## Integrity and Transparency in Public Life

Conventional wisdom suggests that Africa, richly endowed with natural resources, should have achieved and maintained a steep positive development trajectory in the decades after the fifties and sixties, when most countries achieved independence. For the most part, the continent has failed to deliver on its promised development dividends of independence. The decades-long aid from development partners, though impactful in many poor communities, has not significantly moved the development needle. On the contrary, many countries in Africa appear locked in an endless cycle of the International Monetary Funds (IMF) bailout loans, conditioned upon austerity measures that squeeze out rapid infrastructure investment. The contrasting counter-example has been Singapore. Many recognise that its development success story is closely linked to its success in stamping out and keeping out corruption. Many people, even among the so-called lay masses, today recognise that corruption and patronage are the greatest obstacles to our development. There is a growing awareness that if we are to break free of the cycle of poverty, we need to build public institutions characterised by 'integrity' and 'transparency'. Our deep religious culture leans towards finding solutions to corruption and patronage in the infusion of greater morality, if not religiosity, into our institutions. This paper highlights the critical necessity for significantly enhanced systems and controls, which are largely lacking in our institutions and contribute to their low levels of 'integrity' and 'transparency'. An analysis requires a specific definition of the words 'integrity' and 'transparency' in the context of public life and institutions.

When applied to one's personal life, the word "integrity" has powerful connotations of morality. Surely, a person of integrity must also be a moral person. This very fact possibly explains our tendency to foist upon public institutions a moral conception of integrity. If we could engender greater morality in our public institutions, we could achieve greater integrity in public life. Why, that might even be a solution to limiting patronage and curbing corruption in our public institutions—fill the ranks of our public institutions with our most moral, God-fearing individuals. As this paper demonstrates, extending personal concepts of integrity to public life and institutions quickly makes their applicability irrelevant. An analysis of integrity in public institutions based principally on morality is unproductive and fails to provide useful pathways to the achievement of integrity in our public institutions.

Transparency does not hold as crucial a place in one's personal life as it does in public institutions. We seek privacy in our personal lives and respect others' privacy. We demand transparency in our public institutions to ensure they maintain a sustained status of integrity. Transparency is the mechanism by which a public institution can be held accountable by the population that it serves to maintain its standards of integrity. I propose that for this paper we suspend our conceptual notions of personal integrity and transparency when we consider and discuss integrity and transparency in public institutions.

The achievement of integrity and transparency in public life requires the presence of integrity and transparency in our public institutions. What do we mean by 'integrity' and 'transparency' in our public institutions?

- A public institution with integrity is one that can fulfil its promise of development and service delivery to its population while adhering to the strict constraints of its available fiscal resources, ensuring economic efficiency by providing value for money in its expenditures. It must limit patronage, curb corruption, maintain sustainable debt levels, and make negligible the accrual of expenditure arrears.

- The principal requisite instrument for the achievement of institutional integrity is the budget. To be effective as an instrument of integrity, the budget must be sanctioned by the population it serves—typically represented by a legislature; it must rely on accurate and comprehensive estimates of revenue (including tax revenue, loans, grants, asset sales, public corporations, and investment dividends); it must limit all new development expenditures to the available fiscal space; and it must adopt strict spending limits that are communicated to all spending units (for the central government, typically there are thousands—the number of ministries, say 50 to 100, multiplied by 261 districts).
- Crucially, the budget implementation of a public institution must consolidate all revenue receipts within a treasury single account—a consolidated banking mechanism that brings within a single framework all sub-accounts of spending units to facilitate a comprehensive near real-time view of the overall flow of all funds, including internally generated funds, while facilitating expenditure control at the level of spending units, that greatly assists the achievement of predictable fiscal flows to spending units, that in turn facilitates the implementation of value for money expenditure based upon competitive bidding and the implementation of fully funded commitment to curb the accrual of expenditure arrears.
- The assurance of integrity of a public institution is derived from transparency achieved by making public on a timely basis all budgetary documentation and budget implementation performance and releasing comprehensive financial reports.

▪ A public institution is transparent if it facilitates a public view of its process and outcomes. It must be transparent in order for the public to be able to hold it accountable and ensure that it maintains high levels of integrity. Of crucial importance—the lines of accountability must point to the population rather than institution bosses. Service delivery—healthcare, education, agriculture extension, sanitation and the like—is the purview of subnational government. In Ghana the chief executives of the districts are appointed by the president rather than elected by the people. Therefore the lines of accountability for local governments point to the president rather than the people this undermining the population's ability to hold local governments accountable. The public can only hold an institution accountable for upholding its integrity standards if it is transparent. To do so, it must adopt a participatory budget process and makes public in a timely manner all of its budget documentation, simplified to be made accessible to broad swathes of the population. Its budget structure must reflect sector and regional allocation. To the extent possible, it should reflect the programmes of the institution. It must publish its procurement plans at the beginning of the fiscal year to allow as much time as possible for the private sector to organise and participate in public procurement competitions and publish the results of all competitive bids. It must publish regular budget implementation reports. It must submit its records to an independent supreme audit agency in a timely fashion.

- The independence and skill level of the supreme audit institution guarantee that it has fulfilled its commitment to development and services for the people while staying within the limits of the budget approved by the legislature. It ensures that the public institutions achieved economic efficiency by ensuring value for money in their expenditure through the appropriate levels of competition. It must seek evidence of patronage and corruption. It reviews the debt and expenditure arrears levels.

- The supreme audit institution's independence may be achieved by making the position of the head of the supreme audit institute a constitutional office, with the appointment made by the president nominating the candidate and the legislature endorsing the appointment. The termination of the position is limited to issues of mental or physical health as determined by a council of medical officers or the commission of a serious crime as established by a judicial council. Establishing the supreme audit institute's budget as a direct charge on the consolidated fund guarantees its fiscal independence.

To gain some understanding of the requisites for achieving a public institution with 'integrity' and 'transparency', we explore the performance of a moral, competent gentleman who wishes to deliver on integrity and transparency in his public institution. We consider the moral efforts made by Kweku Ofosu-Baah to promote development, provide service delivery and curb corruption in government. He graduated from university with a first-class degree with a major in mathematics and a minor in mathematics. After national service he taught at a secondary school in a rural community for a few years. He loved teaching mathematics but needed a more pragmatic career to permit him to raise and support a family. He pursued a master's degree in public administration and graduated with distinction. He was employed by the Ministry of Agriculture. Kweku met Esi, and they were soon married. Their two children arrived shortly after. Kweku and Esi centred their lives around the church. The Bible set their moral compass, and they raised their children to be God-fearing. Both understood that the family that prays together stays together. In his fourth year, Kweku was sponsored to take a two-week course on public finance management in the UK. He often referred to the course training manuals to guide him in his management decisions.

Seven years after joining the Ministry of Agriculture, Kweku was appointed Budget Director in a district spending unit where he was responsible for planning, budget formulation, and budget implementation. Now placed in a position of power, he believed his highly moral sensibilities should help his commitment to achieving 'integrity' and 'transparency'. He understood that his decisions must be guided by a parliament-approved budget. He bought a copy of the budget from the government printers at his own expense.

He had made a submission of the spending unit's budget estimates to his ministry headquarters but never received budget ceilings reflective of the parliament-approved budget. As he perused the national budget, he could only identify aggregate budget ceilings for his ministry but could not identify budget ceilings specific to his spending unit. He decided to use the budget estimates he submitted to his ministry headquarters as a proxy for approved budgetary ceilings. He understood that almost certainly such an arrangement would risk his unit's expenditure exceeding approved budget ceilings and so lead to the accrual of expenditure arrears. He would be managing the unit's budget almost blind.

Kweku hoped that his ministry headquarters would transmit apportioned 90-day general warrants to indicate his spending ceiling authority. Even six weeks into the start of the fiscal year, no such warrants had been issued. After five weeks, the accountant notified Kweku that funds had been deposited in the unit's account. Kweku was dismayed to find out that the deposit amount was considerably lower than 1/12th of his budget estimate. There was no indication when further funds would be received. In a call to the budget director at the ministry headquarters, he was advised not to make any capital expenditure until further notice. He would have to suspend payments on all the ongoing projects. Naturally, the suspended payments would result in budget overruns due to the demobilisation and remobilisation costs. Kweku was apprehensive about the potential rusting of the exposed steel reinforcements in the concrete beams.

Three months into the fiscal year there had not been sufficient funds received to cover recurrent expenditure. It did not make sense to Kweku that the unit's agriculture extension officers could not visit any farms because there was not the money to maintain the vehicles and motorbikes or to purchase fuel. They were not meeting their service delivery responsibilities. His internal auditors had not been able to visit any of the outstations to assess risk. Even the unit's stationery was running out. Work had come to a standstill. He decided to send out requests for quotations. Only one vendor responded. The procurement officer explained that other vendors were still awaiting payment for previous supplies, so they were reluctant to make further supplies. Kweku went ahead to issue an unfunded commitment—a purchase order to obtain the supplies. Without competition, he probably would not be ensuring value for money. His management was now based on going with the lesser of two evils, rather than conserving the institution's integrity. Not procuring the supplies would place at risk the unit's service delivery obligations. Kweku hoped that his headquarters would transfer funds more closely, matching the unit's budgetary requirements shortly.

The unit received slightly more funds as the year progressed, but this amount was still far from the budget submission made to the ministry headquarters. The scandal that emerged near the end of the fiscal year deeply saddened Kweku. His accountant was discovered to have received substantial kickbacks from vendors in return for issuing their cheques. Vendors had become aware that there were insufficient funds to cover the volume of commitments that the unit had issued. The accountants would have to select who got paid and who did not. The selection rationale quickly adopted a scheme based on an incentive linked to the amount of money the vendors paid to the accountant. Kweku understood enough public finance management to appreciate that managing expenditure blind to budgetary discipline and making unfunded commitments contributed to the scandal.

The final blow hit him when he read in the auditor general's report months later about his unit's performance. A value-for-money audit revealed that the unit had paid significantly higher than market prices for its supplies. It cited several compliance issues related to the procurement law and regulations. Furthermore, the audit report stated astronomical figures for the amount of expenditure arrears accrued over the past fiscal year.

Kweku realised his morality was powerless against a broken public finance management system (PFM). That going with the lesser of two evils is not a valid substitution for 'integrity' and transparency. Esi observed Kweku's growing disheartenment. She was concerned that, over time, he might become so discouraged and jaded that he would lose all enthusiasm for delivering service to his population and possibly join the other staff in their lax attitudes and corruption. Together they discussed it and prayed on it. Last year he started in his new position with the Agricultural Development Bank as a senior finance manager.

How do we achieve integrity in public institutions? An institution has integrity if it achieves (1) fiscal discipline, (2) economic efficiency—value-for-money, and (3) the strategic allocation of resources. The principal PFM instrument for achieving fiscal discipline and the strategic allocation of resources is the budget instrument—with the full power of law through an appropriations act. It is most effective when it is constrained by a macroeconomically informed, comprehensive macro-fiscal, medium-term framework that incorporates reliable fiscal space estimates, sustainable debt profiles, respected budget ceilings, and a fiscal strategy.

A fiscal impact analysis of all policy proposals must inform the macro-fiscal framework. The budget process must be driven by a strict budget calendar that clearly delineates the responsibilities of the executive versus the legislature. The delivery of efficient and economic delivery of service is premised upon fair, efficient collection of tax applied to a wide tax base, royalties, fees, dividends, and investment returns. It requires a comprehensive, efficient cash management facilitated by a consolidated fund managed under a treasury single account. This system can facilitate predictable transfers strictly constrained by spending ceilings set by the stricter discipline of available resources rather than budget limits while conforming to the allocation balance of the budget. It requires the integration of posts, personnel, and payroll databases to effectively manage personnel emoluments; transparent competition in procurement, warehouse and inventory management, economic analysis of large projects, and the close and comprehensive monitoring of debt stock (including expenditure arrears), investments, and progress on multi-year projects.

The soundness and quality of budget implementation are assured by effective risk management and internal audit, ongoing monitoring, and comprehensive, timely financial reporting and accounting. An area of PFM responsibility often neglected but crucial to PFM effectiveness is the oversight and financial and service delivery reporting obligations of extrabudgetary institutions—autonomous government agencies, sub-autonomous government agencies, public corporations, public-private partnerships, investment funds, and subnational governments.

The process of external audit, which must encompass all budgetary and extrabudgetary entities, ensures the integrity of a country's PFM system.

Public institutions maintain ‘integrity’ if it is characterized by:

1. The comprehensive coverage of a government’s financial transactions for both budgetary and extra-budgetary institutions
2. Transparency, which in turn requires timely comprehensive, accurate financial reports and clear points of access and engagement with the public
3. Predictability in budget implementation
4. Clear and accountable institutional arrangements for both budgetary and extra-budgetary institutions.
5. Timely responses to external audit and legislative scrutiny.

Ghana's PFM history reveals many chronic weaknesses. Some of which may be attributed to weaknesses in the 1992 Constitution. These include:

1. Poor fiscal discipline as revealed by high expenditure arrears and runaway debt. This may be attributed to:
    a. The absence of a comprehensive, strict macro-fiscal framework legislative process to discipline the budget
    b. Poor tax collection with a very limited tax base
    c. Insufficient emphasis on a debt management strategy, debt sustainability analysis, and the real-time monitoring of debt stock.
    d. Poor predictability in budgetary transfers.
    e. Insufficient integration of posts, personnel, and payroll databases giving rise to chronic ghosts
    f. The absence of effective implemented fully funded commitments and controls
    g. Poor oversight of extrabudgetary institutions
    h. Insufficient emphasis on systems and performance based internal audit

2. Limited efficiency of service delivery. This may be attributed to:
    a. Ignoring procurement requirements
    b. Low transparency of procurement transactions
    c. Poor predictability in budgetary transfers
    d. Little clarity on public access to budgetary and audit information
    e. Significant corruption in extrabudgetary institutions

3. Limited strategic budgetary achievement
    a. Omission of the consideration of firm estimates of fiscal space
    b. Limited budget participatory process
    c. Unjustified termination and abandonment of large projects
    d. Inappropriate budgeting for multi-year projects

Other characteristics that impact negatively on Ghana's PFM integrity are:
1. Political interference of the function of the supreme audit institution arising because there is insufficient independence.
2. Insufficient transparency and limited public access to PFM reports

The current review of the 1992 Constitution by the Constitutional Committee provides a once-in-a-generation opportunity to substantially strengthen the integrity and transparency in public institutions. Recent advancements in communications and information technology present a unique opportunity to elevate the integrity standards in our public institutions. For instance, the Internet enables the widespread and cost-effective circulation of fiscal and audit reports. We can conclude that when it comes to assessing or seeking to reform public institutions to improve their standards of integrity and transparency, the devil lies in being superficial and avoiding the detail. The saving angel lies in directly confronting the complex details of the public finance management systems.