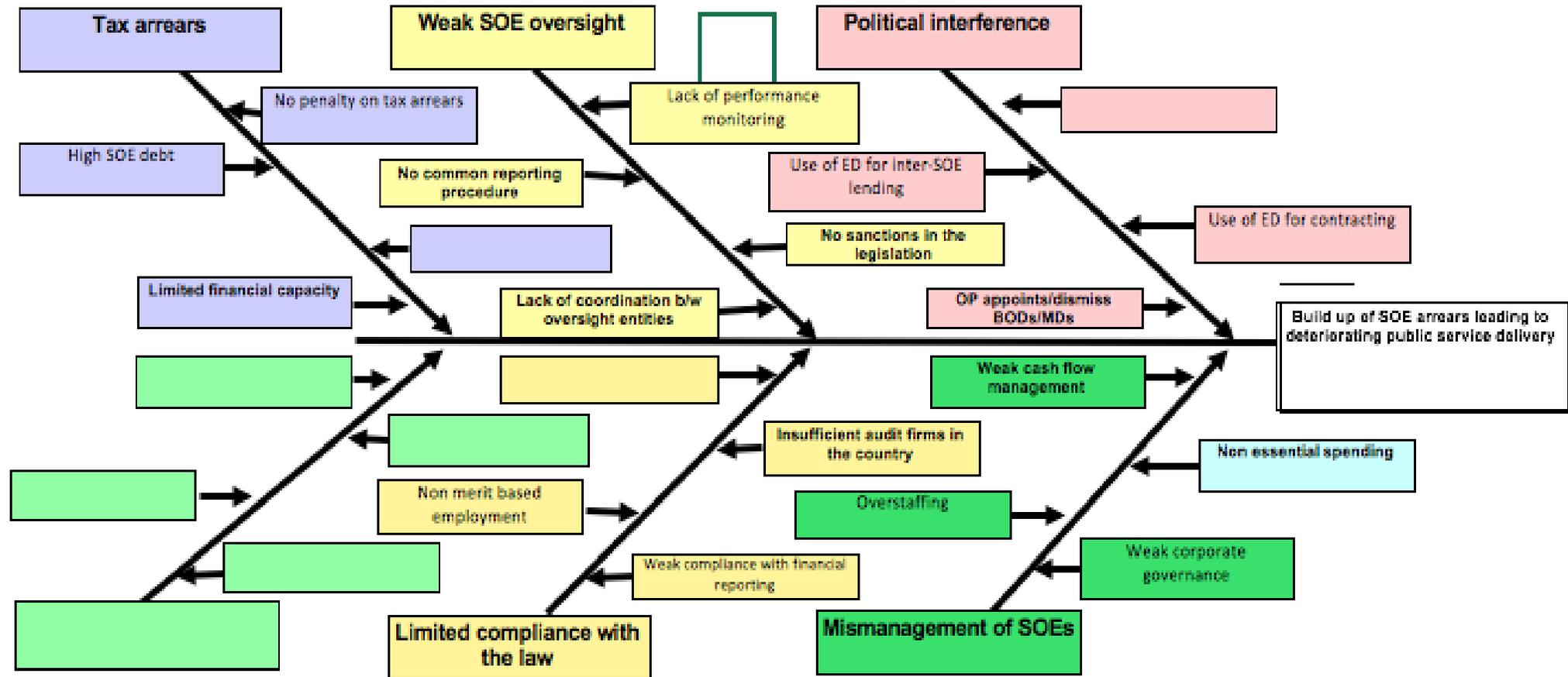
A. CONTINGENT LIABILITIES									B. OTHER LIABILITIES									C. TOTAL LIABILITIES			D.
	Domestic Debt	Debt owed to SSHFC	International Debt			Total Contingent Liabilities	% of total debt	% of GDP	Debt/Arrears owed to Govt	Debt/Arrears owed to other SOEs	Payment Arrears	Pensions due to SSHFC	Due to international organization	Debt currently serviced by or guaranteed by GoG (on-lending)	Total Other Liabilities	% of total debt	% of GDP	Total Liabilities	% of total liabilities	% of GDP	Debt/Arrears owed by Govt
			GMD	USD	EUR																
	(1)	(2)	(3)	(4)	(5)	(1+2+3)															
GAMCEL	77.0	80.0	3.6			160.6	3.2	0.34	305.0		12.8			317.8	3.4	0.68	478.4	3.3	1.0		
GAMTEL	42.7		193.4	3.3		236.1	4.7	0.50	83.6		139.7		44.5	267.8	2.9	0.57	503.9	3.5	1.1		
GNPC	54.9					54.9	1.1	0.12	61.4	98.2				159.6	1.7	0.34	214.6	1.5	0.5		
GGC	239.3		145.4	3.0		384.7	7.6	0.82	250.3					250.3	2.7	0.53	635.0	4.4	1.4	305.4	
GAM POST						0.0	0.0	0.00	6.1			57.8		63.8	0.7	0.14	63.8	0.4	0.1		
GIA	54.4	16.0	95.6	1.9	0.1	166.0	3.3	0.35	12.2	10.0	1.3			23.5	0.3	0.05	189.5	1.3	0.4		
GPA	477.0	75.0				552.0	11.0	1.17			0.1	1231.2		1231.3	13.3	2.62	1783.4	12.4	3.8		
GCAA	138.8	95.0	227.6	4.7		461.4	9.2	0.98		64.2		57.4		121.6	1.3	0.26	583.0	4.1	1.2		
SSHFC						0.0	0.0	0.00						0.0	0.0	0.00	0.0	0.0	0.0	2094.8	
GRTS	4.8	94.4	20.5	0.4		119.7	2.4	0.25	29.4	50.0		21.1		100.5	1.1	0.21	220.2	1.5	0.5		
NAWEC	1904.6	999.8				2904.3	57.6	6.18	2645.9				4102.8	6748.7	72.7	14.35	9653.0	67.4	20.5	189.6	
<b>Total</b>	<b>2993.5</b>	<b>1360.2</b>	<b>686.2</b>	<b>13.4</b>	<b>0.1</b>	<b>5039.8</b>	<b>100.0</b>	<b>10.7</b>	<b>3393.9</b>	<b>222.4</b>	<b>154.0</b>	<b>21.1</b>	<b>1346.4</b>	<b>4147.3</b>	<b>9285.1</b>	<b>100.0</b>	<b>19.7</b>	<b>14324.9</b>	<b>100.0</b>	<b>30.5</b>	<b>2589.8</b>

## GOVERNMENT GUARANTEES TO STATE OWNED ENTERPRISES (SOEs)

NAME OF BENEFICIARY	CREDITOR	CURR.	Amount (000s)	GMD EQUIVALENT (000s)
GCAA	Trust Bank (Gambia) Ltd	GMD	125,000.00	125,000.00
NAWEC	Megabank (Gambia) Ltd	USD	1,000.00	45,550.00
NAWEC	Zenith Bank (Gambia) Ltd	USD	1,000.00	45,550.00
NAWEC	BSIC Gambia Ltd	EURO	855.83	41,841.35
NAWEC	ING BANK N.V	EURO	1,007.86	49,274.37
NAWEC	ING BANK N.V	EURO	16,253.00	794,609.17
				<b>1,101,824.89</b>
GPA	BV Scheepswerf Damen Gc	EUR	8,088,035.00	
GPA	African Development Fund	UA	16,000,000.00	208,000,000.00

# Initial Fishbone Diagram

## Fishbone Diagram



# Final Problem Statement

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- Our problem statement was revised a few times to settle on the finalized one:  
**WEAK OVERSIGHT OF SOES INCREASING THE RISK OF CONTINGENT LIABILITIES  
RESTRICTING GOVERNMENT'S FISCAL SPACE**
  - We identified the weak oversight of these institutions as the root cause of a range of issues which they face and in turn affect Government.
  - Poor oversight of SOE's has led them to building up debts which will eventually fall on the responsibility of Government to repay. These unbudgeted expenditure further worsens Government budget which is already in deficit.
  - Following the revision of the problem statement, we also had to revise and update our fishbone diagram.



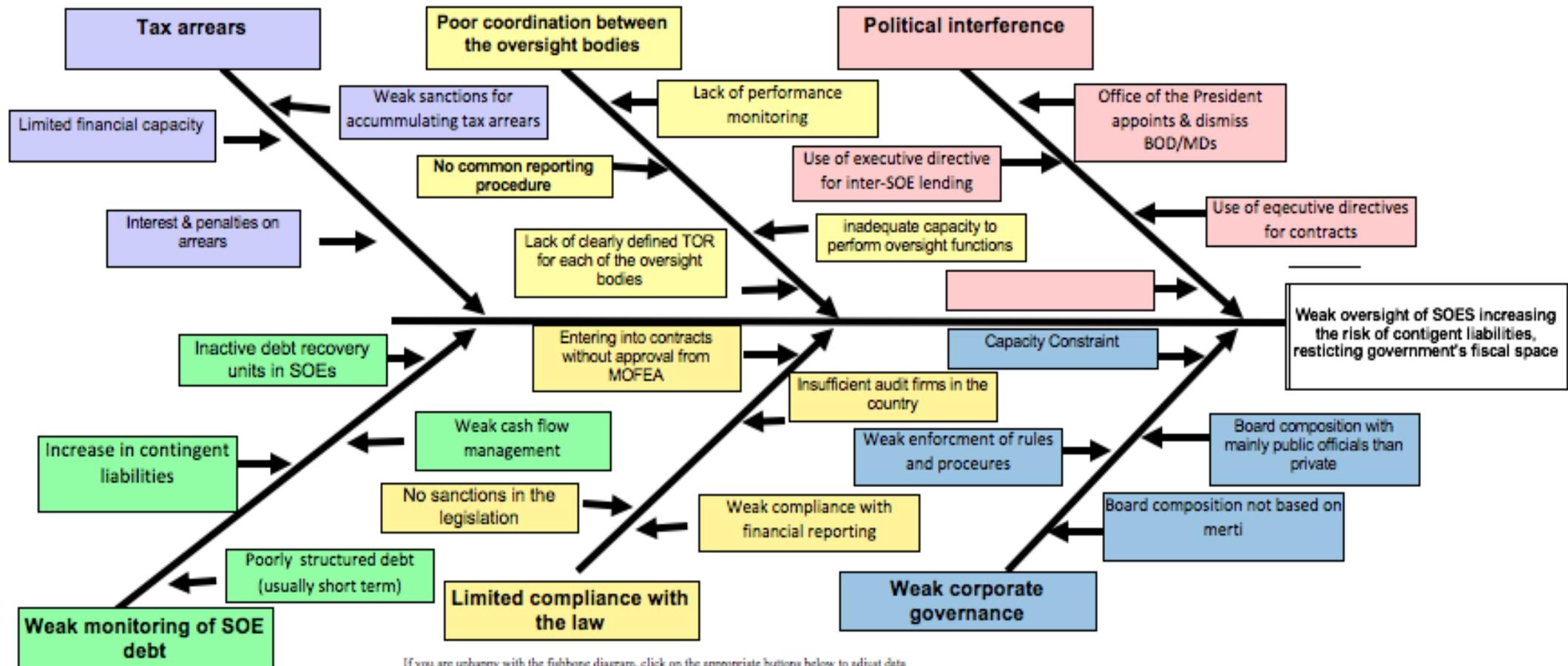
# Why the Problem matters

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- Since the repealing of the Gambia Divestiture Agency Act (GDA Act) in 2009, Weak oversight of SOEs continues to increasing the risk of contingent liabilities, restricting government's fiscal space
- The effect of weak oversight of SOEs has put a strain on the country's fiscal space as the SOE's burden on the national budget reached crisis level in 2014 when the largest SOEs were unable to service their debts and the Government had to step in to bail them out.
- This problem matters, bearing in mind the current public debt levels of the country which stands around 120% of GDP, SOE total liabilities amounting to GMD 17.2 billion and the high level of SOEs debt and tax arrears continues to increasing the risk of contingent liabilities, restricting government's fiscal space

# Updated & Final Fishbone Diagram

## Fishbone Diagram



# Stakeholder Engagements

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- Minister of Finance
- Permanent Secretary (I & II) of the Ministry
- Budget Directors of Budget and Public Private Partnership & Public Enterprises
- Members of former SOE oversight bodies (GDA & NIB)
- Managing and Finance Directors of various SOEs



# Entry Points



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Entry Point	Ability	Authority	Acceptance
Poor coordination between oversight bodies	+	+	+
Limited compliance with the law	+	+	+
Weak corporate Governance	+	+	+



# Entry Point 1 – Poor Coordination Between Oversight Bodies

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- Sub-causes:
  - Lack of performance monitoring - the SOEs are not accountable to their performance
  - No common reporting procedure
  - No sanctions in the legislature for non-submission of reports
- Identified solutions:
  - Got *authority* by engaging the Ministry and Permanent Secretaries about introducing KPIs and Performance Contracts; engaged the Public Enterprise Committee at the National Assembly on their expectations on performance monitoring to ensure *acceptance*.
  - Meet with MDs, FDs & Board Chairs from SOEs to discuss introduction of performance contracts and KPIs
  - Drafted performance contract concept note which was shared with relevant individuals for review and comments.
  - The team then proceeded to organize a meeting inviting the senior members of the NIB and GDA cognizant to the fact that they have tried to introduce performance contracts to the SOEs in the past. The meeting was utilized to share practical experience on the challenges and opportunities of implementing a performance contract-based management model.

REPUBLIC OF THE GAMBIA



MINISTRY OF FINANCE AND ECONOMIC AFFAIRS

## CODE OF GOOD CORPORATE GOVERNANCE FOR STATE-OWNED ENTERPRISES IN THE GAMBIA

2016 - 2020

*This Code of Good Corporate Governance aims to define the responsibilities and accountabilities of the Board of Directors and Officers of State-Owned Enterprises (SOEs). It is the primary source of guidance on all aspects of governance including statutory guidance under which the SOEs operate if not conflicted with Acts of Parliament. The focus is on commercial SOEs at the national level in which government has significant control through full, majority, or substantial minority ownership.*

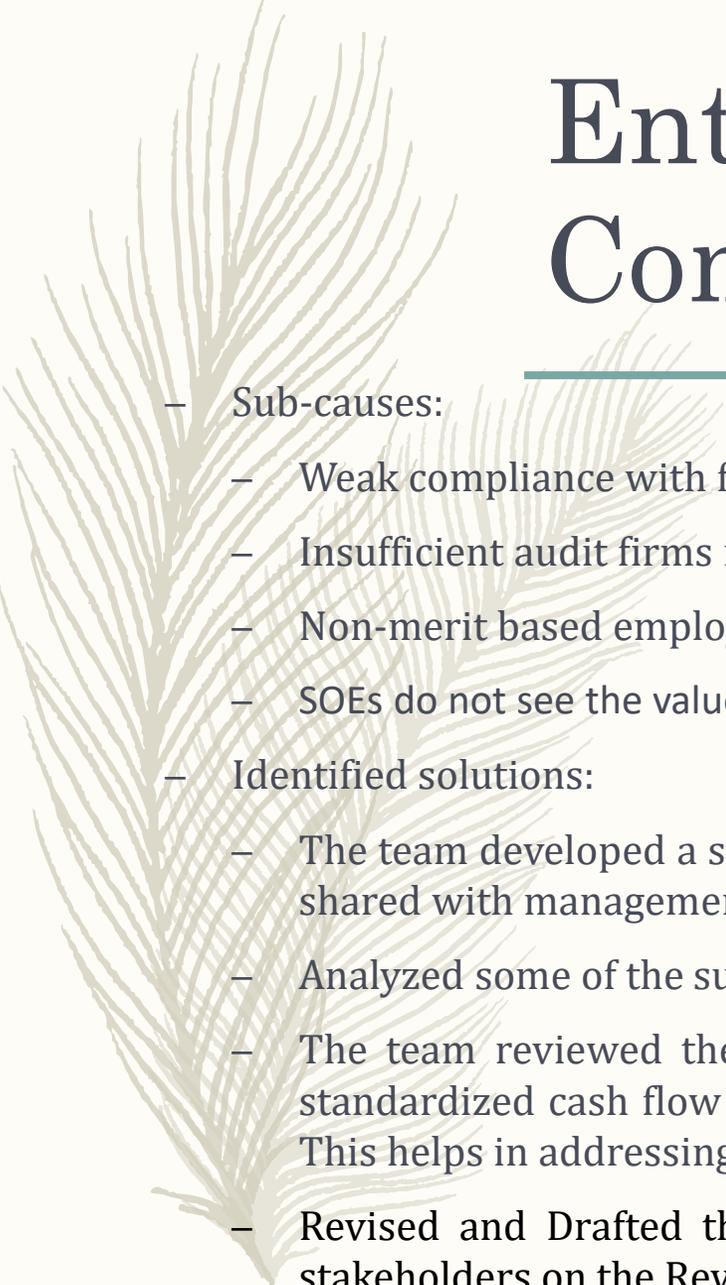
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## Draft Concept Note: Re-introducing Performance Contracting for State Owned Enterprises in The Gambia

### Background

The SOE sector in The Gambia first emerged during the early 1970s and today, the SOE sector covers a large part of the economy. Over the years, the sector has shown poor financial and operational performance and there have been a number of partially successful reform efforts to deal with the problems.

In the late 1980s the Economic Recovery Program included a component to rationalize the sector and improve its performance by means of performance contracts and imposed a temporary freeze on the creation of new SOEs. This program also included technical assistance to the reform program to settle interlocking SOE payments arrears. In the early 1990s the Program for Sustained Development included improvements to the governance framework to promote operational autonomy and accountability of SOE management. These included redefining the roles of Boards of Directors, line ministries, the National Investment Board and the Cabinet Committee on Public Enterprises. Before the program finished in 1993, the major SOEs all signed Memoranda of Understanding with Government establishing their independence and setting performance and good governance criteria.



# Entry Point 2 – Limited Compliance with the Law

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- Sub-causes:
  - Weak compliance with financial reporting
  - Insufficient audit firms in the country and expensive
  - Non-merit based employment
  - SOEs do not see the value or reason in submitting these reports
- Identified solutions:
  - The team developed a survey tool to ascertain the SOEs level of compliance to the reporting guidelines. This was shared with management for approval and then shared to the SOEs.
  - Analyzed some of the survey results and drafted a report and share with management.
  - The team reviewed the various cash flow reporting formats of SOEs. From this we were able to design a standardized cash flow reporting template for the SOEs to use and this has been adopted by some of the SOEs. This helps in addressing the of monitoring that was made mention of in our problem causes.
  - Revised and Drafted the New SOE bill (WB Support consultant), organized a validation workshop with all stakeholders on the Revised SOE Bill

Note: The survey results provided insights into reporting challenges of SOEs, established whether the PPP directorate

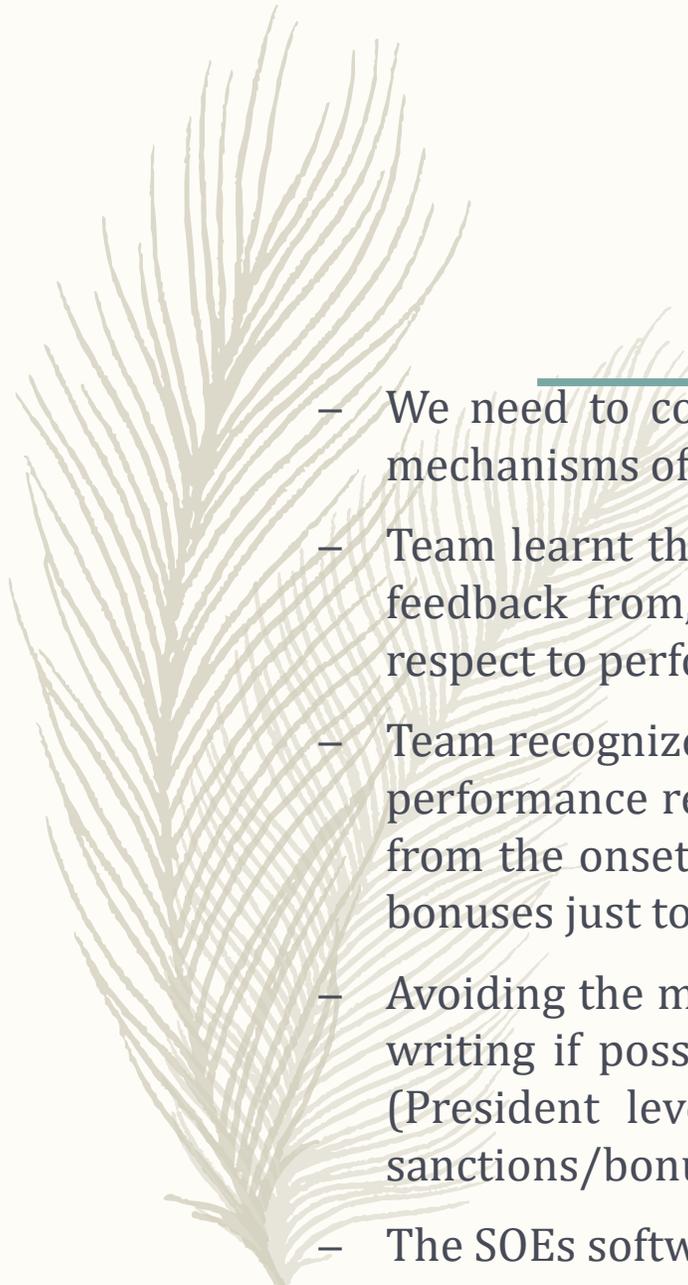


# Entry Point 3 – Weak Corporate Governance

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- Sub-causes:
  - Composition of SOE Boards
  - Capacity Constraint
- Identified solutions:
  - Drafted and Obtained cabinet approval on the code of good corporate governance
  - Drafted ToR with respect to board nomination
  - Conducted training on the approved code of good cooperate governance for the MDs, FDs and Board Chairs





# What Have We Learnt on the Performance Indicators

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- We need to continuously engage the Managing and Finance Directors of SOEs to introduce mechanisms of avoiding the reoccurrence of our problem statement.
- Team learnt that they need to engage in person on specific issues the agents they want to get feedback from, including GDA/NIB. The team intends to move to directly consult SOEs with respect to performance indicators and the first steps that can be taken on.
- Team recognized that a first step towards performance contracts would be to instill a culture of performance reporting to start with and build on that progressively instead of rolling out KPIs from the onset. One option to be pondered is to start with basic performance criteria without bonuses just to ensure that performance can be monitored and build from there
- Avoiding the mistakes of the past is key and the team has taken stock of them, putting them in writing if possible. Some key learnings are that the highest political authorization is needed (President level), that performance contracts cannot be dictated and that ensuring that sanctions/bonuses are implemented is harder than agreeing on the sanctions
- The SOEs software do not allow them for timely preparation of data



## What We Have Learned On The Governance Of SOEs

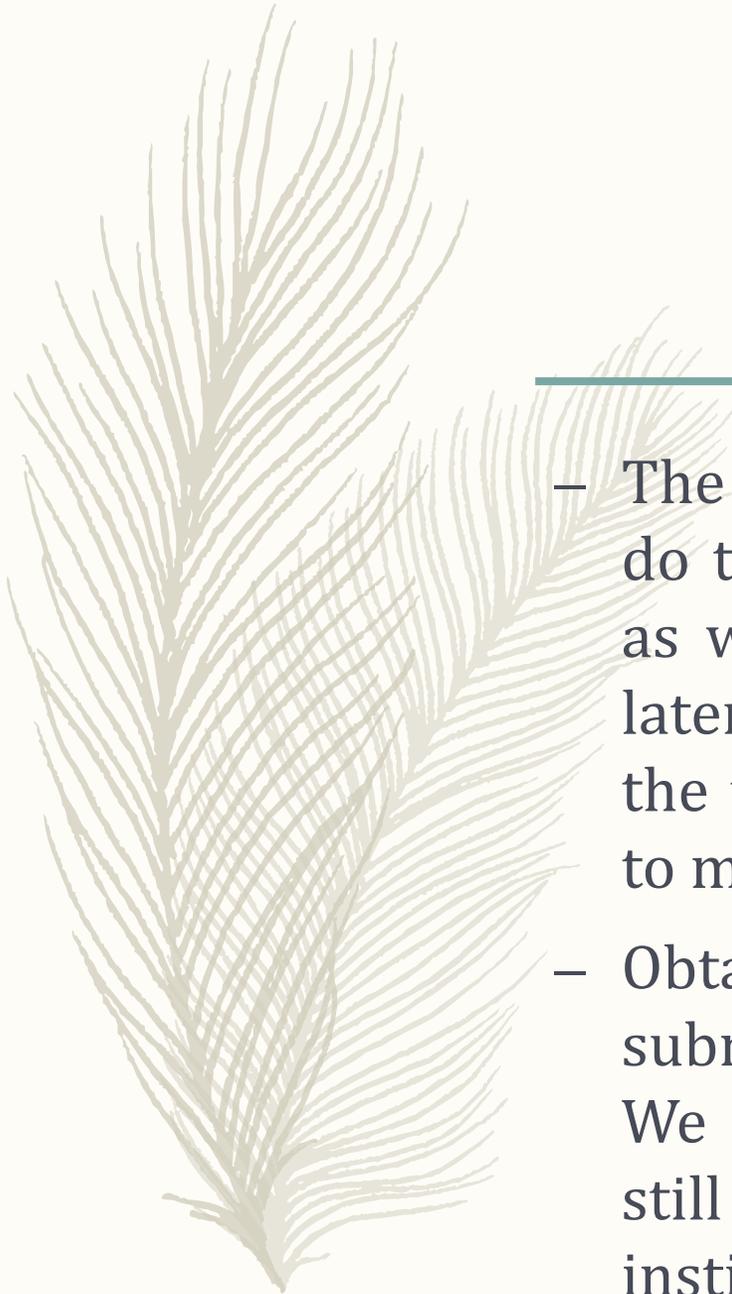
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- Board members delay the approval of yearly/quarterly reporting → team to build its legitimacy to attend board meetings and ensure that the MOFEA representative get the reporting approved.
- Board Members are appointed without clear terms of reference
- There is no existing system of sanction for non-submission
- The authorities intervene in the operations of SOEs
- The new Public Enterprise Act, to be adopted in February 2019, is the main tool through which the team intends to have impact on the issue of SOEs governance
- In particular the team is looking at good provisions with respect to:
  - Sanctions in case of non-compliance with reporting
  - Board members nomination
  - Limiting political interference
  - Streamlining oversight

# Working as a Team

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- The main challenge we faced was to find time to meet weekly, do the assignments by the deadlines and our respective tasks as we all had our office commitments. This became an issue later on during the storming stage. To address this challenge, the team created time after office hours and during weekends to meet and work on the program.
- Obtaining timely information from SOEs especially the submission of the survey we had sent to them was a problem. We tried resending the form and calling but responses were still not forthcoming. What finally worked was going to the institutions and meeting them in person.





# Achievements

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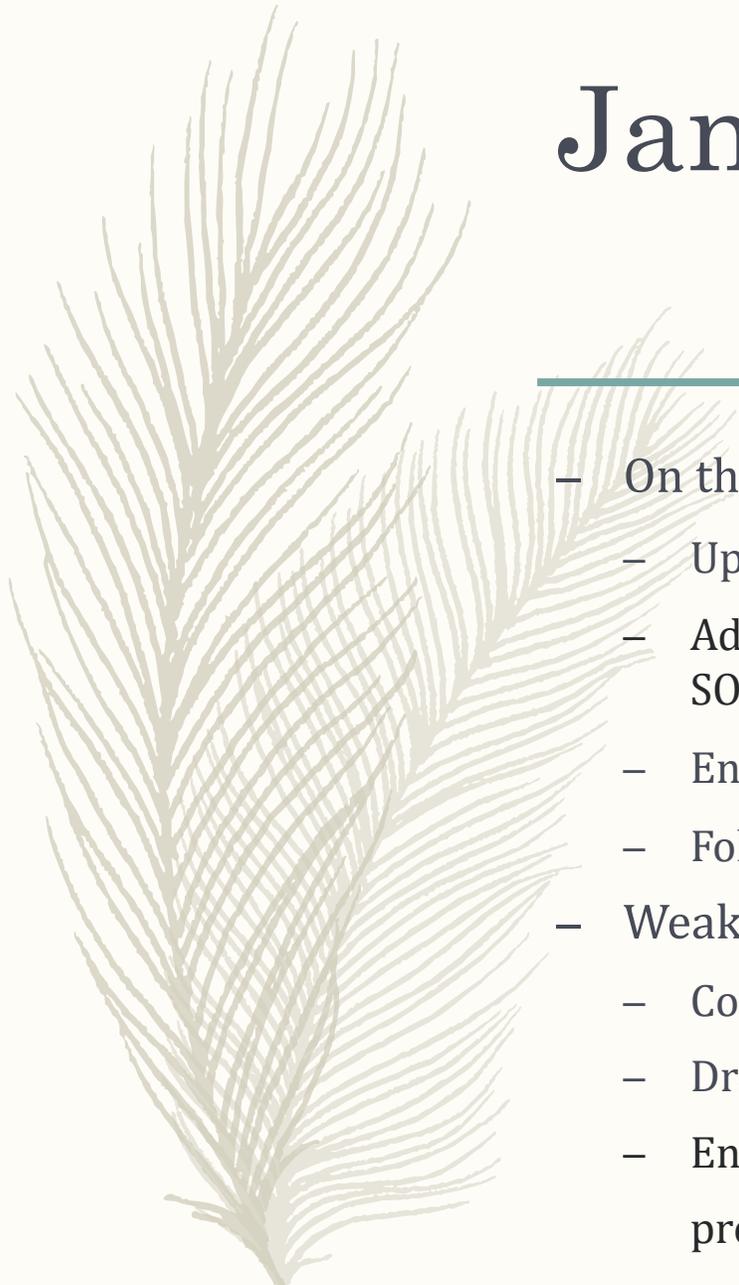
- Engaged SOEs, Board Chairs, Permanent Secretaries, Public Account Committee, Office of the President. Team will define a stakeholder engagement road map. Engagement was done in person as a team.
- Rearranging the organization of the team in sub-groups with a leader for each entry points and support members to be more flexible to the travels of some members.
- The team reports to the Minister and Permanent Secretary every two weeks on the progress made and the challenges faced going forward.
- The end goal we hope to achieve is that ALL SOEs are able to be financially sound and provide satisfactory public service to all citizens. This, we hope, can be achieved through stronger oversight that leads to decision-making and corrective measures by MOFEA.



# Next Steps: January – March 2019

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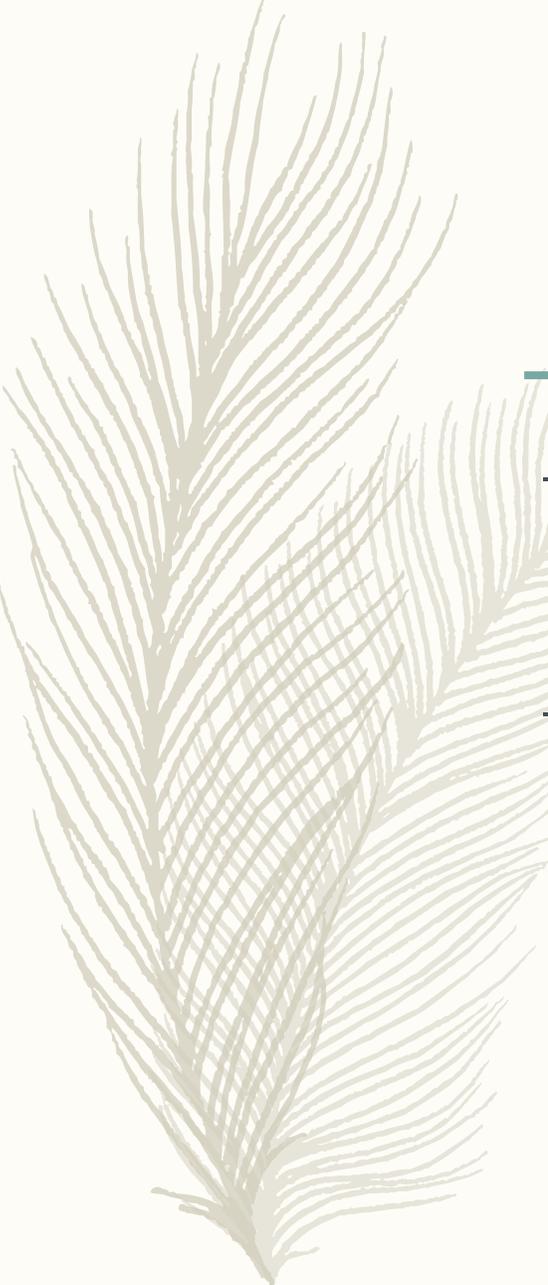
- Although we have made some achievements in the work we have done so far this year towards addressing our problem, there is still some more work that needs to be done. Over the next few months, the team intends to:
- With regards to the financial reporting, we will work on:
  - Set a discipline for SOEs to regularly submit their cash flow statement
  - Establish and implement sanctions and rewards system for the non-submission of timely reports
  - Design a reporting table that can be publicized to point out the non-compliant institutions



# January – March 2019

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- On the lack of accountability on their performance:
  - Update the 2015 SOE policy to include considerations on oversight
  - Adopt the PE Act with good and implementable provisions to improve the oversight of SOEs
  - Engage with National Assembly for support on SOE performance monitoring
  - Follow up with the performance contract workshop
- Weak corporate governance of SOEs:
  - Continue direct consultations on the SOE Act
  - Draft TOR on SOE board nomination
  - Ensure that recruitment of SOEs staff corresponds to the needs and are managed properly



# Conclusion

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- With the aid of the PDIA approach, within the first half of 2019, the team is working to ensure that at least 80% of SOEs are reporting to the Ministry using the standard reporting template.
- Having an approved KPI, we are also hopeful of getting cover 50% of SOEs to sign performance contract and submit their reports in a timely manner.

# MERCI!

## QUESTIONS & COMMENTS

