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**UNIVERSITY OF GHANA
COLLEGE OF HUMANITIES**

ANALYSIS OF THE CAUSES OF LOW BUDGET RELIABILITY IN GHANA

BY

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(10526270)

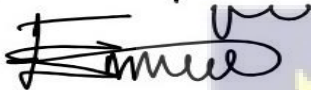
**THIS THESIS IS SUBMITTED TO THE UNIVERSITY OF GHANA, LEGON, IN
PARTIAL FULFILLMENT OF THE REQUIREMENT FOR THE AWARD OF
MASTER OF PHILOSOPHY IN PUBLIC ADMINISTRATION DEGREE**



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DECLARATION

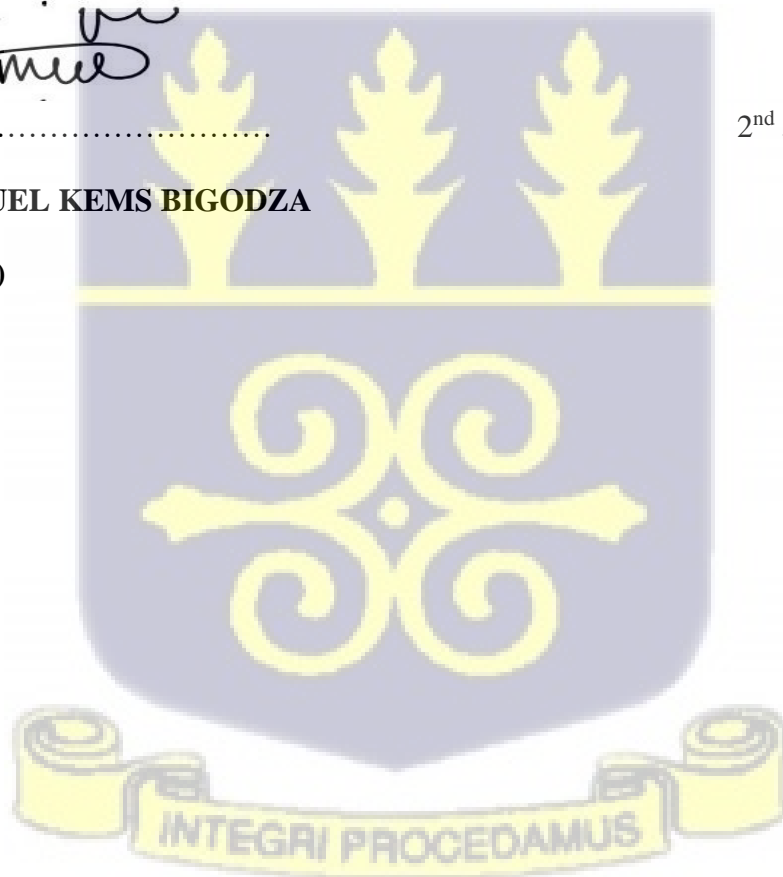
I, EMMANUEL KEMS BIGODZA, the author of this thesis, do solemnly declare that, except for references to other people's work which have been duly acknowledged, the work presented here was done by the researcher with support from my supervisors as a student of the Department of Public Administration and Health Services Management, University of Ghana Business School, Legon.


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CERTIFICATION

I hereby certify that this thesis was supervised in accordance with the procedure laid down by the University of Ghana.



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ABSTRACT

The goal of every government is to ensure that budgets reflect the intended plans, actions, and policy directions of the government (budget reliability). The quality of the Public Financial Management systems is largely a consequence of fiscal discipline and macroeconomic stability. Among these factors include the governance systems, the role of the actors, the effectiveness of institutions, and the level of economic growth. Ghana over the decades has performed poorly in ensuring budget reliability despite several reforms implemented to improve the country's performance. This raises a primary concern about the underlying factors causing budget deviations. Although earlier studies have largely attributed these causes to technical challenges, it is the argument of this study that issues of budget deviations need to be examined in the bigger social context. The social context largely determines the adherence and the enforcement of these institutional arrangements. The study argued that it does mean that if there are adequate resources and institutions are well established, it will necessarily mean that the expected outcomes will be achieved. Until one understands the nature of holding power in society and how power is used in shaping how institutions are either implemented or subverted, one cannot offer a sufficient explanation about the causes of budget deviations. Findings of the study revealed that significantly, institutional weakness because of political interference, the nature of formal rules, government "flagship" programs, and non-adherence accounts largely for these deviations. Also, many of the "sins" identified appear to have been committed by the principal (political elite) and not necessarily the agents (bureaucrats). This, therefore, calls for a rethinking of reforms to target the behaviour of the political elites that will guarantee the adherence to the rules of budgeting and the public financial management practices in Ghana.

DEDICATION

This work is dedicated to my parents (Mr. & Mrs. Agbo) and my siblings.



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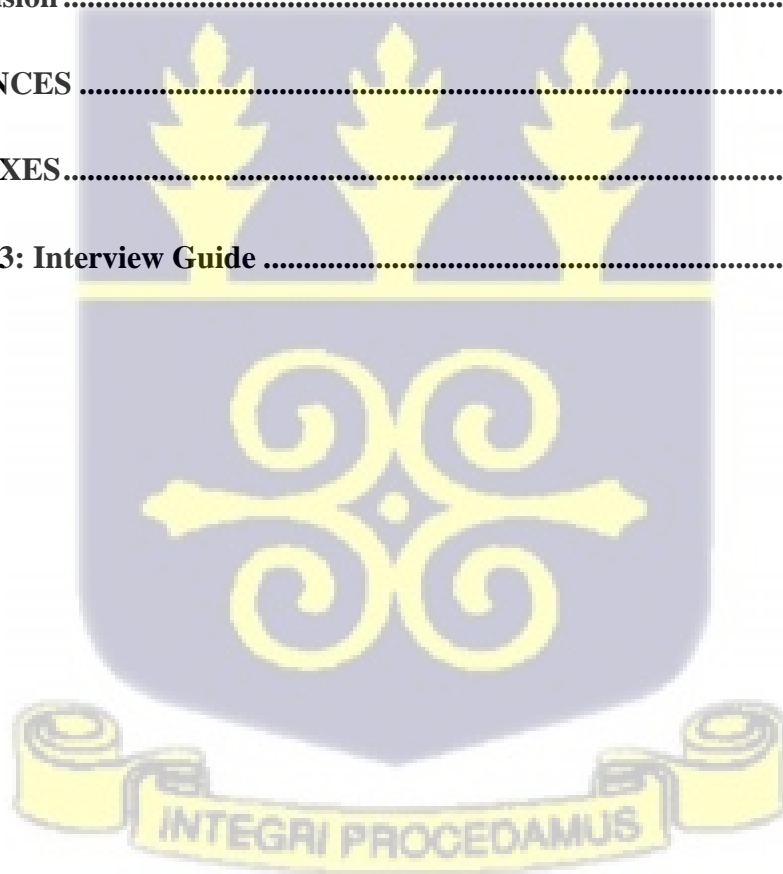
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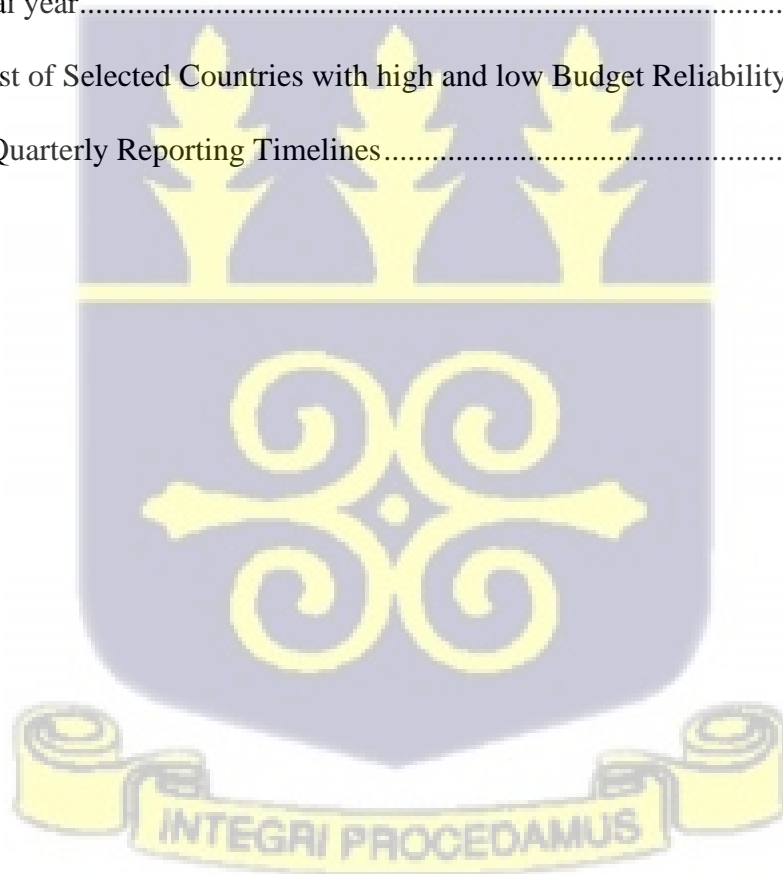
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LIST OF ABBREVIATIONS

BPEMS	Budget and Public Expenditure Management System
BPEMS	Budget and Public Expenditure Management System
CSOs	Civil Society Organizations
DVLA	Driver and Vehicle Licensing Authority
FSD	Fiscal Strategy Document
GDP	Gross Domestic Product
GIFMIS	Ghana Integrated Financial and Management Information Systems
GoG	Government of Ghana
HPIC	Heavily Indebted Poor Countries
IFMIS	Integrated Financial and Management Information Systems
IGF	Internally Generated Fund
MDAs	Ministries, Departments and Agencies
MMDAs	Metropolitan, Municipal and District Assemblies
MMDCEs	Metropolitan, Municipal and District Chief Executives
MTDPs	Medium-Term Development Plans
MTEF	Medium Term Expenditure Framework
NDPC	National Development Planning Commission
NPP	New Patriotic Party



OHCS	Office of the Head of Civil Service
PAC	Public Accounts Committee
PEFA	Public Expenditure and Financial Accountability
PFM	Public Financial Management
SAI	Supreme Audit Institutions
TSA	Treasury Single Account
VAT	Value Added Tax
PS	Political Settlement



CHAPTER ONE

GENERAL INTRODUCTION

1.1 Background of the Study

Governments have a social contract with citizens who have given them the mandate to manage state resources on their behalf. This is in cognizance with the principal-agent approach to public sector management (Dalton et al., 2007; Leruth & Paul, 2007) where the principal (the Government) manages these resources through its agents (bureaucrats, public servants etc.) on behalf of the citizens (Renzio & Cho, 2020). This approach calls for the need for public institutions to account to the people regarding how state resources have been used. This accounting to the people can take several forms (including; budget statements, public accounts commissions, commissions of enquiries and many other forms of accountability) which the new public administration seeks to achieve (Dal Molin et al., 2017).

The predominant policy tool that governments use in the allocation of resources is the budget statement (Mauro et al., 2017). It communicates how revenues and expenditure are projected, generated and incurred in a given year. The budget document serves as an approach for accountability on the management of public resources and the policy direction for macroeconomic stability. The extent to which governments stick to originally approved budgets by parliament is what is referred to as ‘budget reliability’ (PEFA, 2018; Renzio & Cho, 2020). Budget reliability is at the heart of understanding fiscal discipline and macroeconomic stability within and across countries. As a prerequisite for a sound and successful implementation of budgets (Bempah, 2017), there is the need for bureaucrats to have the required skills and expertise. In addition, an adequate understanding of the policy content is also necessary for a successful

implementation of the budget. Irrespective of how well a budget is designed, if the actors who are responsible for the execution do not demonstrate an understanding of the policy directions and do not discharge their duties well, results cannot be achieved.

Studies have also identified fiscal transparency, quality of Public Financial Management (PFM) systems, credible revenue projections, timely and comprehensive reporting among others to be significant in ensuring a reliable budget (Babacar, 2015).

Economies are confronted with challenges and developmental needs, and this is more prevailing among developing countries. The core objectives of PFM practices identified to be generally applicable to most countries are to (1) maintain a sustainable fiscal position, (2) efficiently deliver the operation of public services and resources, (3) effective allocation of resources and (4) to promote transparency and accountability (Smoke, 2015).

Recent years have witnessed the growing academic interest in the considerable deviations in the budget of developing economies (PEFA, 2021; Smoke, 2015). More particularly, among Ministries, Departments and Agencies (MDAs) in Ghana which call for the need to identify factors accounting for these deviations.

Babacar (2015) argued that the per capita of a country's GDP, the level of democracy, the quality of public and civil services and the strength of the legislature positively correlates with the reliability of that country's budget. As developed countries tend to have relatively adequate human and capital resources to effectively and efficiently plan, execute and monitor their budget processes, they tend to have a more reliable budget out-turn. Babacar (2015) is of the notion that most of the bodies responsible for budget preparation are concentrating more on implementing reforms to achieve aggregate fiscal

discipline at the expense of the individual public sector institutions level which shows greater deviations in budget out-turns.

Despite the several decades of investment in the country's PFM systems, what remains unclear however is whether indeed Ghana can match the outcomes of PFM reforms as against the decades of investment. This study will attempt to analyze the causes of budget unreliability in Ghana.

1.2 Research Problem

It has been observed that developing economies are characterized by relatively higher spending than their revenue generation capacities and sustainability (Andrews, 2010; Smoke, 2015). This is due to the developmental needs they face and the inefficient use of resources. In the same vein, weakness of institutions prevails. For this reason, there are challenging concerns regarding where priority should be given. To address this, there is the need to manage scarce resources effectively and efficiently with proper financial management practices within the public sector to achieve the expected results (Kioko et al, 2011; Smoke, 2015). The 1992 Constitution of the Republic of Ghana which is the fundamental legal and regulatory framework upon which the various arms, organs and institutions of government operate, outlines the legal and institutional framework for the operationalization of PFM reforms and practices in Ghana (PEFA Secretariat, 2018; 1992 Constitution of Ghana, 1992).

Ghana has witnessed significant investment in PFM reforms by successive governments since independence with support from development partners (IMF, World Bank, etc.). Some of these reforms include; Public Financial Management Reform Program (1997-2003), Activity Based budgeting (1998), Medium-term Expenditure Framework (1999), BPEMS (2003-2007), and now the Program-based budgeting (The Budget Operations

Manual, 2018). These reforms have contributed to the improvement of some PFM practices in Ghana. This is evident in the 2018 budget performance report by MDAs which indicates a continuous decline in the overall budget deficit for 2016, 2017, 2018 and 2019 fiscal year to be 9.3%, 4.8%, 4.5%, 3.9% and 6.5% respectively after the introduction of the Fiscal Responsibility Act in 2018.

However, in recent years, there has been an increased interest on the issue of budget reliability among MDAs in Ghana. A number of studies have explored the nature of budget reliability in Ghana which portrays a weak performance (Abdulai & Mohan, 2019; PEFA Secretariat, 2018; Scott & Enu-Kwesi, 2018; Smoke, 2015). Data available on the Public Expenditure Financial Accountability (PEFA) website on Ghana for 2006, 2010, 2013 and 2018 consistently reveals a relatively low score for budget reliability (See Table 1).

Table 1: Budget Reliability Performance Report (Ghana, 2006-2018)

COUNTRY	ASSESSMENT YEAR	PERFORMANCE INDICATORS UNDER BUDGET RELIABILITY		
		PI-1	PI-2	PI-3
GHANA	2006	C	C	B
	2010	C	C	B
	2013	C	D*	C
	2018	D*	D+	D+

Source: PEFA Assessment Reports

This is also supported by the 2018 financial performance report by Ministries, Departments, and Agencies (MDAs) which indicates a cumulative deviation of 29.2% (See Appendix 1). Some MDAs recorded negative deviations as high as -96.3% while others also recorded a positive deviation as high as 1171.3% (Ministry of Finance, 2019). The 2018 PEFA report raised concerns about PFM weaknesses as they pose a fiscal and fiduciary risk to the country's financial management practices. This potentially has an implication for fiscal discipline. Key areas highlighted in the report include the revenue administration, expenditure commitment control, payroll, procurement, public investment management, budget preparation and extra-budgetary operations (PEFA Secretariat, 2018). The unprofitable financial situation of most State-owned Enterprises (SOEs) remains one of the key PFM challenges in Ghana. This denies the government of the potential revenues that these SOEs could have been making instead of the losses that the country is witnessing (PEFA, 2018).

Domestic revenue mobilization, expenditure commitment control, non-transparency in budgetary systems and public investment management among others remain a challenge for PFM reforms in Ghana. According to the end-year report performance report of Ghana for the 2018 fiscal year, the approved budget for the MDAs were GH¢ 22,473,987,654. A total amount of GH¢ 22,495,660,636 was accessed by the MDAs indicating a 10 per cent positive deviation in the budgetary allocation during the period. However, deviations in budget outturn at the individual level of most MDAs continue to be huge which poses a concern regarding the contributing factors for these deviations. Based on recommendations by various development partners and the government's effort to reduce budget unreliability, the Fiscal Responsibility Act 2018 was passed to put a

maximum cap of 5% of GDP on the projected annual budget deficit to ensure fiscal discipline (Fiscal Risk Statement, 2019).

Performance scores for budget reliability in the 2018 PEFA report continues to be below average. Weaknesses prevail in the budget preparation process, expenditure arrears payment, revenue administration, and accounting for revenue (See Appendix 1). A number of researchers have also identified that there are inadequate established expenditure commitment controls within MDAs (Scott & Enu-Kwesi, 2018; Smoke, 2015). It is therefore important to understand how weaknesses in the budget planning, constraints in analytical capacities of MDAs, delays in release of funds and the distribution of holding power accounts for the deviations in the MDAs' budget.

Notwithstanding the findings of these studies on the causes of low budget reliability particularly in Ghana, there is however an ongoing debate on a conclusive understanding of the causes of budget deviations among developing economies particularly Ghana because of the selective dimensional issues that these studies have largely focused on.

This presents an opportunity for this study to contribute to this debate by examining all these dynamics sufficiently to provide a comprehensive understanding of the causes of budget deviations in Ghana. This will broaden the discussion on the topic by looking at actions and inactions of the stakeholders in the budgeting process and how the distribution of holding power affects resource allocation and the unreliability of the MDAs' budget.

1.3 Research Objectives

The core argument is that the distribution of holding power determines the nature and emergence of formal and informal institutions which invariably affects the distribution of benefits to the actors. The overall objective of this study is to examine the causes of unreliable budget among MDAs in Ghana using the political settlement theory and the principal-agent theory. To achieve this objective, the study will.

1. Examine the implications of the distribution of holding power among political elites on budget reliability in Ghana.
2. Examine the impact of formal rules of budgeting on budget reliability in Ghana.
3. Examine the impact of the administrative capacity of MDAs in the budgeting process on budget reliability in Ghana.
4. Examine the impact of the level of economic development on the budget reliability in Ghana.

1.4 Research Questions

The study is guided by the following questions:

1. What are the implications of the distribution of holding power among political elites in Ghana on budget reliability?
2. How does the formal rules of budgeting impact budget reliability in Ghana?
3. How does the administrative capacity of MDAs in the budgeting process impact budget reliability in Ghana?
4. How does the level of economic development impact budget reliability in Ghana?

1.5 Significance of the Study

Using three strands, the significance of this study will be demonstrated in theory, practice and policy. Although several studies have been conducted in the area of PFM in Ghana, it appears the causes of unreliable budget have not been dealt with exhaustively. Rather, much attention has been given to the PFM systems in African. Even at the continental level, most of the studies on Africa have focused on the PFM reforms at the macro level with little or attention to the individual MDAs. What is not yet conclusively known is an understanding of the causes of positive budget deviations at one hand and the causes of negative deviations on the other hand.

This study offers new approach of understanding the various challenges of budget unreliability in Ghana. This study provides new insights on the role of the actors (principal and agents) in the PFM cycle and the distribution of holding power in ensuring the reliability of the budget. In practice, the study will provide reference to practitioners on the causes of budget unreliability in Ghana. In policy, this study will enhance the understanding of policymakers to put in place policies that will ensure that both the principal and the agents are committed to ensuring compliance in the PFM cycle to achieve budget reliability.

1.6 Scope of the Study

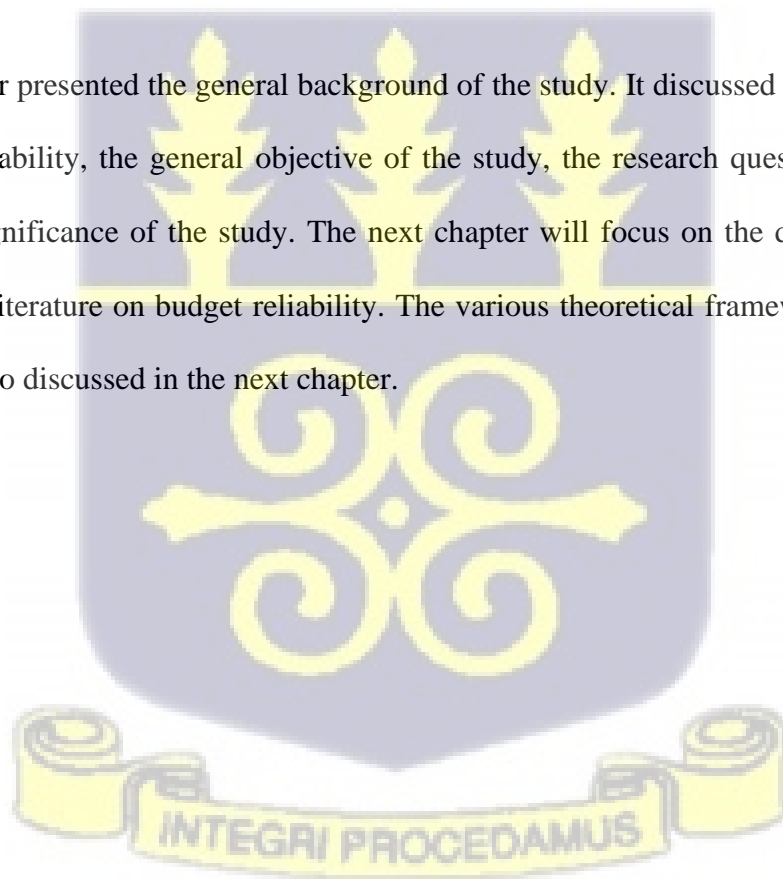
The primary aim of this study is to explore the causes of low budget reliability in Ghana using the principal-agent theory of public management and the political settlement theory.

1.7 Organization of the Study

This study is organized into five distinct chapters. The first chapter provides a general overview of the study. Chapter two discusses the significant findings of existing literature and the relevant reviews of theoretical, conceptual, and empirical literature supporting the study. Chapter three is focused on the research methodology employed to find answers to the research questions. The data analysis, discussions and findings are presented in chapter four of the study. The final chapter summarizes the principal findings, conclusion, and recommendations of the study.

1.8 Chapter Conclusion

The chapter presented the general background of the study. It discussed the nature of low budget reliability, the general objective of the study, the research questions, the scope, and the significance of the study. The next chapter will focus on the discussion on the empirical literature on budget reliability. The various theoretical framework guiding the study is also discussed in the next chapter.



CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

This chapter is subdivided into three sections. The main issues covered in this chapter are definition of key concepts, theory, and the review of empirical literature. The first section highlights the definition of key concepts and operationalization of budget and budget reliability. The second section explores the key theoretical concept which establishes the understanding and direction for the study. The final section brings together the review and lessons from empirical literature on the challenges of ensuring budget reliability in Ghana and its implications on, fiscal discipline and macroeconomic stability.

2.1 Definition of Key Concepts

2.1.1 Budget

Fiscal choices are crucial and require careful analysis in their design (Jimenez, 2017). Budgeting forms a major part of a country's fiscal decision that entails decisions regarding the services of government, infrastructure, government's readiness for unexpected events and the social well-being of the citizens. Historically, the term budgeting has been described as planning of income and expenditure. Budgeting according to Hyde (1992) is partly political, partly economic, partly accounting, and partly administrative. In essence, budget is used to allocate resources, evaluate economic growth, and development of a given jurisdiction. Budgets also establish the criteria by which public services are provided and monitored in an equitable manner that is beneficial to all.

Budgeting in recent years has been regarded as the foundation of functional public administration and occupies a significant position in the maintenance and administration of a country. Budgeting is a process that has been described as the routinization of choice regarding public finances which involves the occurrence of a set of procedures (Schick, 1999). As a process, budgeting differs from one form to another with each country adopting its peculiar form of the budgeting process. There are several approaches to budgeting some of which includes; zero-based budgeting, activity-based budgeting, performance-based budgeting and many more (Lingenfelter, 2021).

While a variety of definitions of the term budget have been suggested, in this study, the term budget will be used to refer to the outcomes of policy choices that affect the allocation of resources of the state.

2.1.2 Budget Reliability

According to Public Expenditure and Accountability Framework (2020), the term budget reliability refers to the extent to which the actual expenditure and revenue items reflect the approved budget. That is explained to mean that, a budget is considered to be reliable if the deviations in the actual budget from the approved budget is less than 5 percent. The PEFA framework stipulates three key performance indicators for the measurement of budget reliability. These are (1) aggregate expenditure out-turn, (2) expenditure composition out-turn, and (3) revenue out-turn (Dc, 2016).

2.1.3 Budget Outturn

The term budget outturn will be used in this study to mean the actual income and expenditure amount at the end of the budget year as compared to the approved budget.

2.1.4 Aggregate Expenditure Outturn

Compared to originally approved budget, this indicator measures the extent to which aggregate budget expenditure outturn reflects the amount originally approved

2.1.5 Expenditure Composition Outturn

This indicator also measures the extent to which reallocations between the main budget categories during the budget execution have contributed toward the variance in the expenditure composition (Dc, 2016),

2.1.6 Revenue Outturn

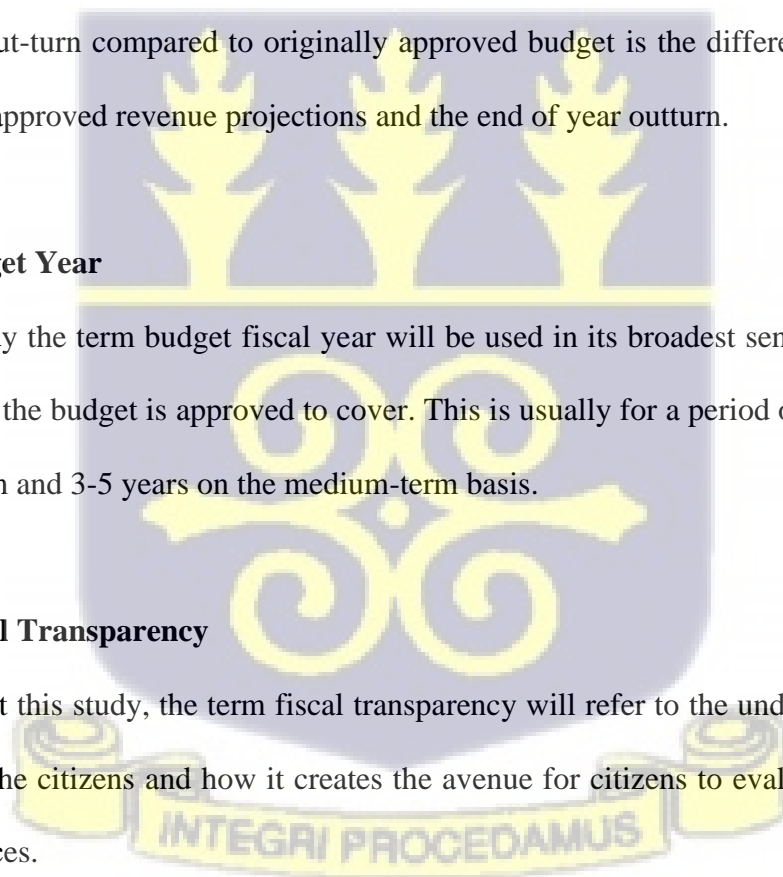
Revenue out-turn compared to originally approved budget is the difference between the originally approved revenue projections and the end of year outturn.

2.1.7 Budget Year

In this study the term budget fiscal year will be used in its broadest sense to refer to the period that the budget is approved to cover. This is usually for a period of one year on an annual term and 3-5 years on the medium-term basis.

2.1.8 Fiscal Transparency

Throughout this study, the term fiscal transparency will refer to the understanding of the budget to the citizens and how it creates the avenue for citizens to evaluate government performances.



2.1.9 Program-based Budgeting

The Program-based budgeting focus on fiscal policies, the ability of government to develop a strong macroeconomic and fiscal forecast, and the capacity of the actors to implement these fiscal strategies.

2.2 Discussion of Theoretical Framework

The theoretical frameworks for this study present the prepositions to demonstrate the logical account of the causes of low budget reliability among MDAs in Ghana. The theoretical frameworks are the political settlement theory and the principal agent theory. The study is be supported with a conceptual framework. This conceptual framework is the Public Expenditure and Financial management Accountability Framework (PEFA). The PEFA framework will also provide a deeper thematic understanding of the causes of low budget reliability, the activities of the actors, and the distribution of holding power and the extent to which these factors affect the variables in budgeting.

2.2.1 Political Settlement Theory

The argument on the reliability of budgets and the role of the actors in the PFM processes cannot be conclusive if the political systems or context within which these activities take place is not adequately considered. Previous studies (PEFA Secretariat, 2018; Scott & Enu-Kwesi, 2018; Smoke, 2015) have largely focused on the technocratic dimensions of budgeting process including the administrative capacity of actors, availability of resources and the effectiveness of institutions. What these earlier studies failed to consider is the underlying understanding of how the distribution of holding power configuration shapes the nature of the emergence of formal and informal

institutions (rules) which invariably affects the distribution of benefits to the actors and the performance of institutions.

The argument from the perspective of the political settlement theory is that it does mean that if there are adequate resources and institutions are well established, it will necessarily mean that the expected outcomes will be achieved. For Khan and the proponents of the theory, until you understand the nature of power in society and how power is used in shaping how institutions are either implemented or subverted, one cannot offer a conclusive explanation about the various causes of budget unreliability in Ghana.

The political settlement theory as developed by Khan (2010) focuses on how the distribution of holding power determines the institutions (rules) that will emerge to a particular “transaction” (where transaction here includes budgetary and the nature of distribution of benefits among actors). This establishes the interdependence of power and institutions in society (See Figure 1).

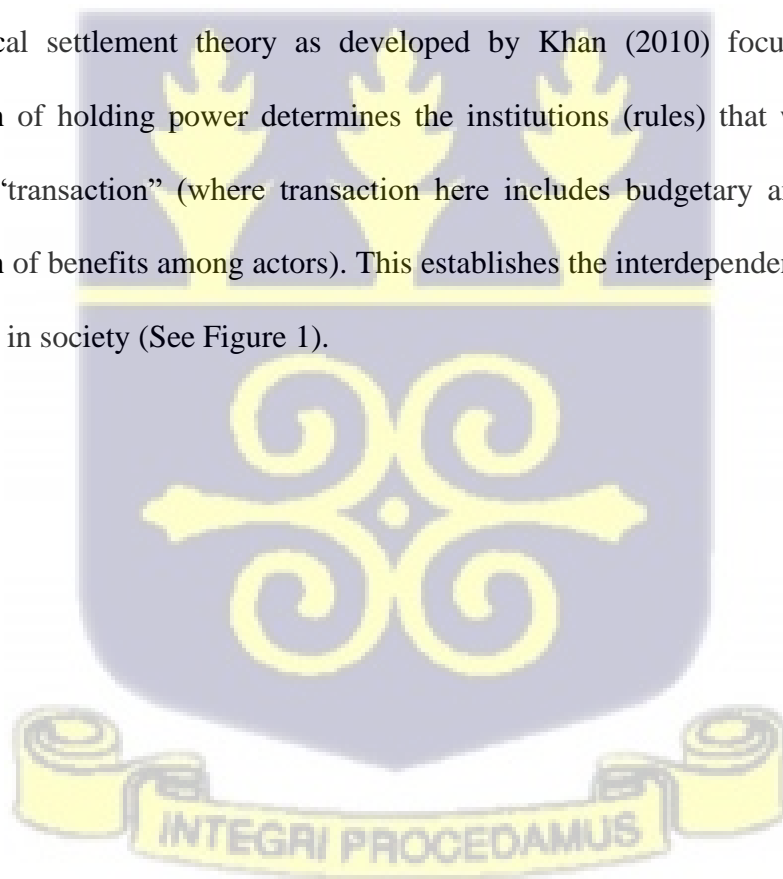
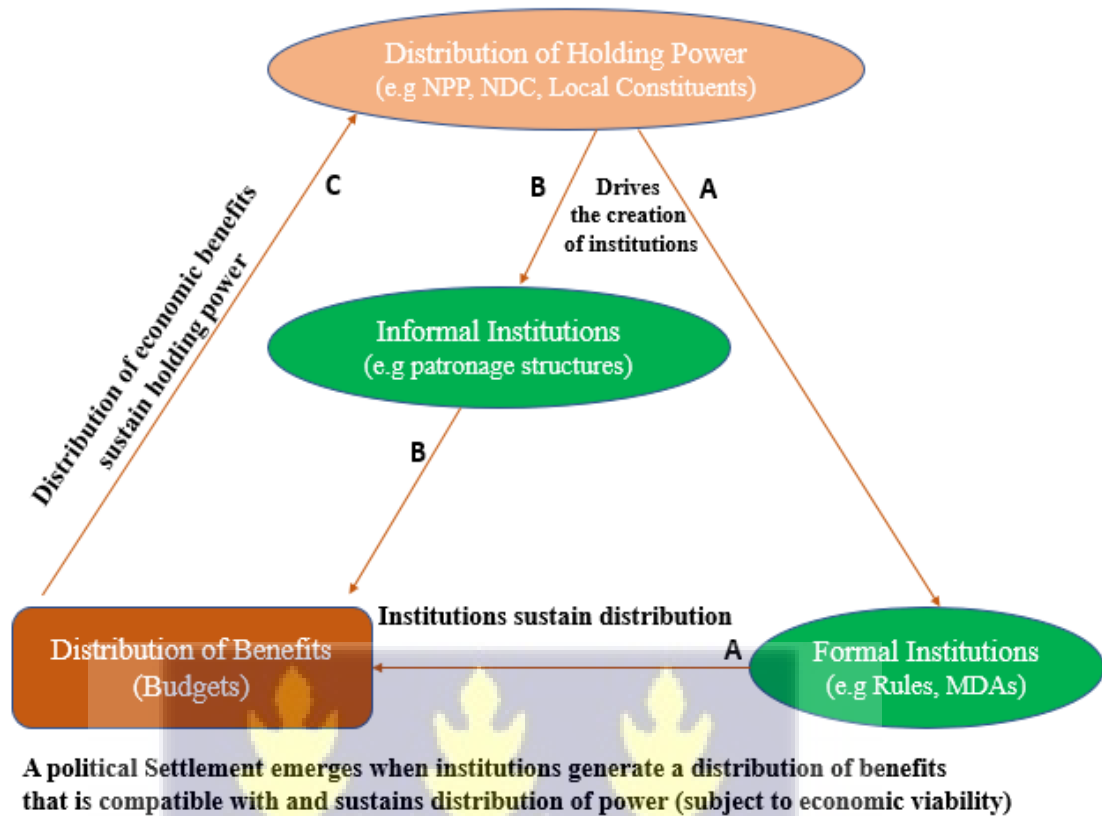


Figure 1: The Interdependence of Power and Institutions of PS Theory



Source: Adapted from Khan 2010:25

The distribution of holding power here means the amount of authority one possesses in society. This authority can come from a number of sources including the constitution.

Rules are the laid down processes that guide the behaviour of people in society.

The administrative capacity is the level of autonomy and expertise one possesses to engage in an administrative activity. Financial resources are monetary and related resources available to finance expenditure activities in a society.

Khan presupposes those institutions create rents which he described as “changes in income created by a particular institution”. Organizations adopt an agency approach in addressing some of the conflicting issues that may arise in the allocation of resources among groups. The extent to which the agency approach can work effectively to achieve

results will depend largely on the nature and the flexibility that exists in the political settlement structure. This establishes the relationship between changes in a political settlement and the political and economic outcomes.

To date, quiet number of studies have used the PS theory depending on the dimension applicable (Abdulai & Mohan, 2019; Kanyinga & Walker, 2013; Ní Aoláin, 2016). Despite the influence the PS theory has had on a number of studies in recent years, arguments have emerged on the deficiency in the methodology and ambiguity of the framework in application as it “offers partial reading of politics (Hickey, 2015; Kelsall, 2018). Hickey (2015) argues that the theory did not sufficiently focus on the dynamics of the agency relationship between the political elites and their subordinates. The theory does not cover the wider range of actors and processes that determines the distribution of benefits. For Hickey, the current state of analysis by Khan underscores the role of transformational factors in shaping distribution of holding power.

He further made reference to a number of studies (Hossain & Moore, 2001; World Bank, 2008) that attributes the effectiveness of a state to other factors other than relying solely on the effectiveness of the institutions and the commitment on the part of elites in resource allocation. Hickey presented here that the concept of development should be looked at as “one with an integral focus on the achievement of equity and the rights of citizenship rather than just a primary economic process” (Hickey, 2015:3) taking into account the definition of politics to include “all the processes of conflict, co-operation and negotiation on taking decisions about how resources are to be owned, used, produced and distributed” (Adrian, 2004:4). This broadens the discussion on the political settlement framework being linked to the historical institutionalism by North et al. (2009).

In response, Khan (2018) persuasively explained further how different the political settlement theory is from the institutional approach in the sense that the effectiveness of institutions will to a large extent depend on the power distribution among political elites and across organizations in the society. In essence, the political settlement theory will provide a deeper “insight” on how the distribution of power affects the effectiveness of institutions and the allocation of financial resources through the national budget (in this case, Ghana).

The solution to social issues may not only be attributed to or come from the technical challenges that may arise and the actions and inactions of the actors involved but also borders on the bigger social context within which these institutions exist to deal with the transactions (Khan,2010). The social context thus largely determines the adherence and the enforcement of these institutional arrangements. Khan further argued using historical evidence that effectiveness of the institution is largely dependent on the historical distribution of holding power in the organization. Khan then describes policies as *rules that are generally easier to change than institutions* (Khan, 2010:4). Institutions affect a number of societal dynamics including economic, social, legal, cultural, and or political outcomes.

Budget reliability is partly an issue of economic processes, political outcomes, and institutional effectiveness. Developing countries have been described by Khan (2010) to have been dominated by powerful organizations that are informally organized which create the avenue for “informal violations of formal rules” to gain informal benefits because of the difficulty for a state to attain a state of equilibrium.

The PS theory classifies countries based on their political settlement helps to understand the impact of a political settlement on the reliability of the budget. Organizations are influenced by some ideologies, pressure from international actors, etc. This makes it

difficult for governments to make a balance between the interest of all actors in budgetary allocation. It is for this reason that the PS framework provides a measure of assessing the sustainability of the emergence of these institutions, policies, and how they affect the distribution of financial resources across among MDAs in Ghana. This points to the fact that organizations that are powerful with the societal setting are likely to kick against institutions that do not favour their interest and embrace or push for institutions that will favour their interest.

Khan establishes two criteria in grouping the typology of Political Settlements which includes “*whether the holding power is primarily based on formal institutions or not, and whether the formal institutions are growth-enhancing or not*” (Khan, 2010: 48) This presents the four classification of political settlement which includes; Capitalist Political settlement, Clientelist Political Settlements, Pre-Capitalist Political Settlements and Political Settlement in Crisis. The assumption is that the nature of the political and economic organizations will determine the effectiveness of institutions and policies.

Ghana’s political settlement is classified as a Clientelist Political Settlement where formal productive rights exist but are not well enforced. The reliability of the budget may be influenced by the activities of the organizations that exist. This brings the discussion of the rule of law when it comes to institutional arrangements that guide the operationalization of the PFM laws.

Although Khan classifies African economies as ones that belongs to the clientelist classification, studies have identified some level of institutional effectiveness that exists in some organization (Abdulai & Mohan, 2019). The reality in Ghana is a case where there are powerful organizations (political groups and elites) trying to enforce the law on

the weaker organizations (MDAs) without them not actually being subjects of the law. That is where it is observed that there are laws to monitor and ensure that less powerful actors adhere by the PFM laws but in most cases, the political elites are found not to be adhering to the rules of the game.

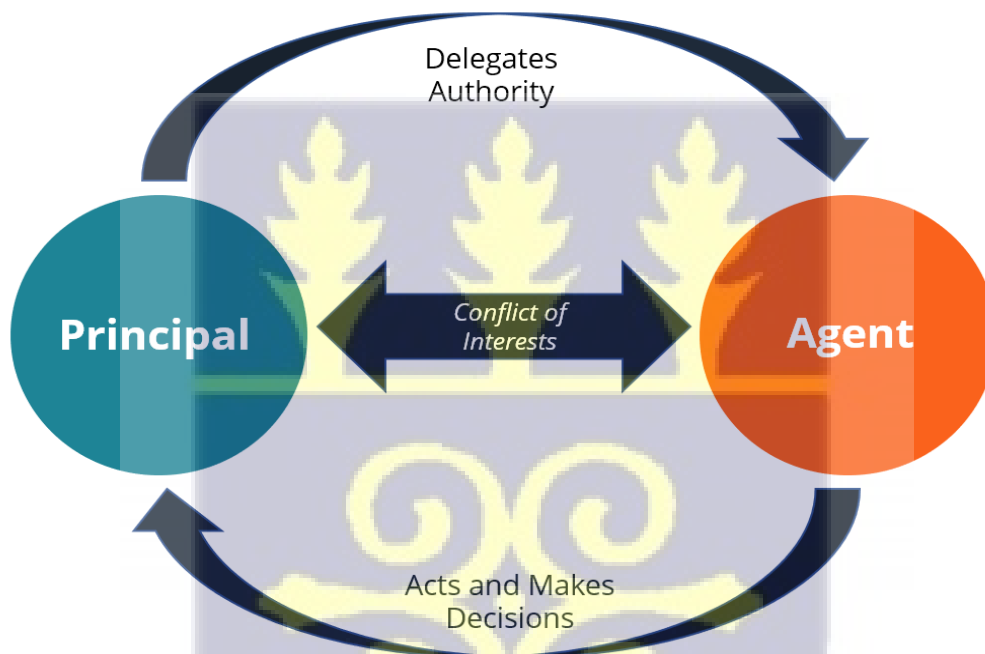
2.2.2 Principal Agent Theory

The Principal-Agent theory developed in the 1970s by Micheal Jenson of Harvard and William Meckling of the University of Rochester is based on its analytical scope in providing relevant information and in-depth understanding of the role of the actors in the agency problem which serves as a foundation of most of the governance and corporate researches (Boshkoska, 2014; Huynh et al., 2020; Leruth & Paul, 2007; Sickles & Lui, 2020). This is where an asset or resources of a party (principal/ owner) is entrusted or delegated to another party (agent) to be managed by the agent on behalf of the principal in maximizing the power, wellbeing, and economic gain of the principal.

The centrality of the agency theory is based on the fact that multiple actors exist with conflicting interests (Dalton et al., 2007) where the interests of the principal/s may differ from that of the agent/s which can be unavoidable in nature. As a result, of the agency problems between and among actors, it gives rise to the agency cost where the interest of the agent is not aligned to the interest of the principal (Ang et al., 2007; Tran, 2020). This can either be as a result of information asymmetry which is the tendency that the agent has more information than the owner (Boshkoska, 2014) that can be used for the agent's benefits, or the "goal objective" where the goals of the principal may differ from the goals of the agent.

Dalton et al. (2007) outlined some of the approaches that the agency cost can be mitigated to include the independence approach, equity approach, and market for corporate control. These approaches involve the use of mechanisms put in place by the principal to monitor and regular the activities of the agent. Figure 2 presents the agency relationship.

Figure 2: Principal-Agent Relationship



Source: Corporate Finance Institute

The agency problem is the tendency that the interest of the owners and the managers in the agency relationship may differ (Dalton et al., 2007; Sickles & Lui, 2020). For which reason the principal will put in some mechanisms to monitor the activities and behaviour of the agents to see whether the interest of the principal is being maximized by the agent

and whether the agent is behaving well. Some of the “watchdogs” over the activities of the agent will usually include an independent board of directors, supreme audit institutions (SAI), and the scrutiny of audit reports by the legislature, (Dc, 2016; PEFA, 2021).

The ability of these bodies to effectively monitor the activities of the agents, the timely auditing, and the ability to come out with recommendations that will guide the future behaviour of the agents is crucial to dealing with the agency problem and the reliability of the budget. The challenge of ensuring budget reliability is not the lack of laws to guide the PFM activities but rather an issue with the effective implementation of these laws.

The agency problem within the public sector is complex in nature and this makes it difficult to clearly draw the line between the principal and the agents. What is known about the complexity is largely based empirical studies that have identified multiple actors with conflicting interests and goals trying to meet their benefits (Bjurstrom, 2020; Nyman et al., 2005). For the purpose of this study, the principal represents individuals that constitute the government. Agents here represents the MDAs responsible for planning and execution of the budget.

The role of the principal and the agent is crucial to the reliability of the budget. While the principal has the responsibility of making available economic resources for effective performance of the agent, performance appraisal mechanisms, clearly defined goals, objectives, full disclosure of information and reward systems as well as control mechanisms to monitor and regulate the activities of the agent are required of the principal. The agents on the other hand also have the responsibility to exhibit the highest level of competence and expertise necessary for the effective discharge of his or her

duties, full disclosure of all relevant information relating to the agency agreement, due diligence in the discharge of responsibilities, compliance, and control for the maximization of the power, wellbeing, and economic value of the principal.

It is therefore the primary aim of this study to critically examine the ways in which the interaction among actors determines the distribution of benefits. The study is further set out to provide a deeper understanding of how the role of these actors in the budgeting process affect budget reliability in Ghana.

2.2.3 Public Expenditure and Financial management Accountability (PEFA)

Framework

The Public Expenditure and Financial Accountability (PEFA) framework is a methodology for assessing public financial management performance and a country's PFM practices. The PEFA framework program was an initiation of some seven development partners across the globe (The European Commission, World Bank, United Kingdom, Norway, Switzerland Governments of France and the IMF) in 2001 until 2019 when the Ministries of Finance of the Slovak Republic and the Duchy of Luxembourg became new partners bringing the number of members to nine (Dc, 2016). The PEFA framework initiated a standardized methodology for assessing and reporting on Public Financial Management (PFM) practices among member countries and other developed and developing countries using quantitative indicators. The PEFA program assesses seven broad areas of performance (termed as pillars) across 31 key financial indicators with 94 characteristics. Table 2 presents the breakdown of the seven pillars of the PEFA framework.

Table 2: PFM Performance Indicators by PEFA

PFM Performance Indicators	
Pillar I. Budget Reliability	
PI-1	Aggregate expenditure outturn
PI-2	Expenditure composition outturn
PI-3	Revenue outturn
Pillar II. Transparency of public finances	
PI-4	Budget classification
PI-5	Budget documentation
PI-6	Central government operations outside financial reports
PI-7	Transfers to subnational governments
PI-8	Performance information for service delivery
PI-9	Public access to fiscal information
Pillar III. Management of assets and liabilities	
PI-10	Fiscal risk reporting
PI-11	Public investment management
PI-12	Public asset management
PI-13	Debt management
Pillar IV. Policy-based fiscal strategy and budgeting	
PI-14	Macroeconomic and fiscal forecasting
PI-15	Fiscal strategy
PI-16	Medium-term perspective in expenditure budgeting
PI-17	Budget preparation process

PI-18	Legislative scrutiny of budgets
Pillar IV. Predictability and control in budget execution	
PI-19	Revenue administration
PI-20	Accounting for revenue
PI-21	Predictability of in-year resources allocation
PI-22	Expenditure arrears
PI-23	Payroll controls
PI-24	Procurement
PI-25	Internal controls on non-salary expenditures
PI-26	Internal audit
Pillar VI. Accounting and reporting	
PI-27	Financial data integrity
PI-28	In-year budget reports Annual
PI-29	Annual Financial reports
Pillar VII. External security and audit	
PI-30	External Audit
PI-31	Legislative scrutiny of audit

Source: PEFA

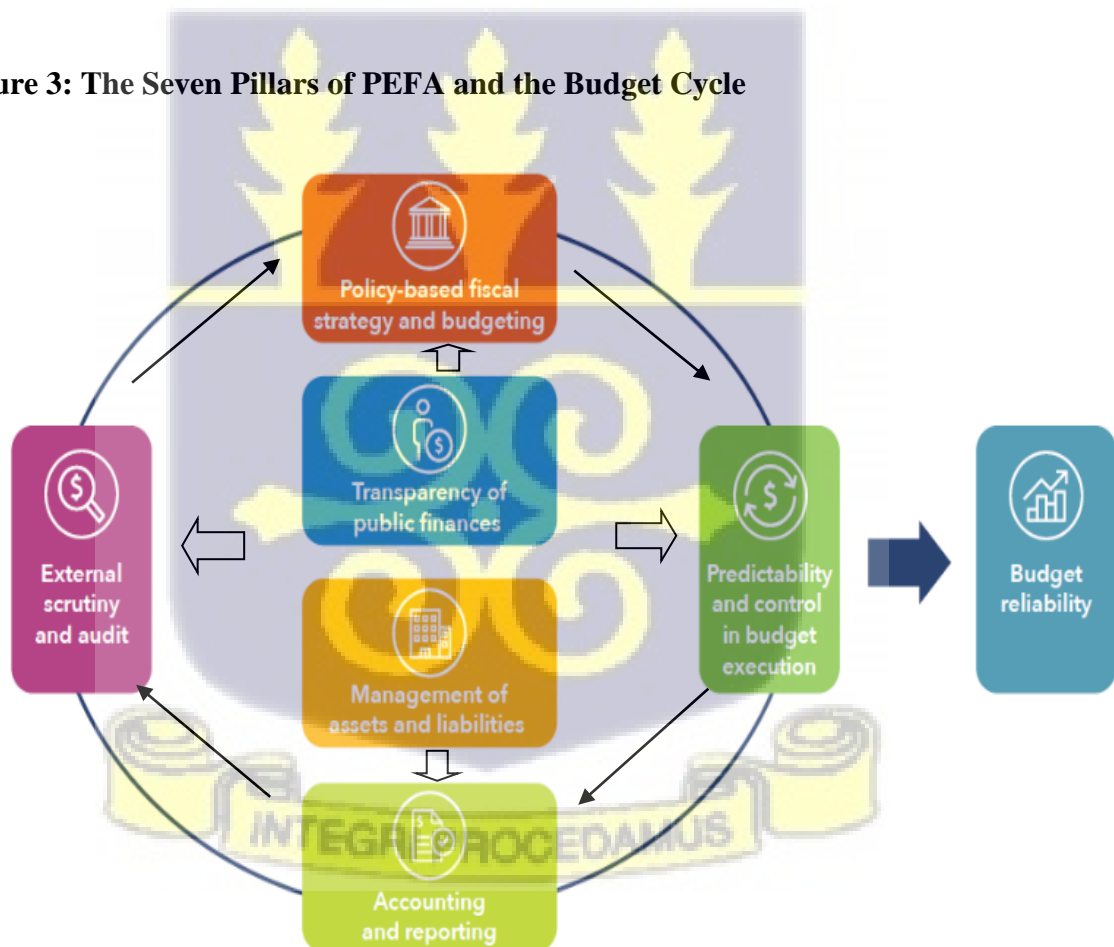
This study for the purpose of scope relied on the indicators relevant to understand how the distribution of holding power, the role of the actors and the level of economic development affects the reliability of the budget in Ghana. The budget reliability has three Performance Indicators (PI) as updated in the revised framework in 2016 from four

PIs in the 2011 Framework. These PIs include Aggregate Expenditure outturn, Expenditure Composition outturn, and Revenue outturn.

2.2.3.1 The Seven Pillars of PEFA and the Budget Cycle

The seven pillars of PEFA includes Budget Reliability, Transparency of Public Finances, Management of Assets and Liabilities, Policy-based Fiscal Strategy and Budgeting, Predictability and Control in Budget Execution, Accounting and Reporting, and External Scrutiny and Audit. For this study, these pillars will be analyzed critically where budget reliability as the dependent variable will be explain by the remaining pillars as independent variables. This conceptualize framework has been presented in figure 3.

Figure 3: The Seven Pillars of PEFA and the Budget Cycle



Source: PEFA Website, 2021

The PEFA framework has been very technical in addressing developmental concerns and the growth of sound financial management practices predominantly across the globe. Ghana, since 2006 had had four (4) independent assessments (2006, 2010, 2013 and 2018) at the national level respectively which can be found in table 1. This has led to the identification of the strengths and weaknesses in public financial management and has created room for reforms in the fiscal and financial management practices of the country.

2.3 Review of Empirical Literature

To date, several studies have explored the concept of budget reliability in various dimensions and context. This section presents the findings of empirical literature on budget and budget reliability. The first section focused on the nature of budget reliability in Africa. This is followed by the causes of budget unreliability in Africa. Section three presents an empirical account of the nature of budget reliability in Ghana.

2.3.1 Nature of Budget Reliability in Africa

There is a generally growing recognition for the budgetary process among African countries to ensure budget reliability, fiscal discipline, and commitment control. This is witnessing the shift in focus from the annual budgeting perspective to the adoption of the medium-term approach to budgeting among most African countries (Addison, 2013). Prior studies on the reliability of budget across African countries are limited. Much of the literature on budget reliability in Africa focuses on individual African countries without providing a broader continental picture of the subject (Addison, 2013; Simon & Welham, 2014). These studies identified an uneven distribution of resources within African countries.

To date, several studies have explored the nature of budget reliability. By far, the most comprehensive account of the nature budget reliability in Africa can be found in works of (PEFA, 2021; Schick, 1999; Scott & Enu-Kwesi, 2018; Smoke, 2015). Budget reliability, though not a problem only associated with African countries, tend to be a major challenge that most African countries face. A careful analysis of the PEFA assessment reports on most African countries shows a picture of below-average performance in budget reliability. Presented in Table 3 is the budget reliability scores for some selected African countries. These weaknesses according to PEFA, 2021 prevails more in the planning and execution stages of budgeting.

Table 3: Budget Reliability Scores for some selected African Countries

Country	Year	PI-1	PI-2	PI-3
Ghana	2018	D*	D ⁺	D ⁺
	2013	C	D ⁺	C
	2010	C	C	B
	2013	C	D ⁺	C
	2008	D	D	A
	2005	C	C	A
Togo	2016	C	D ⁺	D
	2009	C	B	D*
	2006	D	D	D
Madagascar	2018	D	D ⁺	D
Niger	2017	D	D ⁺	C

	2013	D	C ⁺	D
	2008	C	A	D
Burkina Faso	2017	D	D	C
	2014	B	C ⁺	D
	2010	B	C	C
	2007	A	C	D
Mali	2018	D	D ⁺	C
Guinea	2018	D	D ⁺	D
	2014	C	D ⁺	A
	2009	D	D	D
	2006	D	D	C
Chad	2018	D	D ⁺	D
Lesotho	2017	D	D ⁺	C ⁺

Source: PEFA Assessment Reports

Like PEFA, Kwarteng (2018) similarly identified a statistically significant relationship between the planning of budgets and the reliability of the budget. Ajibolade & Oboh (2017) also shared the view that the inclusiveness of the fundamental stage, and implementation stage of budgeting as a key determinant of the success of a reliable budget.

Most African countries practice what is described as a three-arm government structure (that is the Executive, the Legislature, and the Judiciary). A system most African countries inherited from their colonial masters. In this governance system, the executive (the President together with its cabinet ministers) usually prepares the budget through its

institutions. This stage is where the power distribution of political elites come to play where the actors “fights” for their interest in the distribution of benefits.

Addison (2013a) identified that timely disbursement of funds, clearly defined financial, political, and technical targets correlates with budget reliability among African economies. He further identified that excessively ambitious and unambitious revenue targets correlate positively with revenue shortfalls and unprogrammed revenue gains. For this reason, this study will attempt to identify the underlying factors making it a challenge to ensure the reliability of budget.

2.3.2 Causes of Budget deviations in Africa

It has been observed that the nature of institutional rules can limit the significance of fiscal discipline in the budget process (Poterba & von Hagen, 2013). Quite a number of factors have been identified to be the causes of budget deviation in Africa.

For De Renzio & Cho (2020), weak human capacities and systems among African countries is one major contributing factor causing budget deviations. They further identified underspending in budget among lower-income countries (a category most African countries can be found). This underspending hovers around 14%. Similarly, other significant factors identified are weaknesses in the planning of budget and the procedural systems of execution (De Renzio & Cho, 2020b; PEFA Secretariat, 2018). One major challenge that African countries face in the execution of budget is the over-dependency on foreign aid in budget planning and execution. Studies have demonstrated that budgets of most African countries are prepared in deficit (Jena & Sethi, 2020; Moss & Pettersson, 2005; Schick, 1999). This can be attributed to the compelling

developmental and social needs which are way above the revenue-generating capacity of these countries.

African economies in an attempt to finance these deficits depend largely on external aid and borrowing in financing these deficits. In effect, if the donor country or entity is unable to fulfil their pledges, it affects the reliability of the budget during execution of the receiving country. As a result, this inevitably causes a greater deviation in the budget execution among Africa countries. This is where some projects and programs will have to be put on hold and disbursement of funds to the various institutions may delay.

One significant issue raised by Renzio et al. (2015) as a major cause of deviations in Africa is the reallocation of resources among functions. This tends to favour some entities and groups at the expense of the rest.

It has also been revealed that during the budget execution stage, some unintended consequences do arise (Dye, 2013). An example will be the case of the Free Senior High School Policy implementation in Ghana where the actual number of students exceeded what has been budgeted for thereby demanding that funds meant for other projects be diverted to the funding of the deficit in the educational sector. When this happens, it affects the disbursement of funds meant MDAs and this will cause a deviation in the budget of the affected entities.

The inability of bureaucrats to accurately make projections for revenues and expenditure items during planning also tends to cause deviations in the budget execution in Africa. Furthermore, Renzio (2020) identified economic shock (both global and continental) to be another factor causing deviations in budget execution thereby establishing a

statistically positive relationship between revenue deviations and expenditure deviations. That is to say that the reliability in expenditure projections on one hand is affected by the reliability of revenue projections on the other hand. A case is the effect of COVID 19 pandemic on the budgets of not only African countries but across the globe. Economic shocks form part of the unsystematic risk (e.g., natural disasters, pandemics, terrorist attacks and many more) that most countries face. This largely affects the level of economic activity of a given jurisdiction and in effect the revenue generating capacity of that jurisdiction.

The evidence presented in this section suggests that poor planning and execution of budgets predominantly among African countries accounts for deviations in the budget. In addition, non-disclosure and untimely release of comprehensive fiscal reports also tends to undermine budget reliability among African countries in Africa.

2.3.3 Nature of budget Reliability in Ghana

Contemporary Public Expenditure Management (PEM) is primarily more concerned about the budgeting process as they believe that procedural rules have a stronger influence over budgetary outcomes (Schick, 1999). Public sector budgeting in Ghana has evolved over the past decades. This evolution has witnessed a move from activity-based budgeting to performance-based budgeting. The 1992 constitution of the Republic of Ghana mandates the President to present a budget to the legislature every fiscal year for approval. The Ministry of Finance on behalf of the president prepares the budget document taking inputs from the cabinet, MDAs as well as civil society organizations.

Provisions in the constitution mandates the Minister of Finance to present the budget statement to the legislative arm of government for perusal and approval. Legislatures will then debate the overall budget on the floor of the house and further discuss the budget in the relevant parliamentary select committees. At the committee level, various technical officers from the MDAs are invited to the committee to justify their various proposals in the budget statement. After the approval of the budget by the legislature, the MDAs kick starts the implementation of the budget by applying to the ministry of finance for the release of funds (PFM-Regulations, 2019; 1992 Constitution of Ghana, 1992; PFM Act, 2016).

The general nature of budget reliability in Ghana is of great concern as far as the development of strong public financial management and good governance for macroeconomic stability is concerned.

Table 4 presents the budget reliability scores for Ghana from 2006 to 2018.

Table 4: Budget Reliability Performance Report (Ghana, 2006-2018)

COUNTRY	ASSESSMENT YEAR	PERFORMANCE INDICATORS UNDER BUDGET RELIABILITY		
		PI-1	PI-2	PI-3
GHANA	2006	C	C	B
	2010	C	C	B
	2013	C	D*	C

2018	D*	D+	D+
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Source: PEFA Assessment Reports

Analyzing the budget reliability scores for Ghana, the 2006 performance assessment has been the best scores for Ghana in all the assessments of the PFM systems conducted by PEFA. This according to the PEFA report was due partly to the general increase in the real GDP growth of the country from the year 2000 to 2004 at an average increasing rate of 12 per cent. Ghana's performance in the year 2010 however saw a decline in all the performance indicators under budget reliability. This trend continues through the 2013 and 2018 reports (PEFA Secretariat, 2010, 2018). The 2013 PEFA report captures significantly low scores for the reliability of the country's budgetary system. The 2018 PEFA assessment conducted with the revised PEFA framework highlights further decline in budget reliability.

Although Renzio (2019) identified underspending in budget among lower-income countries, Williams (2015) in contrast rather identified overspending at both ministerial and departmental units of MDAs. But the question remains why adverse results from due processes of the budgeting process in Ghana? This study attempted to provide answers as to what these contributing factors are to budget unreliability in Ghana.

2.3.4 Causes of Budget Deviations in Ghana

Earlier sections of this study have demonstrated a picture of low budget reliability in Ghana. Despite the huge prevalence of budget deviations in Ghana, relatively, few studies have investigated how the activities of the actors contributes to these deviations. A number of attempts have been made to understand the sources of these deviations by

prior studies. PEFA's assessment report in 2010 and 2018 identified two major factors that undermine the budget reliability of the country. These factors include fiscal risk (deviations in fiscal outcomes as a result of fluctuations in macroeconomic activities), and extra-budgetary activities.

Further studies have identified that debt, poor monitoring of contingent liabilities, weaknesses in the budget process, changes in the tax revenue, and government spending contributes significantly to budget deviations in Ghana (Antwi, Zhao, & Mills, 2013; PEFA, 2010). These factors have subsequently been identified in the PEFA (2018) assessment of the country's financial management practices. Substantial delays in budgetary releases and late budget expenditure ledgers implementation are other causes of budget deviations in Ghana.

Budgetary transactions are interconnected in nature. Release of funds depend largely on the availability of funds. In the same way, expenditure items also depend on revenue projections. That is to say that to ensure timely release of funds, revenue targets would have to be met and if funds are released payments can be made for expenditure items. It is with this understanding, that Scott & Enu-Kwesi (2018) established that falling global prices of commodities that Ghana predominantly exports (e.g., cocoa, crude oil etc.) and the inconsistencies in the supply of crude oil also affects revenue targets. This also accounts for the budget deviations in Ghana. On expenditure items, Scott & Enu-Kwesi (2018) further identified that fluctuations in exchange rate in most cases affects the cost of the expenditure items that the country imports.

Budget execution over the years have been a great concern as a result of how poorly the country's cash management is administered. Recurrent spending particularly in the payment of salaries and the interest repayments on loans tends to cause deviations in the

budget during execution. Though many will argue that the country's income level and the level of democracy impacts greatly on the reliability of the budget, Renzio & Cho (2020) rather identified that these variables do not have a significant impact on the reliability of the budget. This study will further investigate the various causes of budget deviations and how they affect the productivity and efficiency of MDAs in Ghana.

2.3.5 Effects of Budget Deviations on National Development

The consequential impacts of budget deviations on national development in Ghana and across the African continent is rarely explored. Gross Domestic Product (GDP) which is the market value of all finished goods and services produced within a given country accounts for the economic strength of the country. Usually, budgets give projections on the economic activities to be undertaken backed by revenue and expenditure projections in a given fiscal year. Meeting the expenditure items in the budget will depend on the availability and timely release of funds to MDAs (Addison, 2013a).

Budget deviations arise when funds are not released as allocated or approved (Dc, 2016). Unavailability of funds denies MDAs the opportunity to engage in economic activities. This in turn affects the productivity level. The effect on national development is that, developmental goals for the national development agenda for the fiscal year cannot be achieved and this will hinder growth.

Adongo & Jagongo (2013) have shown that positive budget deviations restore the country's macroeconomic stability and reduces the country's deficit financing. A continuous increase in the annual deficits budgets contributes greatly to the debt stock of Ghana. Ghana's debt stock as at 2021 is about 76.1 percent of the country's GDP

(Ministry of Finance, 2021). Adongo & Jagongo (2013) further acknowledges the critical role of human factors that affects the budget process. Positive deviations usually arise as a result of revenue surpluses, increase in grants or donor supports, etc. What these previous studies failed to demonstrate is how the distribution of holding power affects the allocation of resources that accounts for positive deviations in some entities and negative deviations in others. These factors will be examined by this study.

2.3.6 Comparative Analysis of Budget Reliability Assessment Reports of Some selected Countries

A greater part of the literature on budget reliability of countries are the works of PEFA. In order to understand the issues of budget reliability in a broader context, the study relied on the assessment reports by PEFA. This analysis is to provide the dynamics of budget reliability across countries. This discussion focuses on the three performance indicators on budget reliability. Table 5 provides the results from the preliminary analysis of budget reliability scores for some selected high and low countries across the globe.

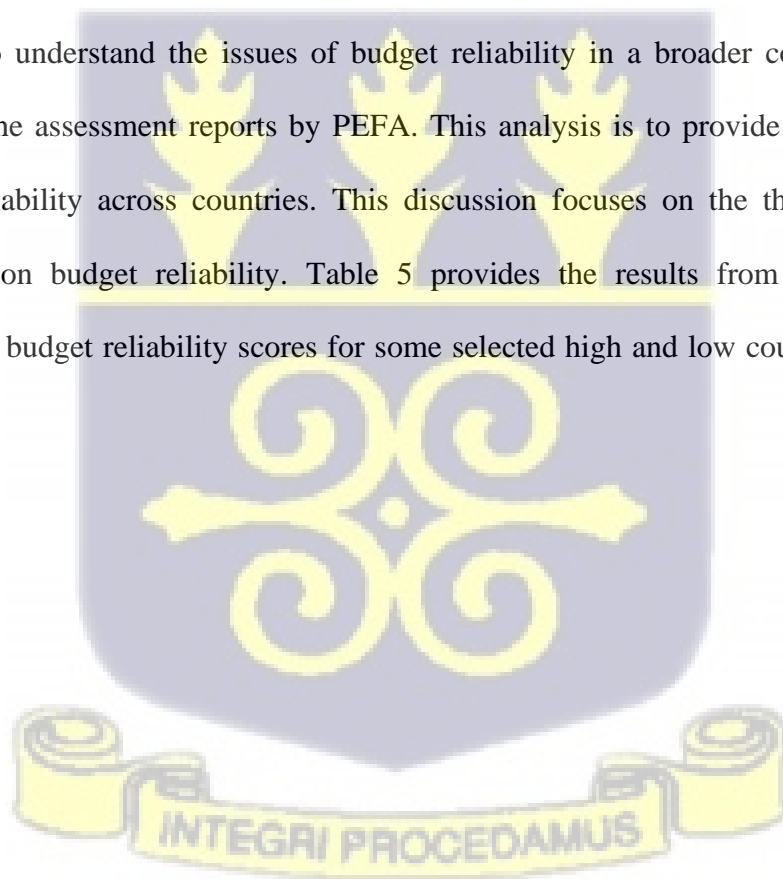


Table 5: Budget Reliability Scores of some selected Countries

Selected Countries with High Budget Reliability Scores					Selected Countries with Low Budget Reliability Scores				
Country	Year	PI-1	PI-2	PI-3	Country	Year	PI-1	PI-2	PI-3
Moldova	2006	A	A	A	Ghana	2018	D*	D+	D+
	2015	A	A	A		2013	C	D+	C
Georgia	2018	A	A	B+		2010	C	C	B
Macedonia	2007	A	A	A	Afghanistan	2018	D	D+	D
Norway	2008	A	A	A		2013	C	D+	C
Uzbekistan	2012	A	A	A		2008	D	D	A
	2019	A	B+	B+	Togo	2016	C	D+	D
Armenia	2014	A	B+	A	2009	C	B	D*	
Greenland	2014	A	A	B	Madagascar	2018	D	D+	D
Ukraine	2019	A	B+	B+	Niger	2017	D	D+	C
Mali	2011	A	A	A	2013	D	C+	D	
El Salvador	2013	A	A	A	Burkina Faso	2017	D	D	C
	2019	A	A	A		2014	B	C+	D
New Caledonia	2019	A	A	A		2010	B	C	C
South Africa	2014	A	A	A	Mali	2018	D	D+	C
Nicaragua	2015	A	A	B	Guinea	2018	D	D+	D
Bosnia and Herzegovina	2014	A	A	B	2014	C	D+	A	
					2009	D	D	D	
					Iraq	2017	D	D+	D+
					Chad	2018	D	D+	D
					Lesotho	2017	D	D+	C+

Source: PEFA Assessment Reports

2.3.6.1 Analysis of Aggregate Expenditure outturn

A careful analysis of the reports of the selected countries indicated that all the countries that scored “A” significantly gave credit to the adherence to fiscal discipline rules and practices in ensuring that budgets are executed as approved (PEFA, 2021). On the other hand, countries low scores have weaknesses in their fiscal rules. Some of the key issues

identified to have contributed to the reliability and unreliability of budgets of these countries includes:

2.3.6.1.1 Expenditure Arrears and Debt Servicing

There are somewhat surprising findings on the implications of debt on public financial management. It has been observed that an increase in indebtedness of a country possess an adverse policy implications on the development, growth and the sound financial management of that country (Lanka et al., 2017). This has been identified as a major concern for most of the African countries. This has contributed to most of these countries classified under the Heavily Indebted Poor Country (HIPC) initiative (Fosu, 2008).

Larger number of the best performing countries examined recorded little or no expenditure arrears as well as debt services as in the case of Armenia in 2014. These factors contributed significantly to executing the budget focusing on priorities and meeting current developmental and institutional needs of the country. This enabled these countries to ensure a comprehensive and transparent debt management mechanisms. Though external debt financing cannot be entirely eradicated, it is also important to minimize the level of indebtedness of a country so that resources can be used to meet other developmental needs of the country other than debt servicing.

2.3.6.1.2 Realistic Expenditure Planning

Realistic expenditure planning is a key driver for budget reliability. That is done by setting realistic expenditure and revenue targets that ensures that revenue targets are met and expenditure items are executed as planned. It is no doubt that countries invest so much in the panning of expenditure. The need for this realistic planning necessitated the

rationale for the adoption of the medium-term budget framework for most of countries globally (Ranjan, 2018). This Ranjan described as having fiscal consolidations and expenditure prioritization.

Although ElBerry & Goeminne (2020), alluded to the fact budget deviations can arise due to errors that may be intentional or unintentional, as a remedy, realistic planning in budgeting will help minimize the level of deviations that will arise. This is evident in the analysis of best performing countries in the PEFA reports. Most of these countries gave credence to realistic expenditure planning. By so doing, effective cash management is also prioritized to meet the demands of the expenditure items as and when they are due to be incurred.

2.3.6.1.3 Regulatory and legislative provisions

Rules, regulations, and procedures in budgeting play essential role in ensuring compliance and reliability. Setyawan & Gamayuni (2020) in an attempt to ascertain the various causes of low quality of budget attributed it to an issue of non-compliance to the rules and regulations. Non-compliance to PFM laws of a country generates greater deviations in budget outturns. This can cost a country about 8 percent or more of the country's GDP (Allen & Koshima, 2018).

It is with no doubt that regulations and legislations provide a strong basis for a sound implementation of PFM reforms and practices. This has been the case for most of the countries that performed extremely well in their respective assessment reports. This also creates a strong institutional links between budget formulation and execution. Notwithstanding the significance of procedural rules in meeting multi-year budget objectives of countries (Steunenberg, 2021). A common issue identified to be the cause

of weak budget reliability among most of the countries evaluated is their non-compliance with the rules, regulations, and procedures in the execution of the budget. The most significant non-compliance was found in tax administration.

Taxes form the basis of domestic revenue generation in most countries across the globe. It also provides control, check, and balances in the execution of the budget. Non-compliance will lead to tax arrears which will also then lead to revenue shortfalls and when that happens, domestic revenue targets will not be met which will cause deviations in the budget. The same applies to non-compliance in expenditure items which creates a gap in the approved budget and the actual budget. Allen & Koshima, (2018) again noted that these PFM regulations and laws are also necessary to serve as a check and a deterrent to those who may want to go contrary to the provisions of the law.

2.3.6.2 Analysis of Expenditure Composition Outturn

This indicator measures the extent to which reallocations between the main budget categories during budget execution have contributed to variance in expenditure composition, and use of contingency reserves (PEFA, 2021).

Variances in the expenditure composition outturn of the best performing countries were due to the low vote on the amount of expenditure charged to a contingency. Most of this is due the regulatory frameworks ensuring that expenditure charged to the contingency fund or reserve does not exceed a certain given threshold. In the case of Georgia in 2018, there is a law that prohibits actual expenditure charged to the contingency fund to exceed 2 percent of the budget which can be found in the article 28 of the Budget code in Georgia (PEFA, 2021).

2.3.6.2.1 Use of contingency Funds in Budget Execution

The establishment of contingency funds is primarily meant to serve as a buffer for unforeseen circumstances that may arise during the fiscal year. Phaup & Kirschner (2010), explained contingencies to include all substantial occurrences whose predictability is difficult to ascertain rather than just natural disasters that brings about additional cost to government's expenditure. They also described it as a means of generating savings for the government. For this reason, most countries do not define the type of contingency that the fund is created but usually takes the form of a given percentage of total revenue and it is expected to be used for contingency purposes (Oduro Asamoah et al., 2021). One thing I realized is that, either the monies are not allocated to the fund or it has been allocated but has been used for something else other than the purpose for which it has been created. Lesotho happens to be the only country among the countries analyzed to have been able to make these allocations and applied them rightly. These inconsistencies in the provisions tend to affect the reliability of the budget of most of these African countries.

2.3.7 Analysis of Revenue Outturn

This indicator measures the change in revenue between the originally approved budget and the end-of-year outturn and the extent of the variance.

Out of the fourteen countries analyzed in the table1, nine countries scored 'A', three countries (Georgia 2018, Ukraine 2019, and Uzbekistan 2019) scored B⁺ while the remaining three countries (Bosnia and Herzegovina 2014, Nicaragua 2015 and Greenland 2014) also scored B under the revenue outturn. The three countries who scored B witnessed over 10 percent on average deviation of the actual domestic revenue as compared to the forecasted.

Those with B⁺ score had their actual variations exceeding 5 per cent but not exceeding 10 per cent while those with the A score had their deviations not exceeding 5 per cent of the forecasted revenue. Greenland in 2014 experienced high activity level in the exploration and other minerals as well as over-performance of tax revenues which indicated revenue targets exceeded what have been forecasted. Over-optimisms in revenue projections also accounted for the six countries scoring below the A in revenue outturn. Some of the factors were attributed to:

2.3.7.1 Effective Revenue Planning and Reforms in Tax Policy

A careful planning of an activity creates the basis for which the activity will be well implemented. Prasetio Adi et al., (2020) describes planning as an expensive activity but when done properly will lead to outcomes that will exceed far more than its cost. A critical analysis of these assessments reveals how significant an effective revenue planning is to ensure a reliable budget. Most of the countries who scored below the “A” score attributed most of the deviations to ineffective revenue planning and forecasting. Most of the countries who recorded relatively low deviations in the revenue outturn had a more comprehensive revenue planning and forecasting mechanisms.

Uzbekistan for instance engages the Central Bank, Ministry of Economy, and the Ministry of Foreign Economic Relations, Investment, and trade in providing revenue forecasts for the fiscal year and for medium-term fiscal years. South Africa also engages in three separate revenue forecasts. This includes forecasts by the South African Reserve Bank, South African Revenue Service and Tax Policy Unit of National Treasury. The revenue committee of these institutions then debate on the various revenue forecasts and agrees on a more realistic revenue forecast. This also exhibits the need to be conservative in revenue forecasting. These engagements have given a good revenue estimation as a result of the technical expertise and laid down rules of these officials and institutions.

It is important to forecast revenue mobilization but it is more important to accurately do revenue forecasting to ensure that budgets are implemented as approved based on revenue and expenditure projections (Lorenz & Homburg, 2018). Medium-term approach to budget is gaining much recognition on the global front as countries who adopt this approach tend to be having a more reliable budget in recent years (Ranjan, 2018).

Another key factor that accounted to the performance in low revenue deviation was the adoption of medium-term approach to revenue and fiscal forecasting by the selected countries. This presupposes that there is the need to provide for revenue forecast into the immediate future years (3 years to 5 years) while setting the annual fiscal year targets in order to meet the medium-term revenue targets.

2.3.7.2 Ability to make Projections on Hard-to-forecast items

Hard-to-forecast items are those items that are very difficult by their very nature to accurately estimate their rate of occurrence and the ability to quantify in monetary terms in the revenue and expenditure forecasting (Liu & Tan, 2019). These items may include grants, sale of goods, property fines and many others. Georgia in 2018 recorded deviations in revenue outturn exceeding 5 per cent and this was mostly due to hard-to-forecast items in the budget. Although these items cannot be fully or accurately forecasted or quantified, a country's ability to make projections for these items will go a long way to improve upon the reliability of the budget.

2.3.7.3 Operationalization of Treasury Single Accounts (TSA)

Treasury Single Account (TSA) is a unified structure of government bank accounts that involves a top account usually at the central bank through which government transacts all

its receipts and payments and gets a consolidated view of cash position (Sailendra & Israel 2011, as quoted by OLaniyi, 2020) . The operationalization of the Single Treasury Account also serves as a check to ensure accountability in public sector financial management. The operation of TSA in most of the countries also accounted for the excellent performance in the revenue outturn of the budget (PEFA, 2021).

2.3.7.4 Over-dependence on Donor Support

Foreign aid in budget financing represents a significant amount of the total budget funding in Sub-Saharan Africa (Jena & Sethi, 2020). The 2018 report of Afghanistan indicated an improvement in its institutional and regulatory mechanisms as well as an improved fiscal discipline but still have not been able to improve upon the reliability of its budget as a result of the overdependence on donor support in funding its budget. About 30% of the budgets of African countries are financed by external aid. These include funding of operational and developmental budgets (PEFA, 2021). Delays in the disbursement of donor support funds to the beneficiaries greatly distorts the execution of the budgets of the receiving countries. This undermines the reliability of the budget of these countries. Aid or donor support is not a bad thing for development. However, the overdependence on aid that characterizes African countries is undermining the quality of budget and development in Africa.

2.3.7.5 Unreliability of Data

Again, there exists a general weakness in the data that informs policy decision. Data reliability is paramount to macroeconomic stability in the budget preparation and implementation process and as such, data (information) is key in informing policy decisions for macroeconomic stability (Allen et al., 2017). A problem that is common to

most of the countries analyzed. The unreliability of data tends to undermine the quality of policy decisions among most African countries which are accounting for the low budget reliability in Africa (Nwaorgu & Alozie, 2017). This is partly due to inadequate investment in Information Technology and the human resource capacities responsible for the management of data on public finances. Lesotho for instance still uses manual entry of budget figures into the IFMIS. There is therefore the need to investigate and inform a reliable revenue and expenditure forecasting and the necessary measures to be taken to ensure the usage of quality and reliable data for policy decision making. The good news is that most of these countries are taking steps to invest in modern IT infrastructures to ensure data quality.

In conclusion, this chapter have discussed relevant studies, reports, and assessment of countries on the performance of PFM activities and how these activities have contributed to the reliability and unreliability of budget in Ghana, African and the world at large. It also discussed the theories underpinning the study and how these theories are applied to help ascertain the various challenges of ensuring budget reliability in Ghana.

2.8 Chapter Conclusion

Overall, these studies have provided reasonably consistent evidence of the various dynamics of budget reliability. However, these analyses have not established any consideration for the political dynamics that influences the allocation of resources. The proponents of the PS theory argue that the distribution of holding power largely influences the distribution of benefits. Using this analogy, this study will expand the discussion to examine these political dynamics and their impact on budget reliability.

CHAPTER THREE

RESEARCH METHODOLOGY

3.0 Introduction

This chapter presents how the research was carried out. The chapter discussed the research paradigm, research approach, and research design. The chapter also focused on the methods of data collection, study area, target population, sample size, sample techniques, data analysis, ethical consideration, challenges of the study, and the limitations of the study.

3.1 Research Paradigm

Every research is underpinned by some philosophical assumptions about the construction of the world. The extent to which the values, beliefs, thoughts and worldview of a researcher about a phenomenon influences the researcher's approach to the study is what is described as a research paradigm (Soraya et al., 2019). Paradigm as defined by Kuhn (2012: 175) is "the entire constellation of beliefs, values, techniques, and so on shared by members of a given community". The research paradigm then defines how to extract knowledge from the world, the type of questions to ask and the methodologies to use in finding answers to issues under study.

The research paradigm that underpins this study is the interpretivist perspective. This assumes the existence of multiple reality. This same view has been shared by Soraya et al. (2019). It involves the use of observations, interviews, focus groups, etc. to collect the views of participants on the issue under study. This helps the researcher to understand the subjective views and meanings that people give to the phenomenon under study

(Antwi & Kasim, 2015). Even though there are some general technical issues associated with budget unreliability that is common to countries, it is the view of the interpretivists that there are contextual issues that will affect the reliability of the budget. It is for this understanding that the choice of interpretivist paradigm aligns with the objectives of this study. The benefit of this paradigm for the study is that it allows a deeper insight into the subjective views of participants about the causes of budget unreliability. It is adopted to capture the complexities of the causes of budget unreliability in Ghana.

3.2 Research Approach

The choice of method of a study is a key determinant of the validity, trustworthiness, credibility, dependability, confirmability, and transferability of the results of a study (Johnson et al., 2020; Rose & Johnson, 2020). Underpinned by the interpretivist perspective of understanding the world, a mixed method research approach is adopted by this study. Unlike the quantitative method research approach, qualitative research approach focuses on making meanings of a phenomenon in a given context. Monique, Inge, & Ajay, (2020) emphasized the distinctive feature of qualitative research as allowing issues to be identified from the participants' perspective to draw meanings and interpretations of a phenomenon under study.

The decision to use the mixed method approach was based on the fact that it offers an inductive nature that draws insight and explore meanings of the phenomenon of budget reliability (Mohajan, 2018). This gives the researcher an opportunity to be part of the study to conduct interviews and evaluate existing documents and reports to ascertain the participant's view about the issue of budget reliability (Antwi & Kasim, 2015). This makes the choice of a mixed method approach the ideal method to gain an in-depth

understanding of causes of budget reliability in Ghana from the perspectives of public sector institutions. A semi-structured interview guide was developed to ascertain from the perspective of some key budget officers and directors within the public sector in Ghana on the causes of poor budget reliability.

3.3 Research Design

As a strategy to investigate the issues under study to effectively address the research problem identified, the research design covers the overall components of the study (Jardim et al., 2021). That is, the research design entails the questions to ask, the type of data to collect, how data is obtained and how meanings are drawn from the data. The research design establishes data in a social setting that employs multiple enquiry systems and techniques (Charu, 2021). This study adopted an explanatory research design to gain insights and deeper understanding about the causes of poor budget reliability in public sector institutions in Ghana.

3.4 Methods of Data Collection

This section discusses the various methods of data collection instruments adopted by the study. It further focused on the on the two sources of data (primary and secondary) employed by the study. The section concluded by discussing the various processes by which the data was collected, and the various challenges encountered during the data collection period.

3.4.1. Primary Data Research Instrument and Procedure: Interviews

One of the most commonly used instruments in qualitative research is interviews (Charu, 2021). Interviews can be conducted through a face-to-face/in-person approach, phone

calls, online channels and other approaches that does not have tendency to undermine the validity and credibility of the data. For the purpose of this study, the face-to-face in-depth interview approach was adopted.

A well-designed interview guide was designed. This interview guide adopted open-ended questions, and field notes to obtain the respondent's honest opinion about the causes of budget deviations in Ghana. The interviews aided the researcher to collect the primary data from the various ministries selected. This primary data was collected to compliment the secondary data to be able to examine the broader contextual and institutional challenges of ensuring budget reliability in Ghana.

3.4.2 Primary Data Collection Approach

In all, it took the researcher three months to collect the primary data for this study. The data collection exercise begun in May 2021 and ended in August 2021. Prior to conducting the interviews for this study, an introductory letter and an ethical clearance was obtained from the department of Public Administration and Health Service Management of the University of Ghana Business School to the various participating ministries in May 2021.

After the submission of the letters to ministries, regular follow-ups were made on weekly basis until final approvals were given for the interviews to be collected. All interviews were conducted using face-to-face approach at locations convenient to the participants except for the Ministry of Local Government and Rural Development where the respondent proposed that the interview be completed on the phone because there was an

emergency call during the face-to-face section. However, this does not affect the validity of the interview conducted.

3.4.4 Ethical Consideration and COVID-19 Protocols

There are ethical codes and conducts that guide every discipline in a scientific study. Monique, Inge, & Ajay, (2020) emphasized that because qualitative research focuses on studying a phenomenon in the natural setting of the participants on their beliefs and experiences, it is more important that participants are provided with complete information that does not violate their rights.

This study has complied with all the ethical codes of the University of Ghana. The interview guide developed was thoroughly reviewed by the supervisors and authorities. Approval was sought from the Chief Directors of all the selected ministries before the selection of the participants with requisite knowledge on budgeting and public financial management. The consents of the participants were given, and participation was totally voluntary. As a result of the COVID-19 pandemic in Ghana and across the globe, all the COVID-19 protocols were duly followed by the researcher. However, the presence of the COVID-19 pandemic restrictions though poses some challenges, these challenges did not affect the data collection, data credibility and data validity of the study.

3.5 Selection of Ministries

This section discusses how the entities were selected for the primary data collection. To identify institutions suitable for the study, eligibility criteria was established. Some ministries and the supervisory institution (Office of the Head of Civil Service) were selected for interviews based on the average deviations obtained during the two-year

period (i.e., deviations for 2018 and 2019). Based on this criteria, twelve ministries were selected. Four ministries with the worst (negative) average budget deviations, four ministries with a high positive average budget deviation, and the best ministries with their deviations close to zero were selected for the study. Where it became reasonably impossible to get approval from a particular Ministry, the immediate Ministry that meets the selection criteria was selected as replacement. Table 6 presents the ministries that were selected for the primary data collection.

Table 6: Selected Ministries for Interviews

INSTITUTIONS		Average Deviation (2018 & 2019) in Percentage
Ministries with High Positive Deviations		
1	Ministry of Transport	565.82
2	Ministry of Works and Housing	46.11
3	Ministry of Parliamentary Affairs	35.28
4	Ministry of Finance	16.05
Ministries with deviations relatively closer to zero		
5	Ministry of Local Government and Rural Development	11.70
6	Ministry of Justice and Attorney General's Department	5.96
7	Ministry of Foreign Affairs and Regional Integration	0.70
8	Ministry of Food and Agriculture	-7.81
Ministries High Negative Deviations		
9	Ministry of Lands and Natural Resources	-29.32

10	Ministry of Fisheries and Aquaculture Development	-44.34
11	Ministry of Employment and Labour Relations	-46.12
Supervisory Institution		
12	Office of the Head of Civil Service	21.41

Source: Author's findings based on Budget performance reports by Ministry of Finance

Some of the Ministries though have met the criteria for selection have not been selected. The reason being that they have been either restructured or dissolved by the President in 2021.

3.6 Demographics of Respondents

Following the approval from the selected ministries, respondents with the requisite knowledge of budgeting and public financial management were selected to help the researcher to understand the causes of budget unreliability in Ghana. Table 7 provide details of the respondents engaged for the collection of the primary data for this study.

Table 7: List of Respondents

Institutions	Role	Gender	No. of Years	Highest Level of Education and Degree Programme
Ministry of Parliamentary Affairs	Head of Finance	Male	4	MBA Finance
Ministry of Finance	Head of Budget Development and Reforms	Male	7	PhD.
Ministry of Finance	Macro Fiscal Policy	Male	5	MPhil Economics

	Unit			
Ministry of Finance	Deputy Head of Budget Development	Male	10	MSc Development Economics
Ministry of Transport	Head of Budget Unit	Male	11	MA Urban Transportation
Office of the Head of Civil Service	Head of Finance and Budget	Male	5	Masters in Economic Policy Management
Ministry of Foreign Affairs	Director of PPBME	Male	10	MBA Finance
Ministry of Lands and Natural Resources	Director of PPBME	Male	5	MSc. Development Finance
Ministry of Local Government and Rural Development	Director of Budget Unit	Female	8	Master in Public Administration
Ministry of Food and Agriculture	Director of PPBME	Female	11	MSc. Development Finance
Office of Attorney General and Ministry of Justice	Head of Budget	Male	9	BA. Integrated Development Studies
Ministry of Works and Housing	Head of Finance and Budget	Male	11	Masters in Development Policy
Ministry of Fisheries and Aquaculture Development	Deputy Director of Budget	Male	7	Post-Graduate Diploma Occupational Safety, Post-Graduate Certificate in Public Administration

Ministry of Parliamentary Affairs	Internal Audit Unit	Male	8	MBA Finance
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In all, fourteen respondents were interviewed. The respondents could have been more but the researcher experienced data saturation during the data collection for which reason this sample size will not affect the validity of the data.

Out of the fourteen respondents, 12 were male representing 85.71% and 2 were female which also represents 14.3%. Except for one respondent, all respondents had a post-graduate education either at the post-graduate diploma level, master's level, and the PhD level. The minimum working experience in the selected ministries of the respondents was four years with a maximum being 11 years. This demonstrates their level expertise in the area of budgeting and public financial management.

3.7 Sample Size and Sampling Technique

As described by Rahi (2017) sampling technique is the process of selecting a segment of the population for investigation. The two main general sampling methods include probability sampling or non-probability. Probability sampling is the type of sampling where each individual has an equal chance (Etikan, 2017). Because qualitative research focuses on making sense of a given phenomenon or issue in the specific context and natural environment with a target group, sampling has to be done in a purposive manner to carefully select from the target group for the study (Johnson et al., 2020). For this study, purposive sampling has been adopted. As often used in qualitative research, purposive sampling involves the selection of the participants of the study intentionally to ensure that the right responses are provided to ensure validity and reliability of the results (Turale, 2020). The study adopted a purposeful sampling to obtain information

from participants with the requisite knowledge in the budgeting process in the various Ministries in Ghana.

3.8 Secondary Data

The study also relied on secondary data from the assessment reports of the Public Expenditure and Financial Accountability (PEFA), Consolidated MDAs Annual Budget Performance reports by the Ministry of Finance, legal and regulatory documents relating to public finance and expenditure management and scholarly publications.

3.9 Unit of Analysis

Unit of analysis is central to any scientific investigation. The unit of analysis determines the object of the study and it serves as a reflection of the theoretical premise under which the study evolves (Jornet & Damşa, 2019). Barquero, Bosch, & Gascón, (2019) emphasized that the unit of analysis serves as a framework that establishes a relationship of the study. For this study, the unit of analysis is the national budget of Ghana from 2006 -2019.

3.9.1 Type of Qualitative Analysis

The specific type of qualitative analysis adopted by this study is the thematic analysis. This was used to identify the presence of certain themes, concepts, processes to support (Kiger & Varpio, 2020) the theoretical, and conceptual understanding of budgeting and budget deviation in public sector institutions. Also, the adoption of the thematic analysis will help support the use of the PS theory and the principal-agent theory as well as the budget reliability cycle by PEFA

3.10 Study Area

The study area in a study focuses on the location that has a considerable influence on the outcome of the study (Malaitham et al., 2020). The focus of this study is on the public sector organizations in Ghana.

3.11 Target Population

Research population refers to a group of people in each jurisdiction that a researcher is interested in to understand the issue under study. The issue of budget reliability is largely an issue of public sector concern. In order to get a deeper understanding of budget unreliability, it is important that respondents that are key stakeholders or actors in the budgeting process are considered. This is the rationale for the selection of the target population for the study. The target population for this study is the Ministries, Departments and Agencies in Ghana.

3.12 Challenges Encountered during Data Collection

Realistically, every study will encounter some level of challenges in arriving at results. This study was no exception as there were some challenges. The most pressing challenge was encountered during the stage of getting approval from the selected institutions. This led to the replacement of some of the ministries. Respondents from the Ministry of Health and Ministry of Education were not interviewed even though they were part of the MDAs that relies largely on government funding. This is because all attempts by the researcher to get approval from these ministries were not successful.

Another challenge has to do with financial constraint. As noted by the researcher earlier, most of the respondents interviewed were selected in Greater Accra Region. This is due

to the financial constraint to travel to other regions of the country. That notwithstanding, it is important to note that Accra is the capital city of Ghana and the seat of government. Accra is where the head office of most of the MDAs are located. This presented an opportunity for the researcher to engaged respondents with immense understanding of budgeting and public financial management. However, noting the challenges encountered in the study, the challenges did not undermine the validity of the study.

3.13 Limitations of the Study

Systematic bias has the tendency to affect the reliability of the results of a study (Prince & Murnan, 2004). The study has encountered a few difficulties in getting data (from primary sources). Significant among them was getting approval from the selected institutions for the data collection. It took about two to three months for the approval to be given from some of the institutions and in some cases, approval was not given.

Similar challenge was encountered with the request to get some budget performance reports from the selected ministries because the ones published for the consumption of the public is limited. This has resulted in the study not covering a longer period for some of the statistics presented. It is important to note that, some of the institutions have met these criteria but have not selected. This is because they are either state security institutions like the Ministry of Defense, Ministry of Interior, and National Security who have some autonomy over budgetary allocations that makes it difficult for public scrutiny. This also applies to institutions that have been dissolved or merged. Despite the challenges encountered, it is the hope that data from the 13 selected entities through in-depth interviews, reports, and other stakeholders will provide the validity and reliability to inform researchers and policy makers on the causes of budget unreliability in Ghana.

3.14 Chapter Conclusion

The chapter has presented how the research was carried out. The chapter discussed the research paradigm, research approach, research design. The chapter also discussed the methods of data collection, study area, target population, sample size, sample techniques, data analysis, ethical consideration, challenges of the study, and the limitations of the study.



CHAPTER FOUR

ANALYSIS AND DISCUSSION OF FINDINGS

4.0 Introduction

This chapter presents and discusses the findings of the study on the causes budget deviations in Ghana. The scope of the discussions is based on the objectives of the study to understand the causes of budget unreliability in Ghana, the activities of the Government and the MDAs, and how budget reliability can be strengthened in Ghana. The discussion is presented under the seven pillars of the PEFA framework 2016. These seven pillars are budget reliability, transparency of public finances, management of assets and liabilities, policy-based strategy and budgeting, predictability and control in budget execution, accounting and reporting, and external scrutiny and audit. The reliability of the budget is dependent on the dynamics of the pillars as presented in Figure 4.

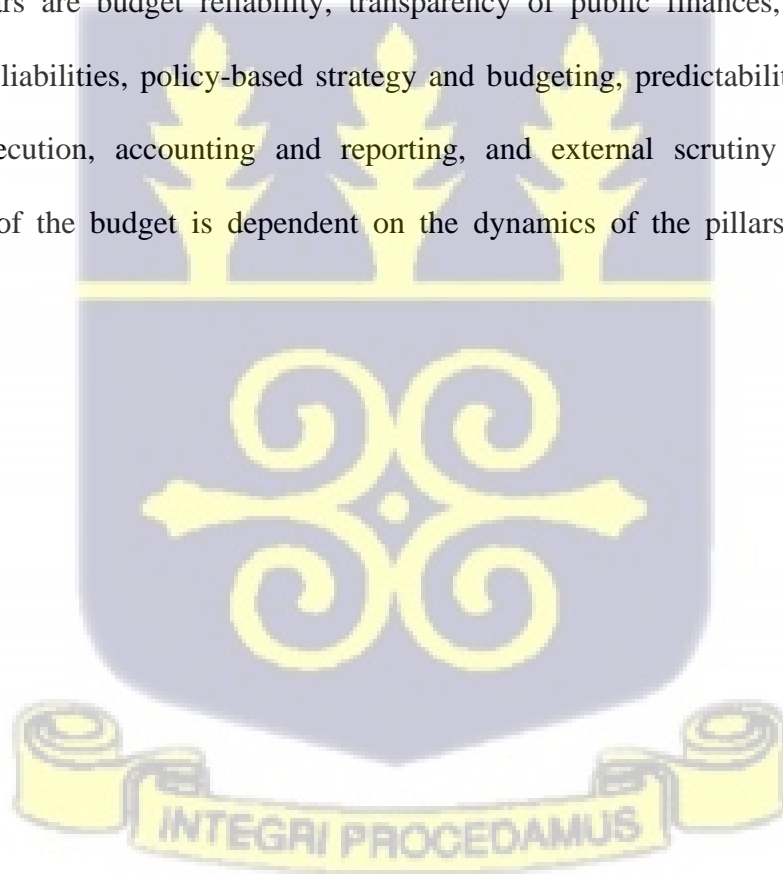


Figure 4: The Seven Pillars of PEFA and the Budget Cycle



Source: PEFA Website, 2021

In order to provide a deeper understanding of the how the political, administrative and economic dynamics affect the reliability of the budget, the findings are presented under the pillars, based on the four objectives of the study. This is to understand how the objective of the study determines the effectiveness of each of the pillars and how the effectiveness of these pillars affect budget reliability in Ghana.

4.1 Budget Reliability

The goal of every PFM reform is to ensure budget reliability and macroeconomic stability (Marundha, 2020; Smoke, 2015). Budget reliability focuses on the extent to which the actual expenditure and revenue items deviate from the original expenditure and revenue items (Dc, 2016). Budget reliability means that the government's budget is

implemented as approved (Dc, 2016). Findings of the study revealed that Ghana still faces the challenge of budget deviations of both positive and negative deviations.

The budget performance report for 50 MDAs for 2018, 2019 and 2020 reveals a negative deviation of 34, 36, and 27 MDAs respectively while positive deviations for the same period were 15, 5, and 18 respectively. This is presented in table 8. Columns marked (*) in table 8 are periods that data is not readily available for.

Table 8: Financial Performance and budgetary out-turns of MDAs in Ghana (2018 - 2020) Fiscal year

Institutions	% Deviation on approved budget		
	2018	2019	2020
ADMINISTRATION SECTOR			
Office of Government Machinery	-3.3	-3.48	-21.27
Office of Head of Civil Service	25.1	17.67	-16.46
Ministry of Planning	-30.6	-34.12	-60.67
Ministry of Business Development	-41.7	-24.39	-3.07
Ministry of Special Development Initiatives	-91.2	-66.46	-32.16
Ministry of Inner-City and Zongo Development	-84.7	-54.82	-16.00
Ministry of Monitoring and Evaluation	-22.7	-32.97	-25.60
Ministry of Regional Re-organization and Development	-30.2	-71.38	-6.42
Parliament of Ghana	-28.6	12.02	15.24
Audit Service	-10.7	-21.53	-17.84
Public Services Commission	-30.9	-31.50	-0.71
Electoral Commission	-56.5	-51.37	*
Ministry of Foreign Affairs and Regional Integration	14.8	-13.42	-13.42
Ministry of Finance	37.7	-5.63	200.02
Ministry of Local Government and Rural	43.1	-19.68	39.82

Development			
Local Government Services	-1.8	*	*
National Media Commission	-24.5	-3.76	17.37
National Development Planning Commission	-17.8	8.17	-17.40
Ministry of Information	-11.3	-29.34	-28.72
Ministry of Parliamentary Affairs	76.7	-6.17	11.66
ECONOMIC SECTOR			
Ministry of Food and Agriculture	-23.1	7.47	25.47
Ministry of Fisheries and Aquaculture Development	-35.0	-53.72	-43.39
Ministry of lands and Natural Resources	-96.3	37.63	-1.48
Ministry of Trade and Industry	-36.3	20.21	-18.64
Ministry of Tourism, Culture and Creative Arts	-22.9	*	18.28
Ministry of Environment, Science, Tech. and Innovation	-18.0	-1.70	-1.04
Ministry of Energy	-21.9	-65.27	-63.74
INFRASTRUCTURE SECTOR			
Ministry of Water Resources and Sanitation	-61.0	-0.80	- 64.72
Ministry of Works and Housing	117.3	-25.12	56.98
Ministry of Roads and Highways	-0.7	-45.55	58.99
Ministry of Communications	13.7	-42.02	21.37
Ministry of Railways Development	21.2	*	62.48
Ministry of Aviation	-44.4	-39.93	-1.08
Ministry of Employment and Labour Relations	-19.5	-72.70	*
Ministry of Transport	1171.3	-39.68	-4.69
SOCIAL SECTOR			
Ministry of Education	22.0	15.52	8.26
Ministry of Youth and Sports	-37.0	-27.60	-2.22
National Commission for Civic Education	-19.2	-1.95	30.29
Ministry of Chieftaincy and Religious Affairs	-17.8	-16.25	23.37

Ministry of Health	8.0	*	-15.48
Ministry of Gender, Children and Social Protection	-10.0	-41.69	6.94
National labour Commission	-50.3	*	-31.26
Public Sector Safety	-	*	*
Ministry of Justice and Attorney General's Department	14.2	-2.27	7.56
Ministry of Defense	10.5	-8.22	69.85
Commission on Human Rights and Administrative Justice	-1.4	*	-3.75
Judicial Service	-40.6	-20.33	-14.16
Ministry of Interior	-4.9	7.56	10.25
Ministry of National Security	55.6	9.44	14.39
Office of the Special Prosecutor	*	-64.97	-78.31

Source: Ministry of Finance

The nature of budget reliability in Ghana continues to be below average despite the numerous investments in PFM reforms over the years that have been discussed in other studies (Abdulai & Mohan, 2019; PEFA, 2021; Smoke, 2015), and in chapter two of this study. Analysis of Ghana's budget process reveals weaknesses in all stages. What stands out in table 8 is the dominance of negative deviations in Ghana.

Some scholars are of the view that, from the principal-agent theory's perspective, if both the agent and the principal effectively discharge their duties and responsibilities in the budgeting process, budget reliability will be achieved at the end of the year (Kenno et al., 2018; Sickles & Lui, 2020). However, from the political settlement's perspective, the nature of the distribution of the holding power is believed to be a key determinant of the distribution of resources and for that matter, the reliability of the budget.

This broadens the discussion on how the nature of holding power, institutional rules, managerial capacity, and income level influences the operationalization of PFM process to ensure budget reliability. Under this pillar, the study focused on the nature distribution of holding power, effectiveness of rules, administrative capacity of MDAs and the level of economic development.

4.1.1 What is the implication of the distribution of holding power among political elites in Ghana on the reliability of the budget?

The first objective of the study aimed at examining how the distribution of holding power in society affects budget unreliability in Ghana. The PS theory alluded to the fact that the nature of power in society determines how power is used in the distribution of resources (Bofin et al., 2020). This is the argument from the political settlement theory's perspective on the distribution of holding power in the budgetary process. It is apparent from the findings of the study that, the nature of holding power determines the distribution of resources in the budgetary process in Ghana. To make this affirmation, the findings are discussed as follows:

4.1.1.1 Influence of Political Power

The fundamental issue identified which affects most other factors is how the distribution of holding power influences the allocations of resources in budgeting process in Ghana. This significant outcome supports some earlier findings of (Abdulai & Mohan, 2019; PEFA, 2021; Smoke, 2015) on the impact of power distribution on budget reliability.

A common view amongst the interviewees on the causes of budget deviation among MDAs in Ghana is the influence of political power. In the budgeting process, political elites tend to allocate resources to areas that will be more beneficial to them at the

expense of other entities. Abdulai & Hickey (2014) alluded to the fact that the nature of holding power shapes the nature of institutional performance and the allocation of resources in the clientelist political settlement system. To support this debate, the study revealed that the challenge of budget reliability in Ghana is the influence of ruling political elites in resource allocation. In resources allocation, the ruling government provides additional resources to these entities even when these resources have not been budgeted for because the entities serve the interest of the ruling elite. This mostly result in budget deviations at the end of the year. These concerns were expressed by some of the respondents that noted that.

Respondent 1

“...because of political interest, you will be given additional resources to do what will be beneficial to them. So, at the end of the year, you will record a huge deviation in your budget because of the political interest.” Respondent from Ministry of Foreign Affairs and Regional Integration, 2021.

Respondent 2

“...political influence in the budget implementation is some of the reasons that largely contributes to budget deviations of the MDAs generally.” Respondent from Ministry of Transport, 2021.

The political influence can contribute to both negative and positive deviations during budget execution (Renzi et al., 2015). A typical case is the reallocation of resources among MDAs to serve the political needs of the government.

Entities responsible for the implementation of the government priority programs mostly seems to benefit from this political influence in reallocating resources across units. A clear example is the case of the Free Senior High School Policy in Ghana. Table 8 is quite revealing in many ways. One of the revelations from table 8 is that, from the data, it is apparent that the Ministry of Education which is the MDA responsible for the implementation of the policy benefited from the allocation of additional resources which resulted in the positive deviations for 2018, 2019, and 2020 of 22%, 15.52% and 8.26% respectively. These findings support the argument by the PS theory and reveal the negative impact of holding power on budget reliability in Ghana.

4.1.1.2 Government Flagship Programs

Further findings revealed that the introduction of government “flagship” programs over the years has been identified to be one of the major factors that contribute greatly to budget deviations in Ghana. Some of these flagship programs of this current administration (NPP Government) included the Free Senior High School Education Policy, Planting for Food and Jobs, NABCO, 1 District 1 Factory Policy and among others. For the purpose of this study, the researcher described Government flagship programs as campaign promises made by political parties prior to the country’s general elections. It can also be new programmes that have been introduced during the budget execution that had not been budgeted for.

This is because ministries implementing the flagship programs are believed to be the ones that will bring the votes to the ruling government at the end of the day. These flagship programs and projects, whether resources are available or not, the Government will ensure that they are funded. Because it was partly due to these promises that the

political parties have been given the mandate to rule. For instance, the free SHS has been the number one campaign message for the NPP government prior to the winning of the general election in 2016.

Because of the quantum of resources in funding this policy since its introduction with its twin flagship program the “school feeding program”, the Ministry of Education recorded positive deviation for three consecutive years in the data presented in table 8.

This resulted in deviations because, either at that time these promises were made, the medium-term fiscal strategy had been developed or the cost analysis were not adequately done so during the execution stage, deviations were recorded. Some of the respondents noted this by saying that:

Respondent 1

“The huge deviation was partly due to the implementation of the Free SHS policy and the NABCO program which were some of the government flagships programs.” Respondent from Ministry of Employment and Labour Relations, 2021.

Respondent 2

“...you know you are dealing with politicians. They go out there and when given political platforms, they tend to make promises. These promises are supposed to be implemented by the MDAs. But at the beginning of the year, when the MDAs are preparing their budgets, they did not factor all these things in the budget. As a result, deviations will arise as a result of the flagship promises by the politicians. So, these are some of the reasons why a ministry may or may not be able to prepare a reliable budget.” Respondent from Ministry of Transport, 2021.

These views surfaced in relation to how the holding power of political elites in society in resource allocation affects the reliability of the MDAs' budget in Ghana.

4.1.1.3 Budget Ceilings

Further analyzing the dynamics of the distribution of holding power in resource allocation. Another key area these dynamics results in budget unreliability is the budget ceilings allocated to MDAs. Ghana is faced with the challenge of inadequate fiscal space with a lot of needs where it is difficult to make priorities among equally demanding issues. When that happens, it becomes difficult to make choices among alternatives.

Using the Ministry of Food and Agriculture as an example, the issue of fall army management, fertilizer, and seedlings are of equal importance to ensure yield. If farmers are not given subsidized seedlings and fertilizers, they cannot produce to increase yield, in the same way, if projections are not made to deal with the diseases that may affect the crop, that will equally have an impact on yield. There is the need therefore to cater for both. But resources are limited. During the budget execution, if some of these issues arise, Ministry of Food and Agriculture will request for additional resources to cater for these needs.

The researcher further engaged the Ministry of Finance to ascertain whether indeed they are aware of the inadequate budget ceilings that are given to the MDAs. The response was that MoF is aware but the challenge they also face is the issue of the inadequate fiscal space. A respondent from the Ministry of Finance noted this by saying that:

“Yes, that is correct. For instance, if we allocate let's say 50million for the Ministry of Interior as their budget, we know that sometimes the allocation is not adequate. But their allocations are based on the revenue projections. The

inability to meet the requests of the MDAs is due to the limited fiscal space of the country and the political interest of the government.” Respondent from Ministry of Finance’s Response, 2021.

The researcher in an attempt to understand what considerations go into the determination of the budget ceilings for MDAs and how the political interest of the government is considered identified that, the key determinant is the government priorities of the day. This supports the argument of the holding power analysis (Kelsall, 2018) that people with holding power will allocate resources to MDAs that will serve their interest. What it means is that entities responsible to carry out government priority programs are likely to receive more resources at the expense of other entities.

The second key determinant is MDAs providing key services in society. These entities include Ministry of Interior, Ministry of Health, Ministry of Education, and many others. Ghana holds membership in some international organizations that require subscription payments, and these are also considered. It is after all these considerations that the MDAs’ basics are considered. Every MDA requires some resources to operate. This includes compensation. Every MDA is supposed to be paid compensation. Finally, the goods and services and the capital expenditure are considered. This in conclusion are the various considerations that determine the ceilings that are given to MDAs.

The inadequacy in the budget ceilings to MDAs is where the budget deviations arise at the end of the year. A respondent from the Ministry of Lands and Mineral Resources revealed this by saying:

“The number one is the budget ceilings that we get. A whole ministry like the Ministry of Lands and Mineral Resources with about 5 or 6 major sub-sectors and you give us 5million for goods and service and you want to achieve a turnaround time of 30 days for land title registration. How is that even going to be possible?” Respondent from Ministry of Land and Mineral Resources, 2021.

Its impact on budget reliability is that if MDAs are not allocated resources that they needed, request for additional resources during the budget execution results in deviations at the end of the year.

4.1.2 Impacts of Formal Rules of Budgeting on Budget Reliability in Ghana

The nature of power in society determines how power is used in shaping how institutions work. The same applies to the distribution of resources. The PS theory focuses on how the distribution of holding power determines the institutions (rules) that will emerge to a particular “transaction” (where transaction here includes budgetary and the nature of distribution of benefits among actors). This establishes the interdependence of power and institutions in society

4.1.3 Impacts of Administrative Capacity of MDAs in the Budgeting Process on Budget Reliability in Ghana

Some studies have argued that the argument on the reliability of budgets cannot be conclusive if the political systems or context within which these activities take place is not adequately considered (Abdulai & Mohan, 2019; Appiah & Abdulai, 2017; Kelsall, 2018). In the same vein, the issue of budget unreliability cannot also be the solely attributed to political dynamics in society. It is for this reason that the study also adopted

the objective to examine how the administrative capacity of the MDAs affect the reliability of the budget. Surprisingly, findings from the study revealed that indeed, the administrative capacity of MDAs have some effect on the reliability of the budget. These findings are the discussions that follows:

4.1.3.1 Inadequate Expertise in the Budgeting Process

Critically, the skills and expertise needed in the budgeting process cannot be overemphasized (ElBerry & Goeminne, 2020). Findings of the study revealed that some employees of the MDAs do not adequately possess the needed skills for budgeting. Some of the MDAs do not have budget officers so it was observed that officials without backgrounds in Economics, Accounting, Finance, Policy planning, Audit, and related fields are the ones charged with the responsibility of preparing the budget of the MDAs. One of the respondents revealed this by saying that:

“Some of the MDAs do not even have budget officers, people with Geological Survey backgrounds are the ones in charge of budget preparation and these people see this as an additional responsibility so they won’t take their time to go through the budget preparation well. They will just put anything there in the name of budget.” Respondent from Ministry of Lands and Mineral Resources, 2021.

Also, the budget preparation process appears not to be given the needed attention as may be required. Concerns regarding this issue were more widespread on the fact that they are not given adequate time for the preparation of the budget. This raises concern on how some of the MDAs arrive at the costing of expenditure items. Sometimes the way MDAs arrive at cost of items for budgeting is problematic. There are no laid down procedures to

guide MDAs on how they cost their activities before they are included in the budget. The implication of this on budget reliability is that because expenditure items are not correctly priced and revenue projections are not adequately projected, it results in deviations in the budget outturn at the end of the year.

4.1.3.2 Lack of Credible Data for Budget Projections

The reliability of the budget depends on the data used for making revenue and expenditure projections (Allen et al., 2017; Nwaorgu & Alozie, 2017). The extent to which the actual reflects the projections of the budget is dependent on the reliability of the data used in budget projections (Addison, 2013a; Kioko et al., 2011). Findings from the study suggest that the lack of credible data for budget projections make it a difficult for the actual revenue and expenditure figures to reflect the approved. An example is the expenditure projections for fuel prices in the MDAs budgeting in Ghana. The ministry of Finance raised several concerns on the fact that these projections sometimes make it difficult to achieve a reliable budget.

There are certain recurrent expenditure items that are difficult to estimate. For instance, if MDAs make projections for 200million worth of fuel for the year, it is important to access the reliability of data used for the estimates. But because MDAs do not usually rely on a reliable data, it mostly results in budget overruns of these entities. Similar situations occur across most expenditure items including payments of compensation. This is largely attributed to weak record management on the part of the MDAs. Some respondents revealed this by saying that:

Respondent 1

“The challenge is how to get credible and consistent data. Issues of poor records management also contributes the unreliability of data for budgeting in the ministries. Data credibility generally is a challenge for the civil service in Ghana.” Respondent from Office of the Head of Civil Service, 2021.

Respondent 2

“let’s take fuel for instance, how do you determine that when I give you 200million, this is how much it is going to cost you? So those things become difficult to estimate.” Respondent from Ministry of Finance, 2021.

The Ministry of Finance also does not have the capacity as a ministry to vet how MDAs arrive at the projections in the budget. But because they are unable to do due diligence on MDAs arrive at projections in the budget, it results in budget deviations at the end of the year.

4.1.3.3 Recruitment, Promotion and Ex-Gratia Payments

Another important area where the administrative capacity of MDAs affects the reliability of the budget is the recruitment, promotion, and ex-gratia payments. Ghana has a “ritual” of always having a backlog of employees due for promotion without a clear timeline for these promotions to be done. This mostly results in agitations from the affected persons over the years. It is important to note that promotion comes with a cost because it results in a pay rise and promotional allowances. Findings revealed that, most of these activities are either not budgeted for at all or they have been budgeted for inadequately. When that happens in a particular year, it brings about deviations in the budget outturn of the given year.

On the issue of recruitment, the Government as and when he deems it necessary to recruit, new employees are recruited whether provisions were made in the budget or not. This is because of the nature of power they possess in society. This also contributes to deviations in the budget at the end of the year. A typical scenario is the introduction of the Promotion linked Training Program by the Office of the Head of Civil Service (OHCS) to deal with the challenges associated with promotional issues within the public sector in Ghana. From the data in table 8, it is evidence that this has contributed to the positive deviations in the budget of the OHSC in 2018 and 2019 of 25.1% and 17.67% respectively.

On recruitment, the OHCS also began the implementation of the graduate entry recruitment program in 2017. A program design to recruit graduates into the public service. As part of the selection process, it is required that graduates write examinations which they are made to pay for. This brings in additional revenue to the MDAs that has increased the revenue of the OHCS. The challenge is that OHCS is unable to factor this in the revenue projections at the beginning of the year because the application period ends in January, and at that time the budget had already been approved. This makes it difficult for the OHCS to fully make the revenue projections. These findings account for the deviations that arise from the recruitment and promotional factors among MDAs. When respondents were asked about this, some of them confirmed this by noting that:

Respondent 1

“Our deviations have been a result of recruitment and promotion issues. The introduction of the Promotion linked Training Programme (PLTP) came as an additional fund and this created a difference in the mainline budget. In the same vein, in 2019 because of the PLTP program, there was an unplanned increase in

compensation budget because of the promotion of staffs.” Respondent from Office of the Head of Civil Service, 2021.

Respondent 2

“The increase in 2018 was mainly due to the payment of compensations. This is as a result of the promotional increment that comes with a pay rise. When that happens, in that given year, our expenditure is likely to be more than what has been budgeted for.” Respondent from Ministry of Justice and Attorney General Department, 2021.

On "ex-gratia" payments, the findings revealed it is due to lack of planning on the part of the MDAs. Ex-gratia is a payment from the government to some Article 71 public office holders in Ghana (These include Parliamentarians, MMDCEs, Ministers of States, and other officeholders). These payments are usually made every four years after the country goes through its general polls. Finding reveals that these monies are usually not fully captured in the budget and usually involve huge sums of money. Interaction with one of the Director of the Ministry of Local Government and Rural Development attributed the deviations in the budget in 2018 partly to the payment of ex-gratia to MMDCEs that was not originally budgeted for. This has contributed to the huge positive deviation in the budget of the Ministry of Local Government and Rural Development of 43.1% and 39.82% in 2018 and 2020 respectively (See table 8).

4.1.3.4 Lack of Budget for Contingency Expenditure

Contingency items are unexpected events or unforeseen occurrences that arise during budget execution (Oduro Asamoah et al., 2021; Phaup & Kirschner, 2010). These may include natural disasters, economic shocks, or a pandemic. In budgeting, it is a prudent

approach that resources are set aside to cater for contingencies. Notwithstanding the significance of the provisions for contingency funds, PEFA (2018) admonished that the provisions are not set so high that it may affect the reliability of the budget at the end of the year.

Findings of study revealed that MDAs do not make provisions for contingencies. This was attributed to the inadequate budgetary allocations that are allocated to the MDAs for which reason it is difficult to make provision for contingencies during the budget preparation. The researcher in an attempt to understand how contingency expenditures are managed identified that the Ministry of Finance makes consolidated provision for contingency funds during the budgeting process. MDAs that face a challenge of unexpected events apply for these allocations. Some of the respondents noted this by saying that:

Respondent 1

“Contingencies are usually not captured at the ministry level but at the Ministry of Finance. So, if there is an emergency and you need funding then you must apply for a certificate of emergency at the Ministry of Finance.” Respondent from Ministry of Works and Housing, 2021.

Respondent 2

“In the ministry’s budgeting, we do not budget for contingencies. So, in the course of the implementation when there is a change, the government itself will have to come in and bail out in order to execute the policy.” Respondent from Ministry of Transport, 2021.

To further understand this, the researcher engaged the Ministry of Finance to identify measures that are put in place to cater for contingencies. It was revealed that Section 36 of the PFM Act 2016 provides for a contingency vault where some funds are set aside to cater for contingencies. Section 36 says:

“(1) There shall be paid into the Contingency Fund moneys voted for the purpose by Parliament; and advances may be made from the Contingency Fund which are authorized by the Committee responsible for financial matters in Parliament whenever the Committee is satisfied that there has arisen an urgent or unforeseen need for expenditure for which no other provision exists to meet the need.” (PFM Act, 2016)

Section 30 of the PFM Regulations specifies that the amount to be charged to the contingency fund as provided for in the PFM Act shall not exceed 2 percent of the total expenditure for the fiscal year (PFM-Regulations, 2019). However, this provision failed to address whether the consolidated percentage given will be adequate to cater for contingencies of all MDAs. Because the determination of contingency items will be best identified at the individual MDA’s level.

It is important to understand how these contingency expenditure items affect the reliability of the budget. Findings revealed that although Ministry of Finance makes provisions for contingencies that MDAs can apply for, these provisions are usually not adequate to cater for contingency expenditure items that occur during budget execution for which reason these deviations contribute to budget unreliability in Ghana. An example is the case of fall army worm outbreak in 2018 that contributed to budget deviation of the Ministry of Food and Agriculture. From the administrative capacity

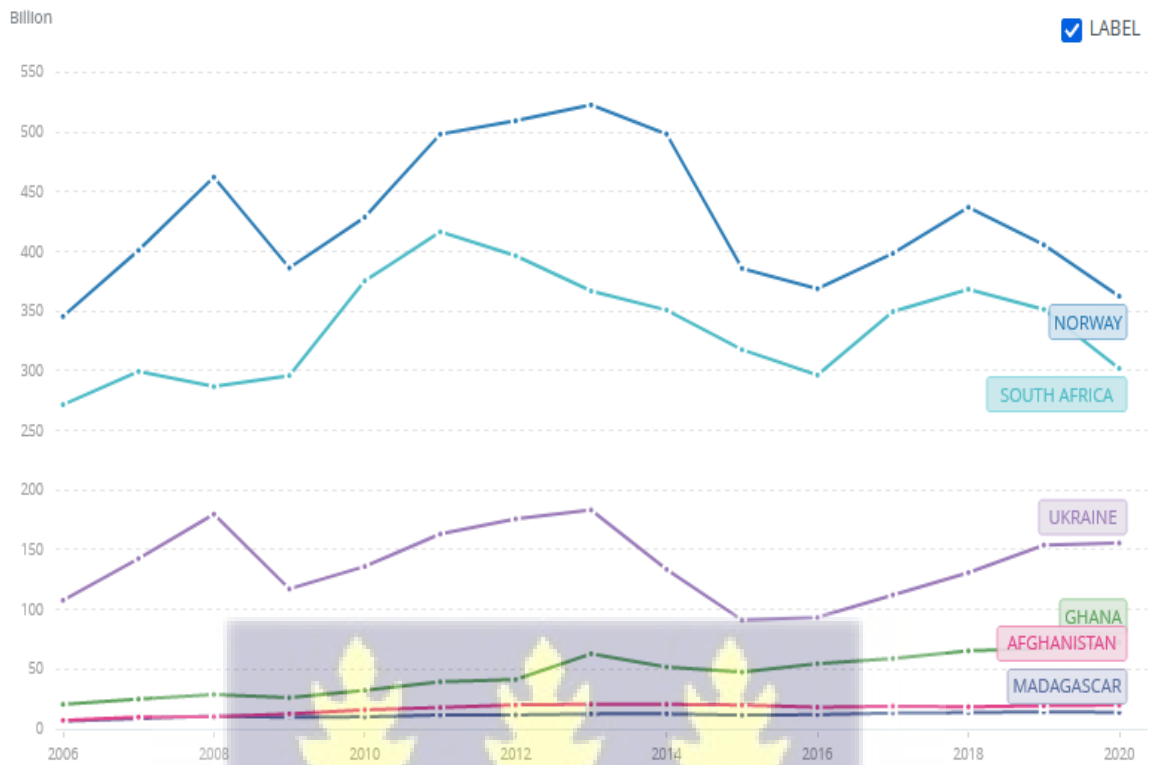
angle, these findings have revealed its effects on the reliability of the MDAs budget in Ghana.

4.1.4 Impacts of the Level of Economic Development on Budget Reliability in Ghana

The concept of “holding power” can be partly a consequence of income and wealth (Abdulai & Hickey, 2014). The more resources one has in a society, the more powerful the individual or group of individuals become in society and the more powerful you are in society, the higher your influence over resource allocation. Findings of the study suggests that the income level of a country to a larger extent determines the reliability of the budget. This is presented in figure 5 and table 9. Figure 5 presents the GDP of the selected countries and table 9 presents the budget reliability scores for the selected countries.



Figure 5: GDP of Some Selected Countries in US Dollars (2006-2020)



Source: World Bank Data



Table 9: List of Selected Countries with high and low Budget Reliability Scores

Selected Countries with High Budget Reliability Scores				
Country	Year	PI-1	PI-2	PI-3
Norway	2008	A	A	A
Ukraine	2019	A	B ⁺	B ⁺
South Africa	2014	A	A	A
Selected Countries with Low Budget Reliability Scores				
Ghana	2018	D*	D+	D+
	2013	C	D+	C
	2010	C	C	B
Afghanistan	2018	D	D+	D
	2013	C	D+	C
	2008	D	D	A
Madagascar	2018	D	D+	D

Source: PEFA assessment Reports

The reliability of the budget is affected to some extent by the income level of the country. A country with a better economic outlook is more likely to be in position to guarantee the reliability of the budget compared to a country with little economic prospects. This is because, the more resources available to a country eliminates the challenges of overdependency on aid, debt, and donor sources for budget funding.

From figure 5, it can be seen that by far, countries with higher GDP (Norway, South Africa, and Norway) also recorded higher scores in budget reliability as presented in table 9 as compared to countries with a lower GDP (Ghana, Afghanistan, and Madagascar). However, with a small sample size, caution must be applied as the finding may not be generalizable to a broader range of countries.

4.1.4.1 Poor Revenue Base and Projections

The successful implementation of the budget largely depends on the availability of resources for budget funding (Addison, 2013b; PEFA, 2021; Prasetio Adi et al., 2020). The revenue generating capacity of Ghana is inadequate for budget expenditure funding. This has compelled the government to introduce reforms towards increasing the revenue base of the country. Notable among such policies is the introduction of the Value Added Tax (VAT) which is contributing significantly to the revenue generation capacity of the country. That notwithstanding, the country continues to face the challenge of limited resource base for budget funding. Revenue collection is largely from the formal sector of the economy which calls for the need to broaden the revenue base of the country.

On the issue of revenue projections, most of the MDAs depend mostly on the Internally Generated Funds (IGF) and these are based on revenue projections. The inability to adequately make projections for these revenue items result in variations in the budget. This has been the case for most MDAs as identified by the study. These findings confirm that budget unreliability is associated with revenue shortfalls as argued by Addison, (2013b). This have been the major factors that have contributed to the deviations in these years. Some respondents noted this by saying:

Respondent 1

“We also make provisions for IGF for our agencies (DVLA and the National Road safety Commission). And sometimes, we are unable to meet those projections and that invariably affects our expenditure because once the revenue does not come in, you cannot spend.” Respondent from Ministry of Transport, 2021.

Respondent 2

“Another contributing factor is the IGF. Most of our budget is dependent on the IGF. For instance, the GoG funding that we get, it is about 3 percent of the total budget funding. The IGF is what we depend on mostly. So not meeting these targets result in deviations.” Respondent from Ministry of Fisheries and Aquaculture Development, 2021.

These findings suggest that the challenge over the years has been the issue of revenue shortfalls. The government together with MDAs projects the revenue that is to be collected for the fiscal year. It is based on the approved revenues projections that expenditure projections are also made. However, MDAs are usually not able to mobilize what has been approved which mostly affects the execution of the budget.

4.2 Policy-based Fiscal Strategy and Budgeting

Under the policy-based fiscal strategy and budgeting, the study focused on the budget preparation processes, the medium-term perspective in expenditure budgeting, fiscal strategy, and the macroeconomic and fiscal forecasting.

4.2.1 Implications of the Distribution of Holding Power among Political Elites in Ghana on the Effectiveness of the Budgeting Process in Ghana

The nature of holding power among political elites in Ghana can be examined in the budget process to ascertain the distribution of benefits among MDAs. The question one will ask however is who determines how much an MDA gets in the allocation of resources. Can one say that some MDAs are more powerful than others when it comes to the distribution of resources? Or the distribution of holding power among political elites

determines who gets what and how? The answer as presented by the findings of this study is yes to the later.

The PFM Act of 2016 establishes the foundation for the budget preparation process. Ghana's budgeting system is based on a medium-term perspective where fiscal projections are made to cover a three-year period with annual budget allocations based on the medium-term policy development framework (Allen et al., 2017; Andrews, 2010). The first step in the MDAs budget preparation process is the issuance of the budget preparation guideline by the Ministry of Finance.

The Ministry of Finance is responsible for the budget preparation on behalf of the government of Ghana (PFM-Regulations, 2019; 1992 Constitution of Ghana, 1992; PFM Act, 2016). As can be seen from sub-section (1) & (2) of the section 15 of the PFM Act 2016, it states that:

“The Minister shall, not later than the end of May of each financial year, prepare and submit to Cabinet for approval, a fiscal strategy document. The fiscal strategy document shall specify the Medium-Term Fiscal Framework of the government with measurable fiscal objectives and targets to guide short and medium-term fiscal planning for the ensuing three to five-year period, consistent with the fiscal principles and fiscal policy objectives of Government.”

Although the budget is prepared by the Ministry of Finance with inputs from the various MDAs, the approval of these allocations rest on the cabinet. This finding confirms the argument from the political settlement's perspective on how the distribution of holding power determines the distribution of resources. A possible explanation for this is that the finding presents the understanding that cabinet is likely to allocate more resources to

sectors that are more beneficial to them at the expense of others because of the power they possess in the budgeting process.

It is however important to note that the final approval of the budget does not rest with the cabinet. The final approval of the budget is vested in the legislature. Even within the legislature, the approval of the budget is largely influenced by the distribution of holding power among the majority and the minority caucuses in parliament.

Surprisingly, all the ruling governments under the fourth republic (both NDC and NPP) have had their budgets approved by the legislature without any rejection because the ruling governments always get the majority seats in parliament except for the 2020 general elections that witnessed a 50/50 kind of representation in the parliament of Ghana. These intriguing findings can be attributed to how the distribution of holding power by the political elites under the fourth republic influences the votes on the budget approval processes on the floor of parliament. Also, in the approval of the fiscal strategy documents by the cabinet.

4.2.2 Impacts of Formal Rules of Budgeting on Policy-based fiscal strategy and Budgeting in Ghana

Following the findings on how the fiscal strategy of the MDAs are determined, it is equally important to understand how the formal rule of budgeting affects the policy-based fiscal strategy and budgeting in Ghana. This broadens the findings on the second objective of the study. Formal rules in budgeting are explicit rules that guide the budgeting process to ensure fiscal discipline and macroeconomic stability. According to the clientelist political settlement perspective, formal rules exist but are not adequately enforced or adhered to (Abdulai & Mohan, 2019). These legal provisions have given the

Ministry of Finance (MoF) the mandate to prepare and issue the budget preparation guideline to the various MDAs indicating the budget ceilings for the respective MDAs subject to the approval of the Cabinet.

According to the PFM Act, the fiscal strategy document is to be issued by the 30th of June which shall include the fiscal targets, revenue projections, and budget ceilings. Although the law is so clear on the timeline, the MoF sometimes defaults in meeting these timelines. There are significant findings from the study which provides some tentative evidence to confirm this argument. One of the respondents interviewed acknowledged this by stating that:

“...the Ministry of Finance per the PFM Act (2016) will release the budget guideline in June even though at times they default in meeting the timeline.”

Respondent from Ministry of Employment and Labour Relations, 2021.

By far, the rules that guide the budget preparation process appears to be comprehensive in nature guided by the provisions of the law which if duly followed should result in achieving a reliable budget at the end of the year. This is because it appears fiscal strategy documents have been prepared taking note of the macroeconomic and fiscal forecasting with extensive legislative scrutiny of the budgets. However, inasmuch as the MDAs are committed to adhering to the formal rules, the government with a higher holding power still finds ways to introduce new programs not originally captured in the Fiscal Strategy. This supports the argument by Abdulai & Mohan (2019) to demonstrate how the influence of the political elites violates the formal rules of budgeting. This violations in the allocation of resources in society results in the unreliability of the budget of MDAs.

4.2.3 Impacts of Administrative Capacity of the MDAs in the Budgeting Process on Policy-based Fiscal Strategy and Budgeting in Ghana

Although budgeting may appear easy and simple in nature, it requires some level of expertise and insight to be able to develop and implement a reliable budget. Actors within the budgeting cycle needs an understanding of the budget document to ensure the successful execution of the budget. It is with this reasoning that the findings revealed that the Ministry of Finance organize trainings for the various budget officers on the budget guidelines. This is to brief the budget officers on the guideline, to know the roles and the responsibilities of each stakeholder in the preparation process.

After that is done, the MDAs through their respective budget committees headed by the Chief Directors prepares the MDAs budget based on the budget ceilings. One of the respondents noted that:

“...we have a budget committee that is headed by the Chief Director. The committee then meets to discuss the budget and allocate to every agency or department within the Ministry to also prepare their budgets taking into consideration the ceilings given based on the priority of the ministry.”

Respondent from Ministry of Employment and Labour Relations, 2021.

This demonstrates that even within the MDAs’ own allocations, the distribution of the resources is influenced by the nature of holding power that exists within the Ministry. Usually, there exist a call team made up of the Directors and the Heads of Departments that determines the tentative ceilings of the MDAs

After the budgets are prepared at the MDAs level, there is a budget hearing at the Ministry of Finance where all MDAs meet with the MoF to make justifications of their items in the budget and as well account for the previous year’s budget. MDAs also make

justifications if there is the need for the budget ceilings to be adjusted which in most cases is the call for an upward adjustment in the budget ceilings.

After this engagement with the Ministry of Finance, a final budget ceiling will be given to the MDAs which will then be entered in the Hyperion with the preparation of the program-based document. The Hyperion is a feature of the Ghana Integrated Financial Management Information Systems GIFMIS where all approved expenditure items are recorded prior to the execution of the budget. This is to provide a check during budget execution that expenses are paid for only activities that have been approved.

Following the MDAs administrative input in the budget, there is a call-up schedule from the Parliamentary select committee. All MDAs have their respective Parliamentary select committees that they also meet to make justifications of the items they have included in the budget. The justification is based on the policy objectives of the government and the fiscal strategy document.

At this stage, if there are no modifications which rarely is the case because of the nature of power distribution in parliament which always give room for the ruling party to have its way, the minister of Finance will finally present the budget on the floor of parliament to be debated and final approval is given for the budget appropriation and execution to begin.

The findings discussed under the policy-based fiscal strategy and budgeting pillar among MDAs in Ghana have demonstrated the most obvious causes of budget unreliability emerged from the distribution of holding power, violations of formal rules of budgeting by political elites, and the weaknesses in the administrative capacity of the MDAs. Issues relating to the level of economic development were not prominent under this pillar to have contributed to budget unreliability in Ghana.

4.3 Predictability and Control in Budget Execution

Predictability and control in budgeting focuses on the systems of control within MDAs including internal controls to ensure that resources are used for that it has been approved for. Under this pillar, the study discusses findings on the revenue administration, predictability of in-year resource allocation, expenditure arrears, internal audit, and payrolls. These findings have been presented based on the objectives of the study.

4.3.1 Implications of the Distribution of Holding Power among Political Elites in Ghana on Predictability and Control in Budget Execution

The extent to which “the budget is implemented within a system of effective standards, processes, and internal controls, ensuring that resources are obtained and used as intended” is what PEFA describes as predictability and control in budget execution (PEFA, 2021:55).

A number of studies have emphasized the significance of control and predictability in budget execution which is paramount to ensure budget reliability (Adongo & Jagongo, 2013; PEFA Secretariat, 2018; Smoke, 2015). This can be achieved if there exist effective institutions that guarantees the adherence to rules. These control measures are required to be put in place by the government to monitor the activities of the MDAs (Dalton et al., 2007). The question one will ask is whether or not institutions guarantee that the parties (principal and agent) and other stakeholders are committed to ensure control during execution.

Findings from the study have revealed that effective control measures have been put in place to ensure compliance and control by the MDAs in budget execution. Some of the control measures include the introduction of the Ghana Integrated Financial Management

Information Systems (GIFMIS) software in 2010, the Fiscal Responsibility Act 2018, internal audit systems when the MDAs saw the introduction of surcharges and disallowance. The implication of this is that MDAs will behave right during budget execution.

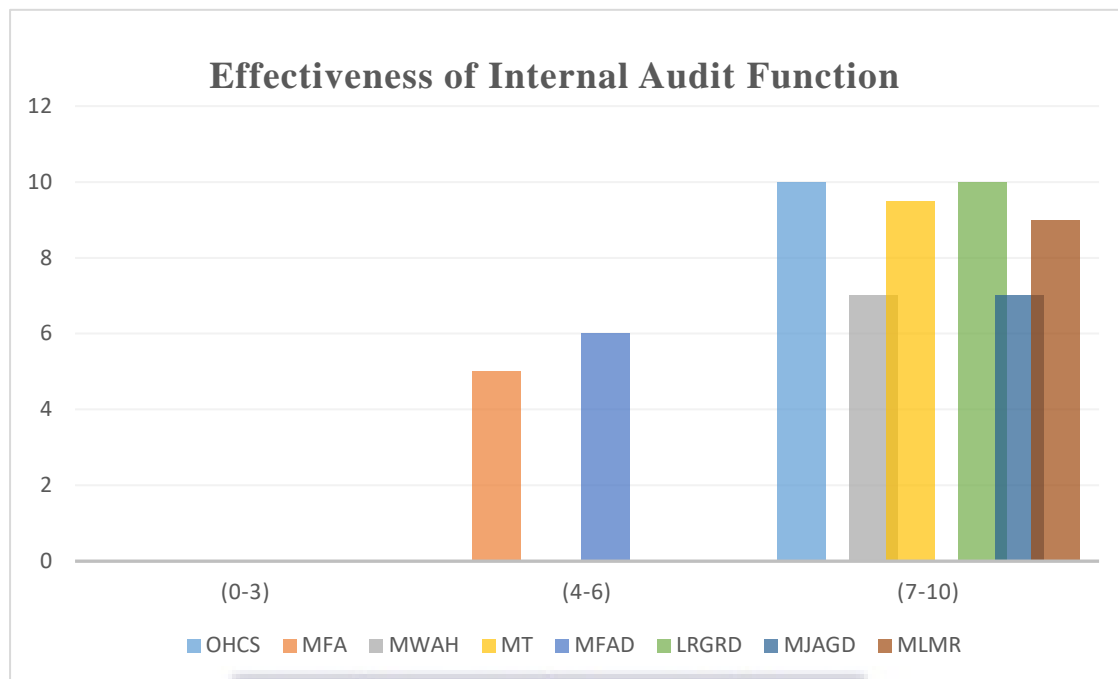
From the perspective of the political settlement's argument, one can suggest that the holding power among the political elite empowers them to put in these measures that will restrain the powers and activities of the MDAs to the benefit of the political elite. It is interesting to note that most of these control mechanisms put in place are more focused on the MDAs rather than the political elites (the executive). This appears to make the government not committed to ensure control in the budget execution which poses a challenge in achieving a reliable budget at the end of the year.

One of the key actors in ensuring control during budget execution is the internal auditor of various MDAs. The ability of the internal auditors to effectively control budget execution contributes to the reliability of the budget significantly. Findings from the study have given credence to the fact that internal auditors within the MDAs have been relatively effective in ensuring control. Over half of those interviewed expressed this view. As one of the interviewees from the Ministry of Transport put it:

“As for audit, you cannot take away their role. They have been effective in ensuring compliance. They do both pre-audit and post audit of almost every transaction. So, on a scale of 0-10, I will give them 8.” Respondent from Ministry of Transport, 2021.

Figure 6 also highlights how the respondents rate the effectiveness of the internal audit function on a scale of 0-10 where 10 is the most effective level of internal auditors

Figure 6: Effectiveness of Internal Audit Units



Source: Author's Findings from data collection

As shown in figure 6, the least rating given to the internal audit was 5 as some of the MDAs rated the internal audit as high as 10.

Even though the internal auditors appear to be effective during the budget execution, their level of control is limited to just the MDAs. The government still introduces new programs and these internal auditors do not have much power to reject these new programs introduced by the political elites because these political elites possess more power than the internal auditors.

Concerns were also expressed by some of the respondents that if the work of the internal auditors is enhanced to make them more effective, the Ghana Audit service (external audit) will have little to do when it comes to external auditing. One of the respondents made this important observation by saying that:

“...we don’t have to wait for the thing to happen before we come to say it has happened. When the process is going on, the internal auditor should have the capacity to identify the shortfalls. For me, I believe that when the internal audit is strengthened, the external will have little work to do. So, we need to strengthen the internal audit unit so that due diligence is done to the work we do.”

Respondent from Ministry of Finance, 2021.

That notwithstanding, some of the respondents also raised issues relating to the fact that internal auditors are employees of the institutions with which they are charged with the responsibility to audit, which sometimes gives room for the internal auditors to be compromised. One respondent commented that:

“But one thing about the internal auditors is that when they become part of the system, they tend to be compromised.” Respondent from Ministry of Finance, 2021.

This finding demonstrates how the influence of holding power by political elites undermines the predictability and control during the budget execution which mostly accounts for the deviations in the budget.

4.3.1.1 Reallocation of Programs and Projects among MDAs

The study also revealed another interesting observation of the nature of holding power in the budgeting process in Ghana. Reallocation of programs and projects appears to be a common thing by the government during budget execution. This mostly contributed to deviations in the budget. This is where a project approved for a particular MDA in the budget will end up being executed by another MDA.

The effect of reallocation among MDAs on budget outturn is that it results in a negative deviation at the former and a positive deviation of the later. Some of the respondents noted this by saying:

Respondent 1

“Initially, the program was supposed to be implemented by the Ministry of Employment and Labour Relations, so they had a budget of about 300 million which was part of this Ministry’s budget. But it was later implemented by a different ministry which contributed to the huge deviation in that year.”

Respondent from Ministry of Employment and Labour Relations, 2021.

Respondent 2

“...there was this particular project (the Elmina port expansion project). Because of the scope considered then was that the project was going to be implemented by the Ministry of Works and Housing which was captured in the approved budget for the ministry. During the implementation stage, the cabinet and parliament have given approval that the project be implemented by the Ministry of Transport since it has to do with the port expansion. So, for such an instant we did not get to spend on the project so there was a deviation.” Respondent from Ministry of Works and Housing, 2021.

Respondent 3

“Using our budget for instance, there is project component of about 392 million which is now been constructed by the Transport Ministry. So, when Ministry of Finance is doing their allocation within the fiscal framework, they will charge it against our budget but the implementing agency is not the Fisheries Ministry. So instead of that money going to the implementor’s budget, it has been aligned to

our budget and in the end, it will give us a negative deviation.” Respondent from Ministry of Fisheries and Aquaculture Development, 2021.

Findings revealed that, mostly, what the MDAs require is not what is given to them. This results in additional demands from MDAs during the budget execution that result in budget deviations at the end of the year. Some of the respondent noted this by saying:

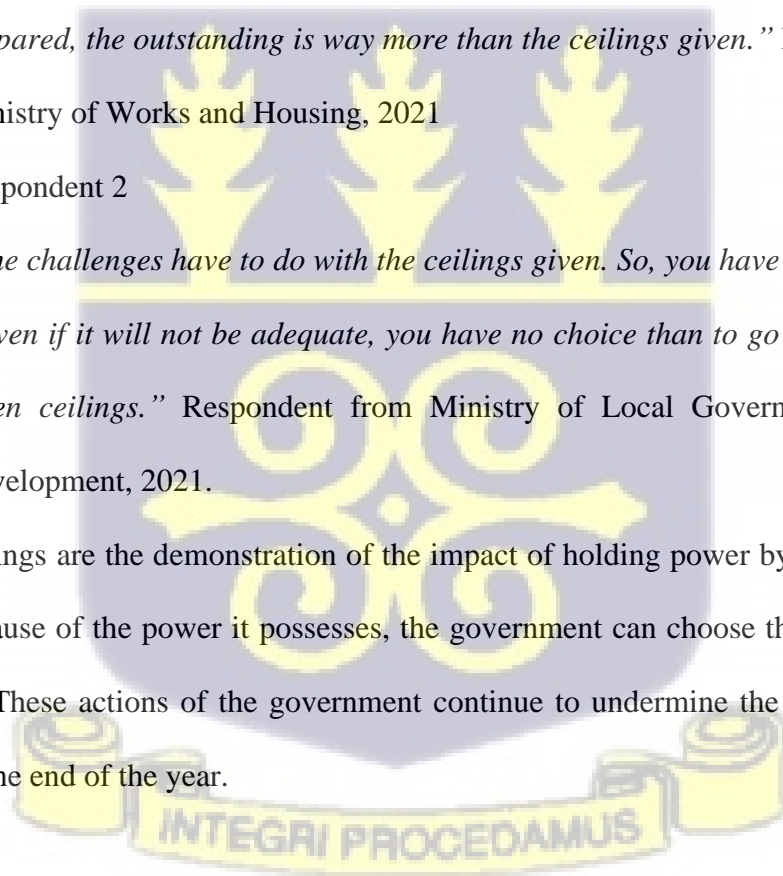
Respondent 1

“During the budget preparation, you don’t get to say I want this and you are given that. You always have to work with the ceiling given. Sometimes the challenge has been with outstanding commitments that even before the budget is prepared, the outstanding is way more than the ceilings given.” Respondent from Ministry of Works and Housing, 2021

Respondent 2

“The challenges have to do with the ceilings given. So, you have to just work with it even if it will not be adequate, you have no choice than to go according to the given ceilings.” Respondent from Ministry of Local Government and Rural Development, 2021.

These findings are the demonstration of the impact of holding power by the government where because of the power it possesses, the government can choose the do anything at any time. These actions of the government continue to undermine the reliability of the budget at the end of the year.



4.3.2 Impacts of Formal Rules of Budgeting on Predictability and Control in Budget Execution in Ghana

The extent to which the holding power among political elites influence the budget execution is of great concern to ensure a reliable budget. From the findings of the study, the government is seen as a “not law-abiding” actor who is not ready to go by the formal rules of budgeting in Ghana. As and when an activity is of interest to the ruling elite, the government find ways to introduce expenditure items during budget execution. The government of Ghana who is the principal continues to go against the provisions of the law by the introduction of new policies and programs that have not been captured in the budget, late release of funds, and failure to fully release allocations for the year.

It is with key significance that Khan attributes the effectiveness of institutions in a given context to the nature of political settlement systems that prevails. If institutions are effective, laws will be enforced and adhered to. If otherwise, then people will always have their way irrespective of the nature of laws that prevail to regulate the activities of the actors involved.

4.3.3 Impacts of Administrative Capacity of the MDAs in the Budgeting Process on Predictability and Control in Budget Execution in Ghana

The work of the internal audit unit has been identified to be under-resourced. Section 13 (sub-section 1,2&3) of the PFM Regulation 2019 provides for the establishment of the GIFMIS, a platform where the budgetary processes of the government take place. The GIFMIS operates on eleven components in the budget process. These include budget preparation, budget execution, revenue management, expenditure administration, cash management, assets management, debt management, payroll management, accounting

and financial reporting, human resource management, and public investment management. It is interesting to note that provisions have not been made for the audit function on the GIFMIS. This limits the ability of the internal auditors to effectively monitor transactions on the GIFMIS to ensure control during the budget execution.

This sentiment has been shared by the Director-General of the Internal Audit Agency, Dr. Eric Oduro at the Annual Internal Audit Conference in 2021 held at the Accra Coreference Centre. The Auditor-General lamented about the denial of access by the Internal Audit Units within the MDAs to Public Financial Management issues on the GIFMIS. This makes it difficult for internal Auditors to effectively audit transactions on the GIFMIS. According to him, what the internal auditors get access to is the PDF versions of documents of these transactions (Citi Business News, 2021).

In effect, if the internal auditors do not have the administrative capacity to monitor transactions on the GIFMIS, the likelihood that new transactions that have not be budgeted for to take place is high. This administrative weakness on the part of the internal audit unit undermines the reliability of the budget.

4.3.4 Impacts of the Level of Economic Development on the Predictability and Control in Budget Execution in Ghana

To ensure predictability and control in budget execution depends on availability and timely release of funds. Findings revealed that revenue projections are rarely met by the government, and it results in untimely released of funds in budget execution.

4.3.4.1 Untimely Release of Funds

Empirical findings revealed that the implementation of the budget largely depends on the timely release of funds (Addison, 2013a). It is the responsibility of the principal (Sickles & Lui, 2020), for that matter the government of Ghana to ensure the availability of resources to ensure the smooth running of the budget by the MDAs. The inability of the principal to make resources available distracts the work of the MDAs.

This further leads to issues regarding the credibility of the MDAs by suppliers, violation of contract terms, and even to the extent of resulting in judgment debt payments. Mind you, these MDAs enter into contractual agreements with suppliers based on the budget approvals that are given with the intention that payment will be made upon the release of the budget allocations. For this reason, if the allocations are not released on time, it affects the working relationship of the MDAs and the suppliers. One of the major challenges revealed by the findings of the study that MDAs face during the budget execution in Ghana is the untimely release of funds by the Ministry of Finance.

Budgetary allocations among MDAs in Ghana are either not released on time or in worse cases, allocations for the fourth quarter are mostly not released at all. Budgets for items like goods and services are sometimes not released at all. It is relevant to note that the goods and services cover some of the critical items required by the agents to work with. Some of the respondents noted this by saying:

Respondent 1

“A budget is approved, and you only get up to the third quarter. Fourth-quarter rarely comes and only some critical ministries get to benefit from the fourth quarter allocations. So, we usually do not get the full allocations for the budget year.” Respondent from Ministry of Transport, 2021.

Respondent 2

“Mostly with the implementation, the main challenge is the non-release of funds by the Ministry of Finance. Either the funds are released late or they are not released at all. So, if that happens, you don’t get to implement things during the time you have planned.” Respondent from Ministry of Justice and Attorney General Department, 2021.

The ministry of finance confirmed that funds are mostly not released on time and that is because resources are not readily available. Ministry of Finance further revealed that in Ghana, revenues are not collected before the commencement of expenditure. The revenue collection and expenditure items kick start concurrently. This implies that when the revenue inflows do not reflect the projections, it is impossible to meet expenditure items on time. A respondent from the Ministry of Finance made this affirmation by saying that:

“I made mention that some countries collect revenue before they start budget implementation. So, they know that when they promise you that they are going to give you these allocations, they know that the money will come. But in our case, it is a projected expenditure subject to projected revenue. So sometimes you project revenue inflows but the timing is the challenge that we face now.” Respondent from Ministry of Finance, 2021.

This finding revealed how the economic position of the country affects the reliability of the budget. Because if you make revenue projections and the country is unable to meet these projections, it results in adverse implication on the reliability of the budget. This was revealed by the findings of the study.

Another observation by the study indicated that MDAs also have a role to play in the late release of funds by the Ministry of Finance. MDAs are required to submit a cash plan to the Ministry of Finance at the commencement of the budget execution. This is a requirement by law to indicate the timelines that MDAs will need the funds allocated to them. This is to inform the government on the measures to put in place to meet the timelines because the government is operating with insufficient fiscal space.

It was revealed the most of the time, MDAs do not follow this requirement. This makes it difficult for the Ministry of Finance to release funds on time. A respondent from the Ministry of Finance noted this by saying that:

“...there is something that we require MDAs to do that is called a cash plan. Every year when they prepare their budget, the law requires that after the budget is passed, they prepare their cash plan. Basically, it means that tell us when you will need the money so for instance if you are allocated a 200million budget, tell us when you will need it but they don't normally do that. So, if they do and we know, sometimes government can borrow to meet these timelines when it becomes necessary for those key activities to take place. But if you don't tell us and inflow does not come, then the release will delay.” Respondent from Ministry of Finance, 2021.

Another respondent from an MDA confirmed this by acknowledging that:

“I might also say that, some of the factors will be that we did not apply for the money at the right time.” Respondent from Ministry of Transport, 2021.

This points to the fact that due diligence was not made during revenue projections to meet expenditure. It could also be that expenditure items have been poorly projected by

the MDAs of which the revenue projections cannot not adequately meet. These findings established that the issue of late release of funds by the Ministry of Finance to MDAs is not entirely the inability of the government to meet revenue projections, but also, the nonadherence to rules by the MDAs.

4.4 Management of Assets and Liabilities

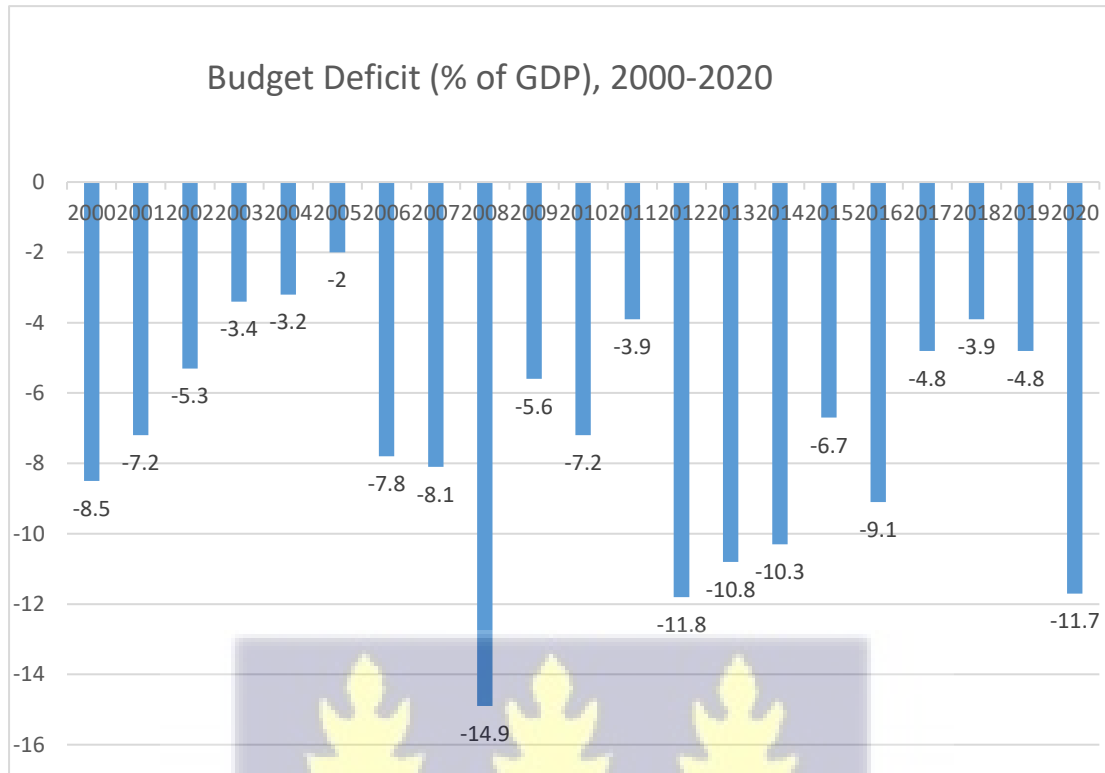
The budget financing implications on budget reliability cannot be undermined in Ghana. Studies have established the negative impacts of debt financing on budget reliability and macroeconomic stability (Fosu. Augustin Kwasi, 2008; Lanka et al., 2017). For the purpose of this study, the focused under this pillar is on debt management and the implications of debt on budget reliability among MDAs in Ghana. Also, the study examined the implications of aid on budget reliability in Ghana.

4.4.1 Impacts of the Level of Economic Development on the Management of Assets and Liabilities in Ghana

4.4.1.1 Debt Financing

Ghana is a middle-income country with a number of developmental needs. However, the revenue base alone of Ghana cannot meet these demands. Because these needs are equally important, it is difficult to meet one need before the other. This results in budget deficits of MDAs in Ghana. Figure 7 presents the budget deficit position of Ghana from 2000 to 2020 as a percentage of GDP.

Figure 7: Budget Deficit (% of GDP), 2000-2020

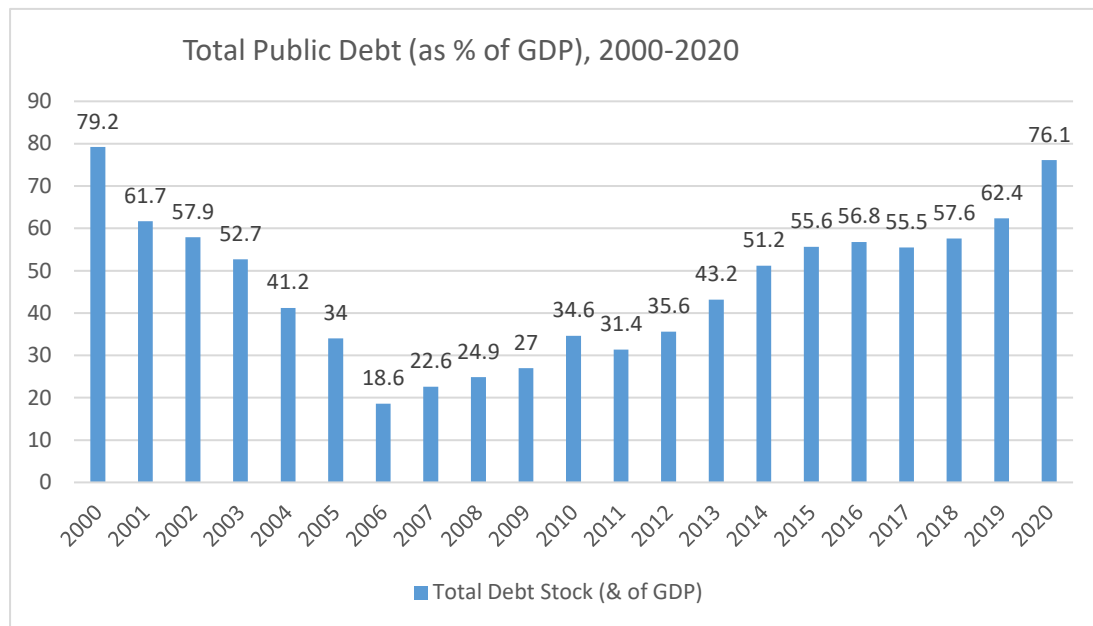


Source: Author’s findings based on data from the Budget Unit, Ministry of Finance

This budget deficits of the MDAs compel the government to depend on other funding sources to fund the MDAs budget deficits. These other sources include aid or donor support, and debt financing (both domestic and internal) to fund the budget deficit. Findings of the study revealed how deficit funding with debt has resulted in the debt position of Ghana. Figure 8 presents the total debt stock of the country from 2000 to 2020 as a percentage of GDP.



Figure 8: Total Public Debt (as a % of GDP), 2011-2020



Source: Author’s findings based on data from MoF, BoG, GSS

It is important to understand how debt financing affects the reliability of the budget. This finding provided some tentative evidence that debt repayments take a larger portion of the MDAs revenue (Giancarlo et al., 2018). This is largely due to revenue shortfalls and fluctuations in the exchange rate. For this reason, revenues meant to finance expenditure items of the MDAs are rather channeled to service the debt. In that regard, it results in deviation of the MDAs budget at the end of the year. A respondent from the Ministry of Works and Housing revealed this by saying that:

“For my Ministry, our biggest challenge is the debt financing. We have a number of projects that we are implementing on the pre-financing arrangements where the contractors get to pre-finance and we have to pay at specified milestones. And before these projects commence, we get the commencement certificate from the Ministry of Finance with the authorization. Sometimes you expect that once these commitments are due, the funding will be guaranteed and funds will be available but unfortunately, that does not happen.” Respondent from Ministry of Works and Housing, 2021.

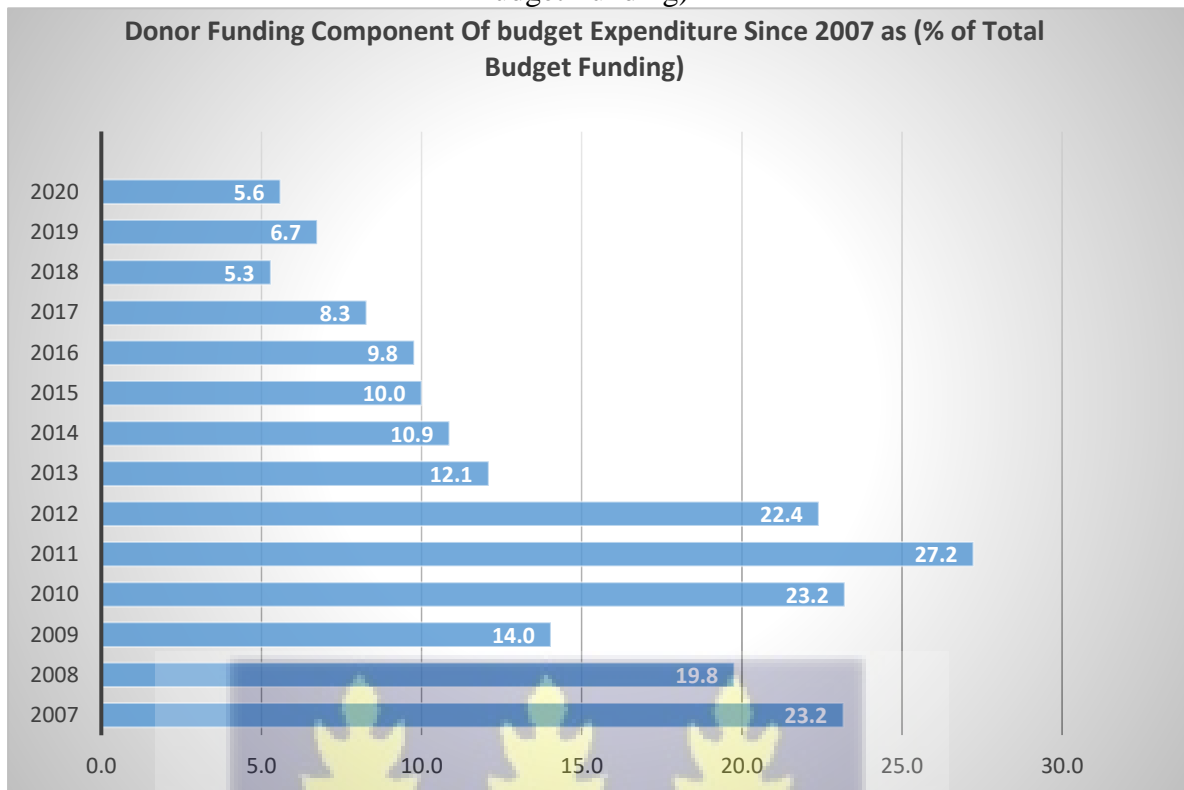
In essence and in the context of budget unreliability in Ghana, this is how budget deficit funding with debts results in budget unreliability in Ghana. That is why the government introduced the Fiscal Responsibility Act (FRA) which specified that budget deficit should not exceed 5% of the total revenue that is mobilized.

4.4.1.2 Minimal Control over Donor Funded Projects

The second deficit financing source available to the government for budget funding is aid or donor funding. Donor funding for the MDAs budget in Ghana continues to be significant despite the call from the government in 2016 to build a resilient economy beyond aid. Figure 9 presents the donor funding of MDAs' budget over a decade as a percentage of total budget funding.



Figure 9: Donor Funding of Budget Expenditure of MDAs since 2007 (% of Total Budget Funding)



Source: Author's findings from Budget Statements, Ministry of Finance

It is important to bear in mind that aid is not a bad practice. But because the government does not have much control over donor funds. The reliability of the budget is affected if donor supports are not fulfilled when necessary. It was also revealed that the disbursement of donor funds is not dependent on the approved amounts in the budget. Whenever contractors submit certificates for payment for most of the capital expenditure items funded by donors, payment is done. So, it does not matter whether an X amount have been approved in the budget or not. Even if the certificate exceeds the X amount and donors are satisfied with the work done, donors make payment. That uncertainty relating to donor funding of the budget generates into budget deviations at the end of the year. This finding confirms the assertion of some scholars on the impact of overdependency on donor funds for budget funding on the reliability of the budget.

Data from the figure 9 also revealed a reduction in aid in percentage terms on budget funding of the MDAs. This if encourage will reduce its impact of budget reliability of the budget. It is therefore important that Ghana improves on its revenue generation capacity to reduce the level of dependency on donor support for budget funding which to a large extent will contribute to the reliability of the budget. Since Ghana is a developing country and will depend on donors to some extent, it is also important that there is some level of control over aid to ensure reliable projections in the budget.

4.4.1.3 Judgment Debt Payments

Another economic issue identified to have resulted in budget unreliability of the MDAs in the judgement debt payments. Budgeting for judgment debt is a difficult thing to make provision for during budget preparation (Liu & Tan, 2019). However, the effects of its occurrence on budget reliability during budget execution is devastating.

There are a number of instances during budget execution that can result in judgement debt payments. Some of these instances revealed by the findings of the study includes delay in payments to suppliers due to delay in release of funds by the Ministry of Finance, and secondly, the undue diligence in contract terms by MDAs.

Ghana has been hit by judgment debt payments for about GH¢1.89 billion equivalent of US\$ 320 million between the periods of 2000 and 2019 (Centre for Social Justice, 2021). Because judgement debt is an unplanned expenditure, its occurrence affects the reliability of the budget.

This is why there is the need on the part of the government to ensure that resources are made available on time that suppliers can be paid on time. In the same vein, MDAs with requisite skills should be engaged in reviewing contract terms. By so doing, the issue of judgement debt will be minimal to prevent the cost that comes with judgment debt

payments. Again, the MDAs need to be diligent in their operations that their negligence does not result in judgment debt payments. These findings have revealed how the management of assets and liability of the MDAs in Ghana affects the reliability of the budget.

4.5 Transparency of Public Finances

This pillar focuses on the extent to which information on PFM activities is comprehensive, consistent, and accessible to all users or stakeholders (PEFA, 2021). The study discussed findings on budget classification and budget documentation.

4.5.1 Implications of the Distribution of Holding Power among Political Elites on the Transparency of Public Finances in Ghana

The government of Ghana launched the implementation of the Treasury Single Account (TSA) systems in 2017 barely a year after the coming into force the PFM Act in 2016 which was first introduced in 2007 but was not successful as a result of the absence of the regulatory framework at the time to back the implementation of the initiative and the approached used at the time.

This demonstrates the government's effort in the management of public finances. This finding is consistent with that of the Swiss School of Business and Management Geneva, (2020). This is to consolidate government accounts and accounts of MDAs to give a consolidated liquidity position of the government to promote prudent financial and fiscal management.

Notwithstanding the government's effort to provide a consolidated cash position to ensure prudent fiscal decisions, the position is only available to the government. The MDAs appear to be unaware of the liquidity positions of the principal (Government) in most cases. This finding reveals that the finances of the government are not transparent enough for all stakeholders. This results in complaints from the MDAs on the inadequate budget ceilings that are given to them and the late releases of funds. Because if the government is transparent enough with the fiscal position of the state, MDAs will be considerate in their demands from the government but because this is not known to MDAs, it results on complaints and agitations sometimes.

Even though the TSA is supposed to cover all government transactions, the government still engages in extra-budgetary transactions that are not captured in the TSA. There is also low access to fiscal information by the public.

All these instances point to the fact that the principal is not fully transparent with public finances when it comes to ensuring budget reliability. The findings however did not reveal much information about how the formal rules of budgeting, administrative capacity of MDAs, and the income level affects the transparency of public finances.

4.6 Accounting and Reporting

For the purpose of this study, the focus under this pillar is the financial data integrity and in-year budget reports. This pillar of the budget cycle examines the comprehensiveness, accuracy, timeliness, and reliability of the information to meet management, reporting, and decision-making needs (PEFA, 2021). This is to help monitor and ensure control during the execution of the budget.

4.6.1 The Impacts of Formal rules of Budgeting on Accounting and Reporting in Ghana

The accuracy of in-year budget reports is a vital component of the budgeting process. Findings revealed that, it is rather not convincing on the part of the Government of Ghana on how realistic and comprehensive the reporting timelines are given for in-year budget reports. According to Section 30(3) of the Public Financial Management Act of 2016:

“A Principal Spending Officer shall, not later than the 1st day of the months of April, July, September, and December of each year, in the format determined by the Chief Director, submit a report to the Minister on the activities or programmes of the respective covered entity and the implementation of the budget of the covered entity for the preceding quarter, including the actual and forecast commitments and cash positions of the covered entity.”

This position of the law even appears to be unrealistic in practice to ensure realistic and comprehensive in-year reports. Apart from the first days of the month of April and July that counts as the end of a quarter, the 1st of September and 1st of December are still within the third and fourth quarter respectively of the year. Table 10 provides a clearer picture of what constitutes a quarter.



Table 10: Quarterly Reporting Timelines

1st Quarter	1 January – 31st March
2nd Quarter	1st April – 30th June
3rd Quarter	1st July – 30th September
4th Quarter	1st October – 31st December

Source: PFM Act, 2016

In a realistic term, presenting quarterly reports on the budget performance are supposed to capture all activities (both financial and non-financial) of the covered entity from the first day of the quarter to the last working day of the quarter so that it can give an accurate and reliable data for decision making.

Reporting on the first day after the end of a quarter makes it very difficult for the MDAs to adequately report on all the activities for the respective quarters. There was a sense of frustration from the interviewees on this quarterly reporting timelines. One respondent noted this by saying that:

“I raised this concern earlier about the timelines. If you want me to report for a quarter, what it means is that I will give you a report from 1st January to the end of March but you are asking me to submit report on the 1st of April. Obviously, I cannot do that from all units within the ministry to be able to meet this timeline. So, you will tend not to capture some of the important things that will happen at the end of the month.” Respondent from Ministry of Employment and Labour Relations, 2021.

This sentiment had equally been shared by respondents from other ministries relating to the reporting timelines for quarterly reports. Here is what a respondent from the Ministry of Foreign Affairs had this to say:

“We are unable to meet the deadline. Because when we request, they will tell you they are still within the quarter so it makes it difficult to get these reports on time. They are even asking for account balances and you know that is not possible. So that is a challenge we have been complaining of for a long time now. We have never met the deadline.” Respondent from Ministry of Foreign Affairs, 2021.

Another respondent explained how they deal with the situation in their entity by saying that:

“...what I usually do is that, I report for the first two months in the quarter and leave the current one because within the current month that we are preparing the report, the month has not ended so it will be very difficult to report on the full quarter.” Respondent from Ministry of Land and Mineral Resources, 2021.

Acknowledging the challenges of this provision of the law, the MDAs are calling for the amendment of that provision of the law for the date to be changed to at least the 15th day of the month after the end of a quarter. This will give them a reasonable amount of time to report accurately on the quarterly performances of the budget for more reliable decision-making. Here are some comments from some respondents on the call for the amendment:

Respondent 1

“The timelines are so strict that it makes it even impossible to meet them. So, if it can be extended to at least the 15th day after the end of the quarter, it will be fine.” Respondent from Ministry of Transport, 2021.

Respondent 2

“That is the problem I have with the law so if it can be extended to the 15th day after the end of the quarter, we will be able to present the true picture of the activities of the quarter. Sometimes the most important thing but happen at the end of the quarter that might not be captured. So, most people report on projections.” Respondent from Ministry of Works and Housing, 2021.

In an attempt to understand the rationale for that provision of the law in the PFM Act, the researcher’s interaction with the Ministry of Finance, the body that coordinated the drafting of the Act, rather revealed a very different understanding of that provision of the law on the reporting timelines. According to the MoF, although the situation appears to be a challenge currently, it was not supposed to be so. Their reason for making the reporting date to be the 1st day after the end of the quarter is that they planned to automate all the PFM systems and processes so that just by a click of a button at the end of the quarter, MDAs should be able to generate those reports. Respondent from the Ministry of Finance noted that:

“In drafting that law, I was the coordinator. They anticipated that we will automate all our systems so that when the reporting date is due, with the click of a button, you should be able to generate the report and file it. That was the brain behind that provision.” Respondent from Ministry of Finance, 2021.

However, this explanation does not address the issue of 1st September and 1st December dates that are still within the quarter. These findings confirm the argument relating to the distribution of holding power in the implementation of institutional rules in budgeting. Those with power can come up with whatever provisions they deem necessary knowing that the MDAs have little power to resist these provisions. This undermines the accuracy and the comprehensiveness of the in-year budget reports by the MDAs and that results in budget unreliability.

4.6.2 Impacts of Administrative Capacity of the MDAs in the Budgeting Process on Accounting and Reporting in Ghana

On the administrative capacity of the MDAs, not much have been identified except for the resistance by the MDAs to change due to the fear that the implementation of an automated system might result in job losses. A respondent from the Ministry of Finance noted that:

“I also notice that whenever we introduce reforms in the system, some people get out of the system. Immediately you bring in a new system, definitely some personnel will have to lose their jobs so such people will go heaven and earth to resist the reforms.” Respondent from Ministry of Finance, 2021.

This reveals the weakness on the capacity of the MDAs when it comes to systems and technological advancements. Because they lack these skills, their resistance to technological advancement affects the reliability of the budget at the end of the year.

4.6.3 Impacts of the Level of Economic Development on Accounting and Reporting in Ghana

Another interesting explanation given for that portion of the provision of the Act is that laws are made not just to meet the current circumstances of jurisdiction but should be able to stand the test of time should the current situation change. So, this anticipation that the PFM systems will be automated in the near future informed the decision to make the reporting date on the 1st day after the end of a quarter. Having a proper GIFMIS in place should make report generating easier. A respondent from the Ministry of Finance noted that:

“...whenever you are developing a law, don’t look at just your present circumstances alone. If the present circumstance change, what then will happen will mean the law is obsolete. So, we anticipated that if you read through all the provisions, you will see that when all that is done, with just a click of button, we should be able to generate that report.” Ministry of Finance, 2021.

At the time of this research, the systems had not been automated which makes it difficult for the MDAs to accurately report on the quarterly budget performances. And to understand why the Government of Ghana has not been able to automate the systems, it was revealed that it has to do with the amount of fund required to implement these systems. A respondent from the Ministry of Finance noted that:

“It has to do with the amount of money involve. It is very expensive to automate the systems and some other issues that are taking a bit of time.” Respondent from the Ministry of Finance, 2021.

This finding suggests that for a country to put in modern advanced systems in place for budgeting requires huge amount of investment. This demonstrates how the income level

of a country affects the reliability of the budget because these lapses identified by the study contributes to the unreliability of the budget.

The government is responsible for providing resources needed for work to be done and if the government is not committed as in the case of Ghana, where the government is not held liable, information will not be reliable for decision making. This is a call for the government of Ghana to be more committed in providing a conducive work environment that will promote realistic and comprehensive reports for decision-making.

4.7 External Scrutiny and Audit

Under this pillar, the researcher examined how the distribution of holding power among political elites, the effectiveness of rules and the administrative capacity of MDAs influence the external audit and legislative scrutiny of PFM practices in Ghana.

4.7.1 The Implications of the Distribution of Holding Power among Political Elites on External Scrutiny and Audit in Ghana

The Ghana Audit service is the Supreme Audit Institution (SAI) in Ghana whose mandate is to conduct an annual audit on all MDAs. This can be found in section 84 of the PFM Act, 2016:

“The Auditor-General shall, within six months after the end of each financial year, examine and audit the public accounts submitted under this Act in accordance with article 187 of the Constitution and the Audit Service Act, 2000 (Act 584).”

The Auditor General's report for 2018, 2019, and 2020 has revealed irregularities of GHS 3bn, GHS 5.5bn, and GHS 12.8bn respectively (Ghana Audit Service, 2020). These irregularities included financial, tax, debts, payrolls, contracts, stock, cash, and procurement irregularities. This rising rate of financial irregularities among MDAs raises concern regarding the work of the Ghana Audit Service.

The researcher in an attempt to assess the effectiveness of the Ghana Audit Service from the MDAs' perspectives revealed diverse views. While some respondents rated the GAS to be effective, another section described the GAS otherwise. Some of the interviewees that described it to be very effective noted that:

Respondent 1

“The GAS is effective. They scrutinize every document and they go deep into the waters and they bring reports that you have to respond to. So, I will say they are very effective in ensuring that the budget is implemented as approved.”

Respondent from Ministry of Justice and Attorney General's Department, 2021.

Respondent 2

“GAS is very effective. The last time, they sent us to Public Accounts Committee to answer questions that they raised. So, they strengthen the system in ensuring compliance. Where the internal auditor faults, they make that known as well. So, I will say they are very effective. They are very strict, and they don't tolerate nonsense.” Respondent from Ministry of Fisheries and Aquaculture Development, 2021.

For the section of the respondents that described the GAS not to be effective also expressed their concerns by saying that:

“I don’t think the GAS been too effective because even the appreciation of the current budgeting system that we are implementing is weak. Because we are now doing the program-based budgeting but sometimes they come around and expect you to give them activity-based documents which sometimes is frustrating. The focus is not really on outcome.” Respondent from Ministry of Works and Housing, 2021.

The study further evaluated the effectiveness of the internal audit unit compared to the external audit unit in helping to ensure budget reliability from the MDAs’ perspective. Most of the respondents described the internal audit function relatively to be more effective than the external audit function by the GAS.

In order to ensure compliance during budget execution, the Ghana Audit Service has also introduced the issuance of surcharges where public office holders who misappropriated public funds or causes financial loss to the state are made to pay back the amount misappropriated through an administrative or court action (Section 97 of the PFM Act, 2016). This initiative has been very effective in keeping the MDAs in order as they become more careful in their activities.

Generally, the surcharge has improved compliance on MDAs and public sector workers have become more careful. This if encouraged will go a long way to ensure budget reliability in Ghana. Some respondent noted this by saying that:

Respondent 1

“Nobody wants to be surcharged so now when someone is doing something, the person is more careful because you know if you violate the law, you will be the one to pay back so people are extra careful nowadays. Public officials have

become more careful in their dealings which I will say it has improved compliance.” Respondent from Ministry of Foreign Affairs and Regional Integration, 2021.

Respondent 2

“Because even if you go on a retirement, you will be called back to pay. So, people are now careful with whatever they are doing.” Respondent from Ministry of Fisheries and Aquaculture Development, 2021

There is however an important weakness that these findings have revealed. That is the weaknesses in the provisions of the law regarding surcharges. If public officers found to be culpable are only made to refund the amount misappropriated, MDAs can take advantage of this provision which will affect the reliability of the budget.

The provision is not deterring enough because people can use this as an avenue to use funds meant for expenditure items of MDAs for their personal use with the hope to pay back later without interest. This weakness revealed by the study undermines the reliability of the budget.

4.7.2 Public Accounts Committee

The audit findings and recommendations of GAS are presented to the Public Accounts Committee of parliament for discussions and the implementation of the audit reports. The Constitution of the Republic of Ghana and the PFM Act establishes the Public Accounts Committee (PAC) of parliament whose mandate is to see to the implementation of the recommendations in the Auditor’s General Reports.

However, findings from the study have revealed that, the work of the PAC has not been effective over the years. This is contributing to the increased irregularities identified by the Auditor General's report for 2018, 2019, and 2020. These irregularities were issued identified by the earlier Auditor General's Report to be addressed by the PAC but because PAC is unable to implement these recommendations, the irregularities continue to recur.

In an interview with the Chairman of the Public Accounts Committee of Parliament, Mr. Klutse Avedzi by the Citi newsroom in 2021, he revealed that the committee is yet to commence sitting on the audit reports from 2018. He further indicated that the 2020 audit report will be discussed in 2023 (Citi News Room, 2021). Mr. Avedzi noted this by saying that:

“We are going to start sitting on this in 2023 because we have a backlog of 2018 and 2019 [audits to deal with]. We are going to handle that of 2018 and 2019 next year. We will do everything possible to finish with them. We are going to complete that of 2017 hopefully next week.” (Mr. Klutse Avedzi, Chairman of PAC (2021).

Some citizens have expressed their displeasure about the situation and the possible implications it will have on the PFM processes in Ghana. Dr. Abdallah Ali Nakyea, a Senior Lecturer at the University of Ghana Law School and a Tax analyst, has noted that:

“The auditor general's reports will soon just become an annual ritual if care is not taken because it appears actions are not being taken by the PAC in implementing recommendations and even if they are taken, they are mostly not taken in time.”

At the time this study was conducted, PAC had not concluded discussions on the 2017 audit report. What it means is that, government is not ready and committed to responding to the PFM challenges of the country because they benefit from the current system. The irregularities from 2017 still prevails. This presupposes that if the recommendations identified in the earlier reports had been effectively implemented, the 2020 report would have acknowledged that. But because the government benefits from the current system which is one of the arguments by the nature of distribution of holding power, the government is not committed to ensure that these reforms are implemented. For this reason, Ghana continues the face the issue of budget unreliability.

4.8 Chapter Conclusion

This chapter set out to discuss findings of the study to establish the causes of budget unreliability in Ghana. The chapter has presented and discussed the factors which are thought to contribute to budget unreliability in Ghana. Among the factors identified include the nature of the distribution of holding power in the resource allocation, the nature of formal rules in budgeting, the administrative capacity of the MDAs, and the level of economic development in Ghana.

It was revealed that all these factors identified by the study have some level of correlation with budget unreliability in Ghana. The most prevalent factor was however the nature of the distribution of holding power in society to be a major factor that contributes to the budget unreliability in Ghana.

CHAPTER FIVE

SUMMARY, RECOMMENDATIONS AND CONCLUSION

5.0 Introduction

This chapter presents the summary of key findings of the study, recommendations for practitioners, and the conclusion of the study on the causes of budget unreliability in Ghana. This study set out to examine the deeper understanding of the causes of budget deviation among MDAs in Ghana and how the activities of the actors (Government and MDAs) and other key stakeholders contribute to budget deviation in Ghana. This was to examine how the nature of holding power in society, the emergence of formal rules in budgeting, the administrative capacity of MDAs, and the level of economic development affects budget reliability in Ghana. The study was guided by the Political Settlement theory, the principal-Agent theory, and the Public Expenditure and Financial Accountability (PEFA) framework.

The study adopted an exploratory research design with a mixed method research approach to make meanings of the contextual causes of budget deviation Ghana. The study relied on two major sources of data (primary data and secondary data). The primary data was obtained through face-to-face in-depth interviews with a well-designed semi-structured interview guide. This aided the researcher to identify contextual perspectives on the causes of budget deviations in Ghana. The secondary data was obtained from reports of PEFA, Consolidated MDAs Annual Budget Performance reports by the Ministry of Finance Ghana, Budget statements, Auditor General's Reports, Ghana Statistical Service, Bank of Ghana, and other legal and regulatory provisions on public finance and expenditure management.

5.1 Summary of Key Findings

This study has found that generally, the issue of budget unreliability/deviation in Ghana is mainly caused by the nature of the distribution of holding power that exist among political actors in Ghana. The second major finding identified was the weakness in the administrative capacity of the MDAs. Other major findings were the nature of formal rules of budgeting in Ghana and the level of economic development.

5.1.1 Budget Reliability

Findings of the study revealed that Ghana still faces the challenge of budget deviations. The nature of budget reliability in Ghana continues to be below average despite the numerous investments in PFM reforms over the years. Analysis of Ghana's budget process reveals weaknesses in all stages. What stands out is the dominance of negative deviations in Ghana.

On the nature of the distribution of holding power among political elites in Ghana, the findings of the study revealed that, the nature of holding power in society determines how budgetary allocations are distributed which confirms the argument from the political settlement theory's perspective on the distribution of holding power in the budgetary process. This also supports some earlier findings of (Abdulai & Mohan, 2019; Smoke, 2015) on the impact of power distribution on budget reliability. A common view amongst the interviewees on the causes of budget unreliability among MDAs in Ghana is the influence of political power.

In the budgeting process, political elites tend to reallocate resources to areas that will be more beneficial to them at the expense of other entities. These actions contribute to both negative and positive deviations during budget execution. Entities responsible for the

implementation of the government priority programs mostly seems to benefit from this political influence in reallocating resources across units.

Further findings revealed that the introduction of government “flagship” programs over the years has been identified to be one of the major factors that contribute greatly to budget deviations in Ghana. Ministries implementing the flagship programs are believed to be the ones that will bring the votes to the ruling government at the end of the day. This resulted in deviations because, either at that time these promises were made, the medium-term fiscal strategy had been developed or the cost analysis were not adequately done so during the execution stage, deviations were recorded.

Another key area these dynamics result in budget unreliability is the budget ceilings allocated to MDAs. The researcher in an attempt to understand what considerations go into the determination of the budget ceilings for MDAs identified that the key determinant is the government priorities of the day, followed by MDAs providing key services in society, subscription payments, and the MDAs’ basics are considered. The inadequacy in the budget ceilings to MDAs results in budget deviations at the end of the year.

On formal rules of budgeting on budget reliability in Ghana, the nature of power in society determines how power is used in shaping how institutions work. This establishes the interdependence of power and institutions in society

On administrative capacity of MDAs in the budgeting process in Ghana, surprisingly, findings from the study revealed that indeed, the administrative capacity of MDAs have some effect on the reliability of the budget. It revealed that some employees of the MDAs do not adequately possess the needed skills for budgeting. Some of the MDAs do

not also even have budget officers so it was observed that officials without the required skills are the ones charged with the responsibility of preparing the budget of the MDAs. Concerns were more widespread on the fact that, the budget preparation process appears not to be given the needed attention as may be required and this result in deviations in the budget outturn at the end of the year.

Findings from the study also suggested that the lack of credible data for budget projections make it a difficult for the actual revenue and expenditure figures to reflect the approved. The Ministry of Finance also does not have the capacity as a ministry to vet how MDAs arrive at the projections in the budget. But because they are unable to do due diligence on their arriving at projections in the budget, it results in budget deviations at the end of the year. Another important area where the administrative capacity of MDAs affects the reliability of the budget is the recruitment, promotion and ex-gratia payments. Findings revealed that, most of these activities are either not budgeted for at all or they have been budgeted for inadequately.

Findings of study also revealed that MDAs do not make provisions for contingencies. This was attributed to the inadequate budgetary allocations which makes it difficult to make provision for contingencies during the budget preparation. From the administrative capacity angle, these findings have revealed its effects on the reliability of the MDAs budget in Ghana.

On the effect of the level of economic development in Ghana, findings of the study suggests that the of income level of a country to a larger extent determines the reliability of the budget. This was supported by analyzing the GDP and the budget reliability scores for some selected countries. A country with a better economic growth is more likely to

be in position to guarantee the reliability of the budget compared to a country with little economic growth.

5.1.2 Policy-based Fiscal Strategy and Budgeting

The study focused on the budget preparation processes, the medium-term perspective in expenditure budgeting, fiscal strategy, and the macroeconomic and fiscal forecasting.

On the effect of the distribution of holding power among political elites in Ghana on the effectiveness of the budgeting process, the study revealed that, the first step in the MDAs budget preparation process is the issuance of the budget preparation guideline subject to the approval of the cabinet. This confirms the argument from the political settlement's perspective on how the distribution of holding power determines the distribution of resources. It is however important to note that the final approval of the budget does not rest with the cabinet. The final approval of the budget is vested in the legislature.

Surprisingly, all the ruling governments under the fourth republic (both NDC and NPP) have had their budgets approved by the legislature without any rejection because the ruling governments always get the majority seats in parliament except for the 2020 general elections that witnessed a 50/50 kind of representation in the parliament of Ghana.

On the nature of formal rules on policy-based fiscal strategy and budgeting in Ghana, findings revealed that formal rule exist but are not adequately enforced or adhered to. Significant findings from the study provided some tentative evidence to confirm this argument. Inasmuch as the MDAs are committed to adhering to the formal rules, the government with a higher holding power still finds ways to introduce new programs not captured in the Fiscal Strategy.

On administrative capacity of the MDAs in the budgeting process on policy-based fiscal strategy and budgeting in Ghana, findings revealed that the Ministry of Finance organizes training for the various budget officers on the budget guidelines.

The findings discussed have demonstrated the most obvious causes of budget unreliability emerged from the distribution of holding power, violations of formal rules of budgeting by political elites, and the weaknesses in the administrative capacity of the

5.1.3 Predictability and Control in Budget Execution

Predictability and control in budgeting focused on the systems of control within MDAs including internal controls.

On the distribution of holding power among political elites in Ghana on predictability and control in budget execution, findings revealed that effective control measures have been put in place to ensure compliance and control by the MDAs in budget execution.

This is to restrain the powers and activities of the MDAs to the benefit of the political elite. This appears to make the government not committed to ensure control in the budget execution which poses a challenge in achieving a reliable budget at the end of the year.

This finding demonstrates how the influence of holding power by political elites undermines the predictability and control during the budget execution which mostly accounts for the deviations in the budget.

On the effects of formal rules of budgeting on predictability and control in budget execution in Ghana, it was revealed that the government is seen as a “not law-abiding” actor who is not ready to go by the formal rules of budgeting in Ghana. As and when an activity is of interest to the ruling elite, the government find ways to introduce expenditure items during budget execution.

On administrative capacity of the MDAs in the budgeting process on predictability and control in budget execution in Ghana, it was revealed that, the internal auditors do not have the adequate administrative capacity to monitor transactions on the GIFMIS. This administrative weakness on the part of the internal audit unit undermines the reliability of the budget.

On the effect of the level of economic development on the predictability and control in budget execution in Ghana, findings revealed that revenue projections are rarely met by the government and it results in untimely released of funds in budget execution. Another observation by the study indicated that MDAs also have a role to play in the late release of funds by the Ministry of Finance. A cash plan requirement by MDAs is rarely adhered to. This points to the fact that due diligence was not made during revenue projections to meet expenditure.

5.1.4 Management of Assets and Liabilities

This budget deficits of the MDAs compel the government to depend on other funding sources to fund the MDAs budget deficits. These other sources include aid or donor support, and debt financing (both domestic and internal).

This finding provided some tentative evidence that debt repayments take a larger portion of the MDAs revenue. This is largely due to revenue shortfalls and fluctuations in the exchange rate. For this reason, revenues meant to finance expenditure items of the MDAs are rather channeled to service the debt. In that regard, it results in deviation of the MDAs budget at the end of the year.

On dependence on donor support, donor funding for the MDAs budget in Ghana continues to be significant despite the call to build a resilient economy beyond aid. But because the government does not have much control over donor funds. The reliability of the budget is affected if donor supports are not fulfilled when necessary.

Another economic issue identified to have resulted in budget unreliability of the MDAs in the judgement debt payments. Findings of the study identified delay in payments to suppliers due to delay in release of funds by the Ministry of Finance, and the undue diligence in contract terms by MDAs are the major causes of judgment debts in Ghana. These findings have revealed how the management of assets and liabilities of the MDAs in Ghana affects the reliability of the budget.

5.1.5 Transparency of Public Finances

Analyzing the effect of the distribution of holding power among political elites on the transparency of public finances in Ghana, study findings have demonstrated the commitment in the government's effort in the management of public finances. Notwithstanding the government's effort to provide a consolidated cash position to ensure prudent fiscal decisions, this is only beneficial to the government. The MDAs appear to be unaware of the liquidity positions of the principal (Government) in most cases. This finding reveals that the finances of the government are not transparent enough for all stakeholders. The government still engages in extra-budgetary transactions that are not captured in the TSA.

The findings however did not reveal much information about how the formal rules of budgeting, administrative capacity of MDAs, and the income level affects the transparency of public finances.

5.1.6 Accounting and Reporting

This pillar examined the comprehensiveness, accuracy, timeliness, and reliability of the information to meet management, reporting, and decision-making needs.

Analyzing the effect of formal rules of budgeting on Accounting and Reporting in Ghana, findings revealed that, it is rather not convincing on the part of the government of Ghana on how realistic and comprehensive the reporting timelines are given for in-year budget reports. This position of the law appears to be unrealistic in practice to ensure realistic and comprehensive in-year reports. Reporting on the first day after the end of a quarter makes it very difficult for the MDAs to adequately report on all the activities for the respective quarters.

On the administrative capacity of the MDAs, not much have been identified except for the resistance by the MDAs to change due to the fear that the implementation of an automated system might result in job losses.

5.1.7 External Scrutiny and Audit

The researcher examined how the distribution of holding power among political elites, the effectiveness of rules and the administrative capacity of MDAs influence the external audit and legislative scrutiny of PFM practices in Ghana. The study identified the rising rate of financial irregularities among MDAs which raises concern regarding the work of the Ghana Audit Service. The researcher in an attempt to assess the effectiveness of the Ghana Audit Service from the MDAs' perspectives revealed diverse views. While some respondents rated the GAS to be effective, another section described the GAS otherwise.

In order to ensure compliance during budget execution, the Ghana Audit Service has also introduced the issuance of surcharges where public office holders who misappropriated public funds or causes financial loss to the state are made to pay back the amount misappropriated through an administrative or court action. Generally, the surcharge has improved compliance on MDAs and public sector workers have become more careful.

Findings from the study have also revealed that, the work of the PAC has not been effective over the years. This is contributing to the increased irregularities among MDAs. But because the government benefits from the current system which is one of the arguments by the nature of distribution of holding power, the government is not committed to ensure that these reforms are implemented.

5.2 Contributions of the Study

This study has provided a deeper insight into the causes of budget deviation in Ghana. The contributions of the study can be seen from the theoretical, policy, and practice perspectives.

To Policy and practice, the study has been one of the first attempts to thoroughly examine the causes of budget unreliability in Ghana. There is therefore a definite need for policymakers and practitioners to focus more on making mitigating policies to improve on the effectiveness of institutions to ensure budget reliability.

To theory, the study has provided an empirical investigation into the causes of budget unreliability in Ghana. This study appears to be the first study that has examined conclusively on how the nature of the distribution of holding power, the existence of formal rules of budgeting, the administrative capacity of MDAs, and the income level of a country affects the reliability of the budget. The key strength of the study is that it has

analyzed all these dynamics conclusively to provide a comprehensive view on the causes of budget unreliability. These findings highlight the potential usefulness of the political settlement theory in analyzing the causes of budget deviations. Although the study has adequately demonstrated the conclusive causes of budget unreliability, it is important to note however that, the current study is limited by the relatively small sample to make generalization the results of the study.

5.3 Recommendations

The study has demonstrated that generally, many of the “sins” identified to be the causes budget deviation in Ghana are committed by the government. Issues with MDAs usually were identified to originate from weaknesses in administrative capacity.

5.3.1 Expansion of the Revenue Base

Key among the challenges identified is the inadequate revenue base of the country and unrealistic revenue projections by MDAs. For funds to be released on time is dependent on the availability of funds. If the government is unable to meet revenue targets, government will be unable to meet expenditure items, and this mostly results in budget deviations. As a way of recommendation, the study is calling on the government to expand the domestic revenue capacity, through taxes, increase export, and other revenue sources to meet budget expenditure items. So, if the tax base is broadened, the country can increase its revenue base to meet expenditure items. Because, if revenue base is increased, it will reduce deficits in the MDAs budget which will in turn reduce the over-dependency on debt and aid in budget funding.

5.3.2 Timely and Accurate Reporting timelines

For every information, the period within which the information is collected is as equally important as the information itself. The reporting timelines for in-year budget reports are unrealistic in practice to provide comprehensive and reliable data for budget decisions. By way of recommendation, it is therefore important to amend that provision of the law to reflect reality where MDAs can report on quarterly budget performance on the 15th day after the end of the quarter.

5.3.3 Adherence to PFM Laws

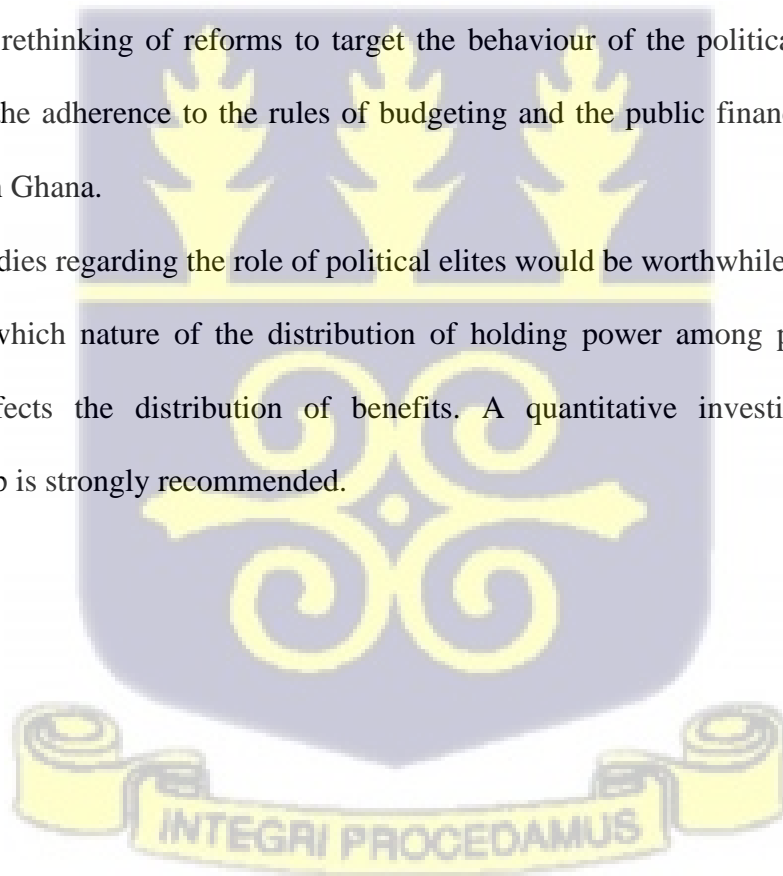
Ghana's PFM laws reflect one of the finest PFM laws globally which is a good thing. The underlying challenge however is the non-compliance and non-adherence to the PFM laws. Particularly, political elites in Ghana are not committed to adhering to the PFM laws which mostly affects the distribution of benefit in society and it results in budget unreliability. Because the law provides guidelines for what is to be done. A non-adherence to the law leads to distortions in the budgetary processes. And if there are no due process, deviations will arise in the budget.

Findings of the study revealed that most of the violations come from the political elites in society because of the nature of the distribution of holding power that exists. By way of recommendation, there is therefore a call for a rethinking of reforms to build effective institutions that will focus more on the nature of the distribution of holding power among political elites to ensure commitment to the PFM laws. MDAs should be given the needed autonomy devoid of political influence. But again, the Ministry of Finance needs to be more proactive in making sure that the law is enforced in the event of excesses.

5.4 Conclusion

This study was designed to examine the causes of budget deviation in Ghana. Findings revealed that the ability to ensure budget reliability is largely dependent on the effectiveness of institutions, the activities of the actors, and the income level. As revealed by study, all these variables have implications on the reliability of the budget particularly the nature of holding power in society. Findings of the study revealed that significantly, institutional weakness because of political interference, the nature of formal rules, government “flagship” programs, and non-adherence accounts largely for these deviations. Also, many of the “sins” identified appeared to have been committed by the principal (political elite) and not necessarily the agents (bureaucrats). This, therefore, calls for a rethinking of reforms to target the behaviour of the political elites that will guarantee the adherence to the rules of budgeting and the public financial management practices in Ghana.

Further studies regarding the role of political elites would be worthwhile to determine the extent to which nature of the distribution of holding power among political elites in society affects the distribution of benefits. A quantitative investigation into this relationship is strongly recommended.



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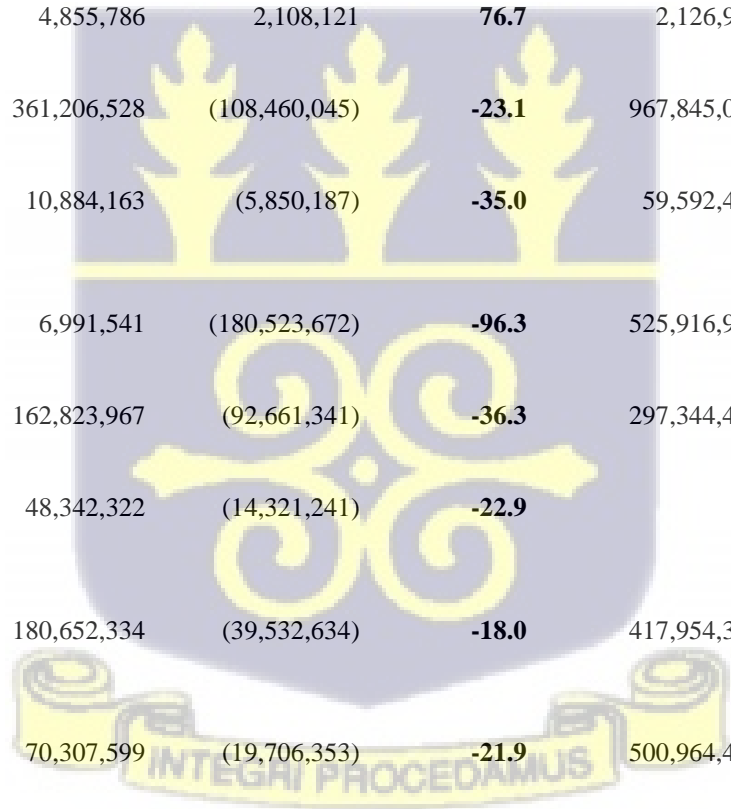
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Appendix 1: Financial Performance and budgetary out-turns of MDAs in Ghana for 2018 and 2019 Fiscal year.

Expenditure Item	2018 Financial Performance of MDAs				2019 Financial Performance of MDAs			
	Approved Budget /Appropriation (2018)	Amount Released	Deviation	% Deviation on approved budget	Approved Budget /Appropriation (2019)	Amount Released	Deviation	% Deviation on approved budget
Office of Government Machinery	1,924,488,361	1,860,436,187	(64,052,174)	-3.3	3,673,385,707	3,545,456,852	(127,928,855)	-3.48
Office of Head of Civil Service	11,243,398	14,070,042	2,826,644	25.1	20,040,832	23,581,994	3,541,162	17.67
Ministry of Planning	3,262,720	2,264,439	(998,281)	-30.6	3,029,403	1,995,706	(1,033,697)	-34.12
Ministry of Business Development	52,260,000	30,476,561	(21,783,439)	-41.7	49,168,950	37,178,111	(11,990,839)	-24.39
Ministry of Special Development Initiatives	1,239,409,969	108,961,445	(1,130,448,524)	-91.2	1,321,543,928	443,295,043	(878,248,885)	-66.46
Ministry of Inner-City and Zongo Development	101,909,970	15,575,337	(86,334,633)	-84.7	109,942,000	49,668,495	(60,273,505)	-54.82
Ministry of Monitoring and Evaluation	3,180,000	2,458,006	(721,994)	-22.7	3,161,350	2,118,972	(1,042,378)	-32.97
Ministry of Regional Re-organization and Development	3,888,970	2,713,970	(1,175,000)	-30.2	122,787,463	35,142,479	(87,644,984)	-71.38
Parliament of Ghana	406,210,190	289,883,162	(116,327,028)	-28.6				
Audit Service	264,436,664	236,021,963	(28,414,701)	-10.7	326,360,986	256,098,463	(70,262,523)	-21.53
Public Services Commission	7,588,638	5,245,492	(2,343,146)	-30.9	8,056,040	5,518,579	(2,537,461)	-31.50
Electoral Commission	373,445,112	162,485,408	(210,959,704)	-56.5	767,472,671	373,255,359	(394,217,312)	-51.37
Ministry of Foreign Affairs and Regional Integration	337,187,543	387,182,667	49,995,124	14.8	465,576,872	403,077,950	(62,498,922)	-13.42

Ministry of Finance	519,023,718	714,862,424	195,838,696	37.5	563,808,399	532,063,717	(31,744,674)	-5.63
Ministry of Local Government and Rural Development	33,033,192	47,260,077	14,226,885	43.1	1,201,170,507	964,834,841	(236,335,666)	-19.68
Local Government Services	589,830,127	579,223,796	(10,606,331)	-1.8				
National Media Commission	5,149,381	3,885,515	(1,263,866)	-24.5	3,917,254	3,769,855	(147,399)	-3.76
National Development Planning Commission	8,568,073	7,044,429	(1,523,644)	-17.8	7,312,555	7,910,095	597,540	8.17
Ministry of Information	87,220,489	77,360,731	(9,859,758)	-11.3	117,914,330	83,320,608	(34,593,722)	-29.34
Ministry of Parliamentary Affairs	2,747,665	4,855,786	2,108,121	76.7	2,126,903	1,995,706	(131,197)	-6.17
Ministry of Food and Agriculture	469,666,573	361,206,528	(108,460,045)	-23.1	967,845,075	1,040,137,053	72,291,978	7.47
Ministry of Fisheries and Aquaculture Development	16,734,350	10,884,163	(5,850,187)	-35.0	59,592,448	27,576,890	(32,015,558)	-53.72
Ministry of lands and Natural Resources	187,515,213	6,991,541	(180,523,672)	-96.3	525,916,941	723,805,202	197,888,261	37.63
Ministry of Trade and Industry	255,485,308	162,823,967	(92,661,341)	-36.3	297,344,414	357,441,736	60,097,322	20.21
Ministry of Tourism, Culture and Creative Arts	62,663,563	48,342,322	(14,321,241)	-22.9				
Ministry of Environment, Science, Tech. and Innovation	220,184,968	180,652,334	(39,532,634)	-18.0	417,954,342	410,848,252	(7,106,090)	-1.70
Ministry of Energy	90,013,952	70,307,599	(19,706,353)	-21.9	500,964,480	173,976,939	(326,987,541)	-65.27



Ministry of Water Resources and Sanitation	70,695,435	27,585,602	(43,109,833)	-61.0	15,723,762	15,597,774	(125,988)	-0.80
Ministry of Works and Housing	91,380,363	198,604,059	107,223,696	117.3	268,602,892	201,133,877	(67,469,015)	-25.12
Ministry of Roads and Highways	242,150,001	240,465,332	(1,684,669)	-0.7	1,311,976,235	714,398,368	(597,577,867)	-45.55
Ministry of Communications	31,574,282	35,884,755	4,310,473	13.7	148,268,607	85,969,576	(62,299,031)	-42.02
Ministry of Railways Development	158,869,620	192,601,006	33,731,386	21.2				
Ministry of Aviation	6,715,235	3,734,894	(2,980,341)	-44.4	318189974	191,147,838	(127,042,136)	-39.93
Ministry of Employment and Labour Relations	343,893,884	276,701,979	(67,191,905)	-19.5	157,169,676	42,899,832	(114,269,844)	-72.70
Ministry of Transport	21,764,892	276,701,979	254,937,087	1171.3	287,330,480	173,325,409	(114,005,071)	-39.68
Ministry of Education	7,305,200,494	8,910,958,199	1,605,757,705	22.0				
Ministry of Youth and Sports	32,043,586	20,174,046	(11,869,540)	-37.0	43,795,046	31,707,563	(12,087,483)	-27.60
National Commission for Civic Education	48,019,612	38,797,823	(9,221,789)	-19.2	47,804,671	46,872,948	(931,723)	-1.95
Ministry of Chieftaincy and Religious Affairs	39,807,632	32,738,445	(7,069,187)	-17.8	42,502,066	35,597,359	(6,904,707)	-16.25
Ministry of Health	2,663,430,344	2,875,317,493	211,887,149	8.0				
Ministry of Gender, Children and Social Protection	39,357,213	35,421,742	(3,935,471)	-10.0	63,254,381	36,885,497	(26,368,884)	-41.69
National labour Commission	6,277,229	3,121,475	(3,155,754)	-50.3				
Ministry of Justice and	93,681,211	106,965,368	13,284,157	14.2	121,786,157	119,022,155	(2,764,002)	-2.27

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Ministry of Defense	990,598,712	1,094,298,129	103,699,417	10.5	1,206,479,434	1,107,359,366	(99,120,068)	-8.22
Commission on Human Rights and Administrative Justice	25,618,470	25,262,609	(355,861)	-1.4				
Judicial Service	341,508,154	202,690,084	(138,818,070)	-40.6	338,687,127	269,840,716	(68,846,411)	-20.33
Ministry of Interior	2,229,126,127	2,120,131,806	(108,994,321)	-4.9	2,410,427,266	2,592,761,137	182,333,871	7.56
Ministry of National Security	415,927,041	647,033,946	231,106,905	55.6	604,182,039	661,227,419	57,045,380	9.44
Office of the Special Prosecutor					180,160,231	63,105,068	(117,055,163)	-64.97
TOTAL	22473987654	227586666662	284679008	29.9	18,922,573,655	15,829,815,731	(3,092,757,924)	-16.34

Source: Ministry of Finance.



Appendix 2. Summary of PEFA PFM Performance Scores for 2006, 2010, 2013 and 2018 fiscal years.

PERFORMANCE INDICATORS		2006	2010	2013	2018
A. Credibility of the Budget					
PI-1	Aggregate expenditure out-turn compared to original approved budget	B	C	C	D*
PI-2	Composition of expenditure out-turn compared to original approved budget	D	C	D*	D+
PI-3	Aggregate revenue out-turn compared to original approved budget	A	B	C	D+
PI-4	Stock and monitoring of expenditure payment arrears	B+	D*	D	
B. Comprehensiveness and Transparency					
PI-5	Classification of the budget	B	C	C	C¹
PI-6	Comprehensiveness of information included in budget documentation	C	B	C	C²
PI-7	Extent of unreported government operations	A	A	C+	D³
PI-8	Transparency of Inter-Governmental Fiscal Relations	C	D+	D+	D+⁴
PI-9	Oversight of aggregate fiscal risk from other public sector entities	C	D+	C	D+
PI-10	Public Access to key fiscal information	B	A	B	A⁵
C (i) Policy-Based Budgeting					
PI-11	Orderliness and participation in the annual budget process	B	A	B	C⁶
PI-12	Multi-year perspective in fiscal planning, expenditure policy and budgeting	C	C+	C+	C⁷
C (ii) Predictability and Control in Budget Execution					
PI-13	Transparency of taxpayer obligations and liabilities	B	C+	C+	
PI-14	Effectiveness of measures for taxpayer registration and tax assessment	C	C	C	
PI-15	Effectiveness in collection of tax payment	C	C+	D+	
PI-16	Predictability in the availability of funds for commitment of expenditures	C	D+	D+	C+⁸
PI-17	Recording and management of cash balances, debt and guarantees	B	C+	C+	
PI-18	Effectiveness of payroll controls	C+	C+	C+	C+⁹
PI-19	Competition, value for money and controls in procurement	D*	B+	C	C+¹⁰

¹ Classified as P1-4 in the revised 2016 framework and 2018 assessment report.

² Classified as P1-5 in the revised 2016 framework and 2018 assessment report.

³ Classified as P1-6 in the revised 2016 framework and 2018 assessment report

⁴ Classified as P1-7 in the revised 2016 framework and 2018 assessment report

⁵ Classified as PI-9 in the revised 2016 framework and 2018 assessment report.

⁶ Classified as PI-17 in the revised 2016 framework and 2018 assessment report.

⁷ Classified as PI-14 in the revised 2016 framework and 2018 assessment report.

⁸ Classified as PI-21 in the revised 2016 framework and 2018 assessment report.

⁹ Classified as PI-23 in the revised 2016 framework and 2018 assessment report.

¹⁰ Classified as PI-24 in the revised 2016 framework and 2018 assessment report.

PI-20	Effectiveness of internal audit controls for non-salary expenditure	C	D+	D+	B ¹¹
PI-21	Effectiveness of internal audit	D+	D+	C+	C+ ¹²
C (iii) Accounting, Recording and Reporting					
PI-22	Timeliness and regularity of accounts reconciliation	C	C	D+	
PI-23	Availability of information on resources received by service delivery units	D	B	D	
PI-24	Quality and timeliness of in-year budget reports	C+	C+	C	D+ ¹³
PI-25	Quality and timeliness of annual financial statements	C+	C+	C+	D+ ¹⁴
C (iv) External Scrutiny and Audit					
PI-26	Scope, nature and follow-up of external audit	C+	C+	C+	
PI-27	Legislative scrutiny of the annual budget law	C+	D+	D+	B+
PI-28	Legislative scrutiny of external audit reports	C+	D+	D+	D ¹⁵
D. Donor Practices					
D-1	Predictability of Direct Budget Support	C+	A	D+	
D-2	Financial info provided by donors for budget, reporting on project, programme aid	C	C+	C+	
D-3	Proportion of aid that is managed by use of national procedures	D	D	C	

Note: The scores range from A (highest) to D (lowest).

Appendix 3: PEFA performance indicator scores for Ghana for 2018 using the 2016 framework.

PFM Performance Indicators		Overall Rating
Pillar I. Budget Reliability		
PI-1	Aggregate expenditure outturn	D*
PI-2	Expenditure composition outturn	D+
PI-3	Revenue outturn	D+
Pillar II. Transparency of public finances		
PI-4	Budget classification	C
PI-5	Budget documentation	C
PI-6	Central government operations outside financial reports	D
PI-7	Transfers to subnational governments	D+
PI-8	Performance information for service delivery	B+
PI-9	Public access to fiscal information	A
Pillar III. Management of assets and liabilities		
PI-10	Fiscal risk reporting	D+
PI-11	Public investment management	D

¹¹ Classified as PI-25 in the revised 2016 framework and 2018 assessment report.

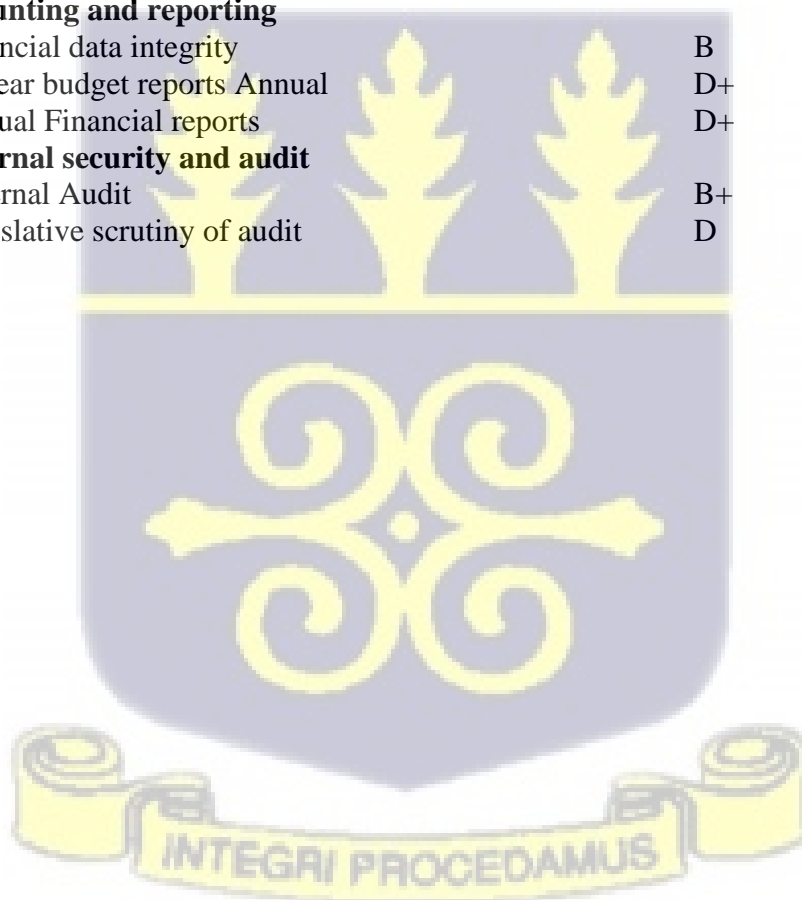
¹² Classified as PI-26 in the revised 2016 framework and 2018 assessment report.

¹³ Classified as PI-28 in the revised 2016 framework and 2018 assessment report.

¹⁴ Classified as PI-29 in the revised 2016 framework and 2018 assessment report.

¹⁵ Classified as PI-31 in the revised 2016 framework and 2018 assessment report.

PI-12	Public asset management	D+
PI-13	Debt management	C
Pillar IV. Policy-based fiscal strategy and budgeting		
PI-14	Macroeconomic and fiscal forecasting	C
PI-15	Fiscal strategy	D+
PI-16	Medium-term perspective in expenditure budgeting	B
PI-17	Budget preparation process	C
PI-18	Legislative scrutiny of budgets	B+
Pillar IV. Predictability and control in budget execution		
PI-19	Revenue administration	D+
PI-20	Accounting for revenue	C+
PI-21	Predictability of in-year resources allocation	C+
PI-22	Expenditure arrears	D+
PI-23	Payroll controls	C+
PI-24	Procurement	C+
PI-25	Internal controls on non-salary expenditures	B
PI-26	Internal audit	C+
Pillar VI. Accounting and reporting		
PI-27	Financial data integrity	B
PI-28	In-year budget reports Annual	D+
PI-29	Annual Financial reports	D+
Pillar VII. External security and audit		
PI-30	External Audit	B+
PI-31	Legislative scrutiny of audit	D



Appendix 3: Interview Guide



UNIVERSITY OF GHANA

THE CHALLENGES OF ENSURING BUDGET CREDIBILITY IN GHANA: A QUALITATIVE ANALYSIS USING THE PUBLIC EXPENDITURE AND FINANCIAL ACCOUNTABILITY (PEFA) FRAMEWORK

INTERVIEW GUIDE FOR THE MINISTRY OF.....

Introduction

This interview guide is aimed at collecting data to assess the challenges of ensuring budget credibility in Ghana. The study is part of the requirement for an MPhil degree in Public Administration at the University of Ghana. In this regard, the study seeks your honest opinion. Please be assured of confidentiality. The personal information will not be used. The answers provided in the interview will be used strictly for academic purposes only.

Please do you accept to take part in this academic exercise? **Yes/No** [.....]

Thank you!

i. Number of Years of experience in the Ministry:..... **ii.** Please is your role related to budgeting/finance?..... **iii.**

Gender:..... **iv.** Highest Educational level (and degree programme(s) undertaken if applicable).....

.....
.....
.....

INTERVIEW QUESTIONS

Pillar I: Budget Reliability

1. A government budget is to be credible if it is implemented as intended. This is measured by comparing actual revenues and expenditures with the original budget. For over a decade, Ghana's budget credibility has been rated very low in the Public Expenditure and Financial Accountability (PEFA) assessment reports (2006, 2010, 2013 and 2018). In your opinion, can a Ministry in Ghana prepare a credible budget?
2. The Ministry of Finance's analysis of the budget reports of Ministries, Departments and Agencies (MDAs) from 2018 to 2019 shows that some Ministries obtain more money than they estimated in their budget, while other ministries receive just about half of their budget estimate. In your opinion, why do many Ministries consistently face the problem of big positive and negative budget deviations almost every financial year? [interviewee to give examples from the Ministry of Finance's reports]
3. What has been the experience of your Ministry with regards to budget deviations?
4. If your Ministry has experienced budget deviations since 2018 [data about the Ministry's performance on the website of the Ministry of Finance shall be made available by the interviewee for clarity], what in your opinion contributed to the significant budget deviations? What can be done to ensure budget credibility?
5. What are some of the challenges faced by your Ministry in preparing a credible budget?
6. **How is the budget of the Ministry prepared?** Which Division or Department of the Ministry is in charge of budget preparation? Do you think that the Division or Department has

adequate competent staff to prepare a credible budget? Does the Ministry use the services of an external consultant in preparing its budget or is the budget prepared by the staff of the Ministry?

7. What are the effects of budget deviations on the performance of the Ministry?

Pillar II: Transparency of Public Finances

8. What guidelines or accounting standards do you follow in preparing the budget of the Ministry? Was it developed by the Ministry or it was given by the Ministry of Finance? Do all Ministries use the same accounting standards in preparing their revenue/expenditure?

Pillar III: Management of Assets & Liabilities

9. Which unit/division within the Ministry is responsible for monitoring and evaluation of the assets and liabilities of the Ministry? Is the monitoring and evaluation of assets and liabilities done every year?

Pillar IV: Policy-based Fiscal Strategy & Budgeting

10. What are the specific government policies that guided the Ministry in the preparation of the 2021 budget? How does the Ministry select the government policies that should guide the Ministry in the preparation of its budget?

11. Is the preparation of the budget based on the national medium term development plan formulated by the National Planning Development Commission?

Pillar V: Predictability & Control in Budget Execution

12. Is the Ministry able to effectively control the execution/implementation of the budget according to the budget proposal approved by parliament? What are the challenges of the Ministry in controlling budget execution?

13. How effective is the role of the internal audit unit in ensuring that the Ministry's budget is executed or implemented according to the approved plan?

Pillar VI: External Scrutiny & Audit

14. How effective is the external auditing role by the Ghana Audit Service in ensuring that the Ministry's budget is executed or implemented according to the approved plan?

15. Comparatively, between the internal audit unit and the Ghana Audit Service, which one has been playing a more effective role in ensuring that the Ministry's budget is executed according to the approved plan? Please give a reason for your answer.

16. During the past 4 years, the Ghana Audit Service has started issuing surcharge certificates to some public agencies and officials alleged to have misappropriated public funds. In your view, has the issuance of disallowance and surcharge certificates by the Ghana Audit Service had some effect on how approved budget is executed?

Pillar VI: Accounting & Reporting

17. How effective is the Ministry of Finance in scrutinizing the expenditure reports submitted by the Ministry?

18. According to Section 27(1) of the Public Financial Management Act of 2016, "Each Principal Account Holder shall, within the first quarter of the ensuing year after the Minister submits the annual budget to Parliament, submit to Parliament, a performance report on budget implementation for the proceeding financial year." [Please can I get copies of the performance reports for 2019 and 2020?] Has the Ministry been able to submit its performance reports to parliament within the first quarter of the year? If No, what are the challenges of meeting the timeline?

19. According to Section 30(3) of the Public Financial Management Act of 2016, "A Principal Spending Officer shall, not later than the 1st day of the months of April, July, September, and December of each year, in the format determined by the Chief Director, submit a report to the Minister on the activities or programmes of the respective covered entity and the implementation of the budget of the covered entity for the preceding quarter, including the actual and forecast commitments and cash positions of the covered entity." How is the Ministry able to get reports from the various entities under the Ministry to meet this strict timeline?

20. What measure do you think should be put in place to ensure effective accounting and reporting of budgeted revenue and expenditure by the Ministry?

21. Discussion with some ministries indicate that most of them have a budget committee in charge of the budget preparation processes. What was the rationale for the establishment of the budget committees within the Ministries? How is it helping in budget credibility?

22. Most of the ministries also raised concerns relating to the internet challenges they face during the budget implementation on the GIFMIS and the bureaucratic processes, what is the ministry doing to help deal with these challenges?

23. Another challenge identified by the Ministries is the reporting date for the quarterly budget performance reports which they indicated makes it difficult for them to prepare a more realistic quarterly report. What is your opinion on the reporting dates and what can be done to deal with this challenge?

24. How are budget ceilings determined for MDAs? How regular are allocations made to MDAs?

25. Key among the challenges identified is the delays in the release of funds to the MDAs. What in your opinion contributes to the delays? What do you think can be done to ensure timely release of funds?

26. Do you face a challenge of political interference in the budget implementation process? If yes, how does it affect the implementation of the budget? What do you think can be done deal with the challenge of political interference?

CONCLUDING THOUGHTS

21. In your opinion, is there any other important issue that should be looked at by researchers to understand budget credibility in the Ministries?

THANK YOU VERY MUCH FOR YOUR TIME!



Context Specific Questions for Ministry of Finance

I. NATURE OF BUDGET RELIABILITY

1. A government budget is to be credible if it is implemented as intended. This is measured by comparing actual revenues and expenditures with the original budget. For over a decade, Ghana's budget credibility has been rated very low in the Public Expenditure and Financial Accountability (PEFA) assessment reports (2006, 2010, 2013 and 2018). In your opinion, can a Ministry in Ghana prepare a credible budget?
2. In your opinion, can ministry of finance prepare a credible budget?
3. The Ministry of Finance's analysis of the budget reports of Ministries, Departments and Agencies (MDAs) from 2018 to 2019 shows that some Ministries obtain more money than they estimated in their budget, while other ministries receive just about half of their budget estimate. In your opinion, why do many Ministries consistently face the problem of big positive and negative budget deviations almost every financial year? [interviewee to give examples from the Ministry of Finance's report]

II. BUDGET PREPARATION PROCESS

4. How is the budget of the MDAs prepared?
5. What are some of the challenges faced by your Ministry in preparing a credible budget?
6. What can be done to ensure budget credibility?
7. How are budget ceilings determined for MDAs? How regular are allocations made to MDAs?
8. Which Division or Department of the Ministry is in charge of budget preparation?

9. Do you think that the Division or Department has adequate competent staff to prepare a credible budget?
10. Does the Ministry use the services of an external consultant in preparing its budget or is the budget prepared by the staff of the Ministry?
11. So, in the budget preparation, do you budget for contingencies?

III. POLICY-BASED FISCAL STRATEGY AND BUDGETING

12. What are the specific government policies that guided the Ministry in the preparation of the 2021 budget?
13. How does the Ministry select the government policies that should guide the Ministry in the preparation of its budget?
14. Is the preparation of the budget based on the national medium term development plan formulated by the National Planning Development Commission?
15. Discussion with some ministries indicate that most of them have a budget committee in charge of the budget preparation processes. What was the rationale for the establishment of the budget committees within the Ministries? How is it helping in budget credibility?

IV. EFFECTS OF BUDGET DEVIATIONS

16. What are the effects of budget deviations on the performance of the Ministry?

V. ACCOUNTING AND REPORTING

17. What guidelines or accounting standards do you follow in preparing the budget of the Ministry?
18. Was it developed by the Ministry or it was given by the Ministry of Finance?

19. Do all Ministries use the same accounting standards in preparing their revenue/expenditure?
20. How effective is the Ministry of Finance in scrutinizing the expenditure reports submitted by the Ministry?
21. What measure do you think should be put in place to ensure effective accounting and reporting of budgeted revenue and expenditure by the Ministry?

VI. MONITORING AND EVALUATION

22. Which unit/division within the Ministry is responsible for monitoring and evaluation of the assets and liabilities of the Ministry?
23. Is the monitoring and evaluation of assets and liabilities done every year?

VII. PREDICTABILITY AND CONTROL IN BUDGET EXECUTION

24. Is the Ministry able to effectively control the execution/implementation of the budget according to the budget proposal approved by parliament?
25. What are the challenges of the Ministry in controlling budget execution?
26. How effective is the role of the internal audit unit in ensuring that the Ministry's budget is executed or implemented according to the approved plan?
27. On a scale of 0-10 where 10 is very effective, how will you rate the role of the internal audit unit?
28. How effective is the external auditing role by the Ghana Audit Service in ensuring that the Ministry's budget is executed or implemented according to the approved plan?
29. Comparatively, between the internal audit unit and the Ghana Audit Service, which one has been playing a more effective role in ensuring that the Ministry's budget is executed according to the approved plan? Please give a reason for your answer.

VIII. CHALLENGES OF BUDGET RELIABILITY

30. During the past 4 years, the Ghana Audit Service has started issuing surcharge certificates to some public agencies and officials alleged to have misappropriated public funds. In your view, has the issuance of disallowance and surcharge certificates by the Ghana Audit Service had some effect on how approved budget is executed?
31. Most of the ministries also raised concerns relating to the internet challenges they face during the budget implementation on the GIFMIS and the bureaucratic processes, what is the ministry doing to help deal with these challenges?
32. Another challenge identified by the Ministries is the reporting date for the quarterly budget performance reports which they indicated makes it difficult for them to prepare a more realistic quarterly report. What is your opinion on the reporting dates and what can be done to deal with this challenge?
33. Key among the challenges identified is the delays in the release of funds to the MDAs. What in your opinion contributes to the delays? What do you think can be done to ensure timely release of funds?
34. My interaction with some MDAs indicated political interference in the budget implementation. Do you face a challenge of political interference in the budget implementation process?
35. If yes, how does it affect the implementation of the budget?

IX. MEASURES TO STRENGTHEN BUDGET RELIABILITY

36. What do you think can be done deal with the challenge of political interference?
37. On the revenue generation, what in your opinion can be done to improve upon it

38. In your opinion, is there any other important issue that should be looked at by researchers to understand budget credibility in the Ministries?

Thank you.

