

**UNIVERSITY OF GHANA**



**BUDGETING FOR RESULT; THE INTRODUCTION OF  
PROGRAMME BASED BUDGETING IN GHANA**

**By**

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### **DECLARATION**

I declare that this is completely my own and has never been submitted anywhere except for unique references and ideas credited to specified sources. Therefore, I take responsibility for any shortcomings that may be identified in the job.

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**CERTIFICATION**

I hereby certify that this long essay was prepared by the student and was supervised in accordance with the guidelines on supervision of long essay laid down by the University of Ghana.

SIGNATURE .....

DATE.....

SAINT KUTTU, PhD

(SUPERVISOR)

## **DEDICATION**

This work is dedicated to God for his grace and mercies effectively given to me during this course of research. It is also dedicated to family including my wife and daughter, my parents and my siblings for their continual assistance and prayers that brought me this far.

## **ACKNOWLEDGEMENT**

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## **ABSTRACT**

This research assessed implementation of the Programme Based Budgeting system in Ghana since its introduction in 2014 to 2018 at the central government level. Four main thematic areas were used to determine whether the introduction of Programme Based Budgeting (PBB) has really led to Budgeting for Results. These include strategic allocation of Public resources, efficient utilisation of Public resources, and attainment of government priorities. The research work also focused on the Budget transparency and accountability.

The study used the Cronbach's alpha which is parametric method of analysis as the internal consistency of the constructs was established for the thematic areas. The study revealed that PBB enabled the harmonization of resource allocation to MDAs with annual action plan and also making or Medium Term Indicative ceilings reliable. PBB allows for flexibility in resources allocation and utilisation by Government and MDAs.

The results indicated that the PBB implementation contributed positively and substantially to the government's efficient use of resources and enabled MDAs to ensure that projects and activities are conducted at minimum cost, on time and within budget.

Another key revelation was that PBB had ensured value for money for projects and activities undertaken by MDAs and provides Key Performance Information (KPIs) framework for demanding results from MDAs. It also focused on long term goals leading to outcomes than ABB.

With regards to transparency and accountability of the budget, it was eminent that PBB has enhanced the quality of KPIs provided by MDAs as well as reflecting MDAs budget inputs accessed online. PBB has resulted to MDAs adhere to reporting and monitoring arrangements of the Budget and also stakeholders involvement in the Budget process.

Beside these benefits, results show that some attributes should be given to the tenure of ABB as it's also enhanced some level of attaining government priorities and Public sector delivery.

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## LIST OF ABBREVIATIONS AND ACRONYMS

<b>ABB</b>	Activity Based Budgeting
<b>BPEMS</b>	Budget and Public Expenditure Management System
<b>GIFMIS</b>	Ghana Integrated Financial Management Information System
<b>KPIs</b>	Key Performance Indicators
<b>MDAs</b>	Ministries, Departments and Agencies
<b>MMDAs</b>	Metropolitan, Municipal and District Assemblies
<b>MTEF</b>	Medium Term Expenditure Framework
<b>OBI</b>	Open Budget Index
<b>OBS</b>	Open Budget Survey
<b>OECD</b>	Organisation for Economic Co-operation and Development
<b>PBB</b>	Programme Based Budgeting
<b>PERs</b>	Public Expenditure Reviews
<b>PFM</b>	Public Financial Management
<b>PFMA</b>	Public Financial Management Act
<b>PURMARF</b>	Public Financial Management Reform Programme
<b>SMTDP</b>	Sector Medium Term Development Plan
<b>SEM</b>	Structural Equation Model

## **CHAPTER ONE**

### **INTRODUCTION**

#### **1.0 Background of the study**

Over the past decades, Ghana has embarked on a number of Public Financial Management reforms aimed at improving the continuous growth and development PFM system. Prominent among the reform programmes was the introduction of a major PFM reforms called the Public Financial Management Reform Programme (PUFMARP) in the later part of 1990's. The Medium Term Expenditure Framework (MTEF) came with the implementation of the Activity Based Budgeting (ABB) among other things (Ohemeng, 2016). The ABB was to substitute the budgeting strategy of the hitherto line item. Furthermore, the automation of budget management through the application of the Budget and Public Expenditure Management System (BPEMS) was to promote budget execution, billing and reporting.

The ABB attempted to make the budgets of the Ministries, Departments and Agencies (MDAs) and Metropolitan, Municipal and District Assemblies (MMDAs) more focused on results by connecting strategic goals with budget outputs and activities. Thus, the ABB intended to emphasize strategic planning in the management and utilization of public resources. The main objective of PUFMARP could not be realised particularly the BPEMS. Over the years the implementation of ABB was to a large extent reduced to and concentrated on the activities instead of performance orientation. In spite of the numerous strengths of the ABB approach to budgeting including linking strategic planning to budgeting, it was confronted by a number of challenges.

Subsequently, Public Expenditure Reviews (PERs) also made it evident that there was the need for reforms to strengthen the PFM System. The BPEMS was therefore reengineered into the

Ghana Integrated Financial Management Information System (GIFMIS) project to enhance budget execution, accounting and reporting.

This made it necessary for Ghana's government to embark on a focused budget reform by adopting a Programme-Based Budgeting Approach (PBB) that would allow it to move from emphasizing mere inputs and outputs to attaining outcomes and results (Kwakye and Owuo 2014). This was done on the basis of Medium Term Expenditure Framework (MTEF) which can function with any form of budgeting (inputs, activities, programmes).

The introduction of PBB system had a requisite legal basis from the 1992 Constitution, Article 179(2). It states that the estimates of the expenditure of all public offices and public corporations other than those established as commercial undertakings are classified under programs or activities that are included in a bill known as an appropriation bill Which shall be introduced in Parliament to provide for the issue of the Consolidated Fund or any other appropriate fund, the sums of money necessary to meet that expenditure and the appropriation of those sums for the purposes specified in that bill.

Furthermore, Section (21)4a of the Public Financial Management (PFM) Act, 2016, Act (921) states that the estimates of the spending of all government offices and public corporations other than those established as business undertakings shall be categorized as programs or operations in the Appropriation Bill to be brought into Parliament and Parliament shall be notified of the payments paid to the Consolidated Fund.

PBB was initiated in Ghana through the implementation of GIFMIS project (2010 – 2014) to strengthen the MTEF and supports improved fiscal management and service delivery outcomes across sectors. Programme Based Budgeting (PBB) was first introduced in 2010 on pilot basis and subsequently rolled out to all MDAs and MMDAs. Critical mass staffs of MDAs and

MMDAs were trained in the preparation and implementation of PBB. MDAs and MMDAs have since then been preparing and implementing PBB.

Ghana since 2014 has been implementing PBB with emphasis on results and improved service delivery in the utilization of public resources by Government Institutions. There is therefore the need to discover whether the introduction of PBB in Ghana has brought about Budgeting for result or “*is the same old liquor in a new bottle*”.

### **1.1 Problem Statement**

Activity Based Budgeting was introduced in Ghana in 1998 under the (PUFMARP) with the intention to bring a stronger performance focus to MDAs and MMDAs budgets by linking strategic objectives to budget outputs and activities. However, recent PER of the budget process and systems identified some limitations with the ABB procedures and systems affecting the performance orientation of the National budget.

Some of the limitations include weak linkage between priorities and planned expenditures of MDAs, placing more emphasis on inputs and activities in budget documents and more importantly exposing more detailed activities in the presentation of budgets. In addition, huge budget variations and ineffective monitoring and evaluation due to emphasis on activities which resulted in making MDAs less accountable. In summary, there is a need to justify the moving from ABB to PBB in Ghana’s Budgeting approach.

The implementation of Programme Based Budgeting in Ghana is to address problems with the ABB scheme and other emerging problems such as commercial amounts of oil exploration. In addition, the PBB strategy has led to results-oriented budgeting in Ghana and reacted to the increasing demand for transparency and accountability. PBB introduces performance



management in the current budget system and ultimately improving Budget Management and also enhances the strategic intent of government in terms of allocation of resources.

## **1.2 Objectives of the study**

### **1.2.1 General objective**

To review Programme Based Budgeting approach in Ghana and its linkage to results and improvement in public sector service delivery.

### **1.2.2 Specific objectives**

1. To evaluate to what extent Programme Based Budgeting has contributed to strategic allocation of resources and efficient utilization by government.
2. To establish whether the introduction of Programme Based Budgeting has contributed to the attainment of government priorities.
3. To establish whether Programme Based Budgeting has led to improved Budget transparency and accountability
4. To establish the association between strategic allocation of resources, attainment of government priorities and Budget transparency and accountability due to the implementation of PBB

## **1.3 Research questions**

1. Has Programme Based Budgeting approach enhanced strategic allocation of resources and efficient utilization by Government?
2. Has Programme Based Budgeting contributed to the attainment of government priorities?
3. Has Programme Based Budgeting approach led to improved Budget transparency and accountability?

4. What is the intercalation between strategic allocation of resources, attainment of government priorities, Budget transparency and accountability due to PBB?

#### **1.4 Significance of the study**

Importing this research is to determine whether PBB adoption has established a clearer connection between government priorities and scheduled MDA expenditure, as well as contributing to a better demonstration of the government's strategic intention, resulting in growth and development in this regard. The findings will also show the shift in focus management of budget inputs and operations and concentrate on results through MDAs production and outcomes.

It is also to check problems that MDAs encounter in implementation of budget reforms essentially with PBB. Finally, the study would bring to attention the level of budget transparency and accountability of the economy.

#### **1.5 Scope of the study**

The study was confined to Ministries, Department, and Agencies. Essentially it included key officers involved the budget preparation and execution process. Some key Ministries among them were Ministry of Education, Ministry of Health, Ministry of Road and Highways, Ministry of Local Government and Rural Development and Ministry of Energy. Some key commissions included were Public Service commission, National Labour commission, National Commission for Civic Education and Electoral commission. The choice of institutions was based on their involvement in the preparing and implementing budgets and their working relationship with the researcher.

### **1.6 Limitation of the study**

This research had some deficits where books and literature on the implementation of PBB in Ghana were not easily accessible. Therefore, the researcher had to source pieces of information from the internet. Also, the researcher was faced with time constraints even though frantic effort was made to review the existing literature on introduction of PBB in Ghana, this was not meticulous.

In addition, the study was narrowed all MDAs due to their long term involvement with the introduction of the PBB and not Metropolitan, Municipals, and District Assemblies Although there were many participants, the investigator took his time to clarify the objective of the research and the items on the questionnaire that were exuded in the responses provided.

### **1.7 Organisation of the study**

There are five chapters in this research. Chapter One discusses the background to the study, the problem statement, the study objectives, the research question, the study significance, the scope of the study, the study limitations and the study organization.

Chapter Two focused on the review of relevant and related Literature. Chapter three provided the research design methodology, information sources, population, sampling and sampling methods, information collection tools and data analysis techniques.

Chapter Four presented the Results and discussion of the findings. Finally, Summary of Findings, Conclusions, Recommendation and Recommendations for the further formed Chapter Five.

## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.0 Introduction**

Different countries in the world have followed different routes in introducing PBB. Some have gone for an explicitly fractional, where the reform is rolled out by Government over time or only after pilots had been done. Others employed a big bang approach by rolling out PBB across Government in one step. Assessing the introduction of PBB has potential to determine whether Government has strategically allocated resources for improved Public Sector service delivery. It also focuses on the efficient utilization of resources by Public Sector institutions. This section reviews the literature on the implementation of PBB in developing countries with specific emphasis on the Ghanaian economy. It also offers a thorough knowledge of the study subject.

#### **2.1 Theoretical framework**

The study reviews some concepts of budgeting, types and approaches to budgeting and finally budget transparency and accountability.

##### **2.1.1 Public resources**

Public resources can be defined as resources comprising of all forms of National wealth and community assets ranging from material, machine, money and human capital owned by both Government and citizens (Mifflin, 2009). Research has shown that there are no widely accepted definitions of government assets but can be regarded as anything of economic value, and for the purpose of this research it will be restricted to those funds managed and regulated on behalf of people by government authorities. Fiscal transparency in public administration is promoted as part of a wider policy goal of outstanding economic governance directed at using

government funding to achieve poverty alleviation and development goals. With this, the African continent is calling for more openness in budget processes as part of a series of efforts aimed at resolving, on the one hand, the paradox of abundant resources and, on the other, apparently intractable abject poverty. Some nations in Africa, including South Africa, Tanzania and Senegal, are taking action to guarantee that natural resources are used efficiently, but their efforts are far from the norm. The effectiveness of spending scarce resources remains weak with a wide variance existing between budget policy and ultimate budget process. This is the case even in nations where the multi-year budgeting procedures are tentatively applied as with the Ghana republic.

### **2.1.2 Budgeting**

Cherrington, Hubbard and Luthy (1998) explain that a budget is an estimate which is itemized to reflect operating results of an organization for a period. They clarify that budgets take different forms from one organization to another but are finally put together in the form of usual financial statements. The main distinction between a budget and financial statement is the information utilized in the development of each document. In the preparation of financial statements, the emphasis is on actual results of past operational activities whilst budgets are developed on planned activities for a future period. As a result of this, budgets are referred to as performance statements. Kiringai (2002) also defines budgeting as a set of measures which governments employ to apportion resources among claimants and monitor the amount each applicant uses. Budgeting involves making plans ahead, putting those plans into the use and monitoring activities to ensure conformity of action to plans.

Budget has the role of connecting duties according to the amount of funds needed to carry them out. An organization can limit expenditure commensurate with reception with a budget, maintain balance and avoid excessive expenditure beyond the limits. The budget has technical

elements in the government sector, and political aspects are also heavily affected by the financial position, public opinion, politicians, interest groups, the media and multiple levels of government. In the budget, the government sector has a close link between individuals as taxpayers with the public as people's user resources.

### **2.1.2 The Public Sector Budgeting**

Governments fulfill their function through the public administration apparatus, a field that relates to how federal, state and local organizations use their procedural, legal, regulatory, economic, human resources and asset aspects are organized, institutionalized and managed in terms of regulation, revenue generation, procurement expenditure and provision of services such as defence, social welfare and economic infrastructure (Mhome, 2003). Management is a main element of public administration. McKinney and Howard (1979) noted that financial management is a critical management function that fuels the public administration engine and can be considered in three areas: (a) fiscal policy determination where political or community leaders identify priority programs and attempt to fund them through appropriations ; (b) Providing accountability by ensuring that government funds are spent for the desired reasons and (c) establishing the organisational structures and controls needed to efficiently perform the tax tasks and responsibilities. In all of these, the budget structure is essential as it is used by public administrators to achieve short-term and long-term goals of government.

Public sector budgeting systems evolve and change in line with the dynamics of public sector management and community claims. Until now, there are several types of public sector budgeting that have been widely used by developing countries. One can talk of the Zero-Based Budgeting that was widely used by developing countries from the 1970s, the Activity- Based Budgeting from the 1980s and finally the Programme or Performance Based Budgeting from the 1990s.

### **2.1.3 Types and Approaches of Budgeting**

#### **Zero Based Budgeting**

This approach to budgeting is based on the principle that, all cost should be benchmarked against expected benefits. It is a substitute to incremental budgeting where the budget is based on earlier period's budgets or on actual figures, and is made up adjustment for inflation or other known variations." (CIMA Official Terminology, 2005).

According to Drury (1997), "it is not based on previous year's expenses but commences at the decreased expenditure or base zero and activities are ranked giving regard to their importance". A zero-based budget starts from the fundamental reason that the school budget for this year is zero and that each expenditure, old and new, is allocated a satisfactory reason based on its costs and benefits in relation to the school plan. Government institutions are ranked by government in zero-based budgeting, which helps them identify school activities that have lost their efficiency and are put at low priority or withdrawn completely." (Evans and Gold 1998 and Drury 1997)

#### **Activity Based Budgeting**

This model of budgeting is based on an activity framework. It utilizes cost driver information for budget setting and feedback procedures for discrepancy. This looks at individual operations and examines the potency of their contribution to organization success. They can be prioritized by way of ranking and be assigned fitting budgets. Activities are linked to strategic goals, objectives and outputs. Subsequently, the costs of the activities needed are used to fashion out the budget. (Kyei, 2012).

## **Programme Based Budgeting**

Program Based Budgeting is described as a public sector financing system and procedures intended to enhance the link between financing and results (outputs and outcomes) through the systematic use of official performance data with the aim of enhancing the allocation and technical efficiency of public expenditure (Robinson, 2007:1). In this definition, the concept of technical efficiency is about producing an output at the minimum price while maintaining steady quality, considering the prevailing input rates.; it requires both avoiding waste and choosing least cost combination of inputs (Schick, 1998).

It can also be described as the proficiency of an agency or agency in economically obtaining resources and using those resources efficiently (input-output) and effectively (output-outcome) to attain performance objectives (OECD).

Curristine (2005) reports that the need to improve the efficiency of the public sector is becoming more important when the government faces numerous requirements on public expenditure, where the claim is a demand to be able to provide a quality service, but on the other hand the taxpayer does not want to pay more tax. Performance-based budgeting and performance-based management are trying to figure out how to modify the focus of budget management, accountability where budget, governance and accountability were concentrated solely on feedback from the prior scheme. input.

This means that emphasis should be placed on strategic control of aggregate expenditure and priority setting; and that greater efficiency and efficiency should be facilitated by delegating management authority with accountability for results. To achieve this, decision-makers at all levels in the public sector need more improved and helpful information. This, in turn, needs the government to make radical adjustments to the scheme of public administration.



John Mikeshell, for example, says that performance budgets essentially link inputs or expenditures to program activities and goals. He says that performance plans can, and most often do, contain one or more of the following components: data on the workload (units of activity supplied), data on efficiency (cost per activity), and information on efficacy (level of objective accomplishment) (Mikeshell, 1999 pp. 185-186). Similarly, Charles Dawson describes performance measurement and budgeting “as general terms applied to systematic efforts to assess government activity and enhance accountability for progress and outcomes in achieving results” (Dawson, 1995, p.1).

This study included an OECD (2007) definition saying that performance budgeting relates to an organization or agency's knowledge in acquiring resources economically and using those resources efficiently (input-output) and effectively (output-output) to achieve performance goals. Another study undertaken by the OECD in 2006 also showed that the technical criteria for improved linkages between budget and service delivery are based on budget management (such as multidimensional budget classification systems that link program-based allocations to administrative classification and other basic legislation on public service management and human resources management). However, experience across some African nations in budgeting systems has shown that enhanced budget planning alone is not enough and must be followed by schemes that guarantee disciplined use of funds and enhanced incentives for MDAs and MMDAs delivery.

As this literature indicates, there are four primary performance-based budgeting characteristics. First, PBB sets goals or a set of goals to which cash is "connected," i.e. allocated. Specific goals are delineated from these goals and funds are then split among them.

Second, PBB provides information and data on past performance, enabling important comparisons between "expected" and "actual" advancement. Third, program changes are

generated either at this point or during a future budget cycle to close any performance gaps that may arise. Fourthly, as an ancillary yet substantial function, PBB provides an opportunity for regular or unique (ad-hoc) program evaluations. When used, these evaluations are useful in that they provide autonomous and verifiable data to budget decision-makers.

In contrast to line-item budgeting which outlines total department appropriations by items for which the organization will expend funds, a programme budget shows a sequence of programme which delineates all costs associated with the programme (Kyei, 2012).

According to the orthodox perspective on Public administration and policy, a combination of financial, human, material resources is necessary to accomplish public goals and objectives. Governments and public administration then have to confront the hard reality that there are never enough resources to meet public need and demand. This is to state that the introduction of PBB must be complimented with the availability of resources to enable its full implementation (Haruna & Shikha, 2016).

For PBB to work, the Governments have to move beyond the surface addressing of capacity issues to build more resilient Public Sector Institutions. Also, development partners can help in building the capacity of officers involved in the Budgeting process as well as support with technological needs and son on, that may affect overall capacity building to ensure the success of the PBB (Haruna and Shikha, 2016 quoted in Thomas, 2006, p.1).

#### **2.1.4 The Budget Controls process**

Budgeting is a complex process, and the best results can only be achieved when a combination of factors is taken into account. Budget goes through some processes before it becomes both a law and an economic instrument. The budgetary method includes all an entity's programmes,

centers and administrative units in the creation of the regular budget. It relates to the totality of budget procedures that pass before it lastly becomes a document.

The budget shows the equilibrium between income and expenditure. In an setting of inconsistent requirements and resources, the budget process includes making trade-off choices. These choices show its priorities and what deficit expenditure risks the government is taking.

### **2.1.5 Budget Transparency**

Budget transparency has emerged as a support for good governance in latest decades, and in latest years the movement for higher fiscal transparency has gained momentum. Fiscal (or budgetary) transparency is a notion that appears to have evolved in the 1990s and may have evolved from corporate transparency, defined by Bushman, Pietroski, Smith, (2004) as "the accessibility of firm-specific data to non-publicly traded companies."

Budget transparency can also be described as the full disclosure of all appropriate tax data in a timely and systematic way. Therefore, budget transparency relates to the extent and ease with which people can access data about and provide feedback on government revenues, allocations and expenditure. Budgets are important documents that reflect the allocation of scarce resources across competing requirements.

Islam (2003) finds that nations with better flows of data have better governance of quality. Kaufmann and Bellver (2005) discovered that transparency is linked to improved indices of socio-economic and human development, increased competitiveness and decreased corruption. They indicate that for nations with the same rate of revenue, a nation with a more transparent setting tends to have more efficient government agencies, especially when it comes to offering public services. They also break down their transparency measure and demonstrate that the

efficacy of government is more affected by institutional transparency (including budget transparency) than by political transparency.

### **Budget Reports for transparency and accountability**

Budget reports include:

**Budget Statement and Economic Policy** –This is the primary policy document for the government. It should cover all government revenue and expenditure in order to evaluate the trade-offs needed between different policy options

**A pre-budget report** – It promotes budget aggregates discussion and how they interact with the economy. It also produces adequate expectations for the budget itself as such. It should be published no earlier than a month prior to the implementation of the budget proposition.

**Monthly / quarterly reports** –shows progress in either monthly or quarterly execution of the budget. The monthly reports are published within four weeks of the end of each month and within two weeks of the end of each quarter for the quarterly.

**The mid-year budget** – provides a comprehensive update on the implementation of the budget, including an updated outcome forecast for the current fiscal year and at least for the next two fiscal years. It is expected that the report will be published within weeks of the mid-year end.

**The year-end report** – is the main accountability document issued annually by the government on budget execution. The Supreme Audit Institution should audit it and release it within six months of the fiscal year's end.

### **Budgetary transparency benefits and impacts**

Benefits of budgetary transparency and economic accountability:

**Accountability** – Clarity on the use of public funds is crucial in order to be accountable for efficiency and effectiveness for public representatives and officials.

**Integrity** – Public expenditure is not only prone to waste and misuse, but also fraud. "Sunlight is the best approach" for preventing corruption and maintaining high standards of integrity in the use of public funds.

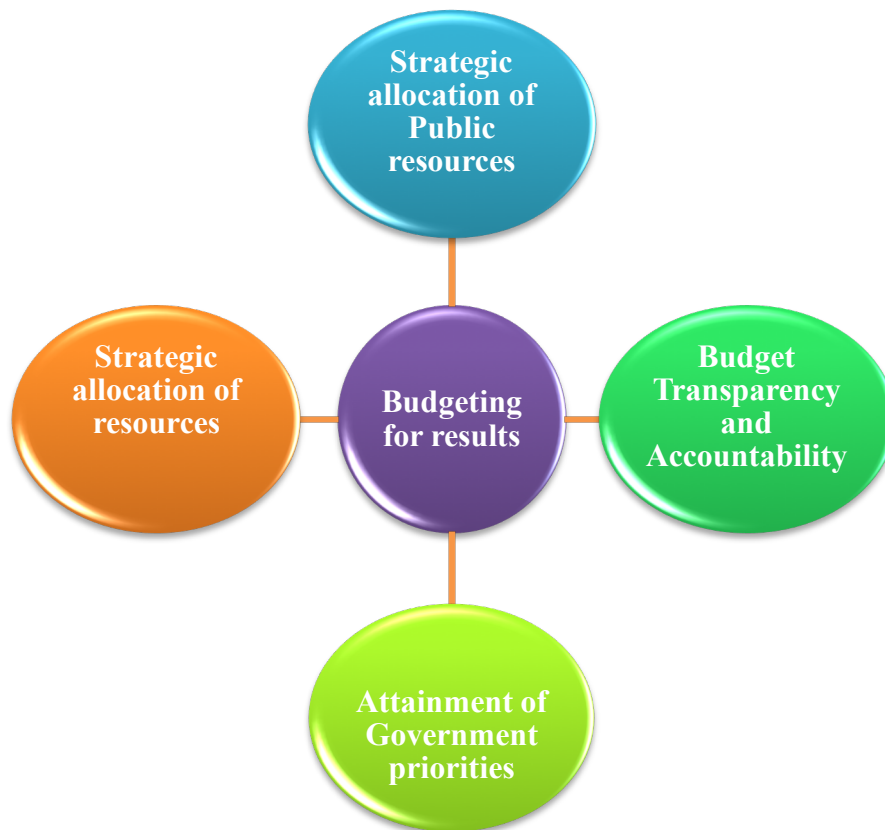
**Inclusiveness** – Budget decisions can have a deep effect on the interests and living norms of different people and organisations in society ; transparency involves an informed and inclusive debate about the impacts of budget policy.

**Trust** – An open and transparent process of budgeting fosters trust in society that the views and interests of people are respected and that cash from government is well spent.

**Quality** – Transparent and inclusive budgeting promotes more responsive, efficient and equitable fiscal results and government policies.

Ghana must therefore consider and adhere to all of these above-mentioned things in order to improve the budgeting process's transparency and accountability. This will also assist the economy enhance its performance in Open Budget Survey (OBS) of International Budget Partnership as well as achieve a healthy position in the following years in the Open Budget Index (OBI).

**Figure 2.1 Conceptual framework for assessing the determining budgeting for results**



## **2.2 Empirical reviews**

### **2.2.1 Strategic Allocation of Public resources**

Pradhan (1996) follows the principle that 'public expenditure structure should finance the combination of products and services that maximize social welfare'. He acknowledges, however, that this allocative efficiency test cannot be completely applied in practice. He also recognizes the importance of institutional provisions for the management of public expenditure in the financial assessment of allocations of public expenditure, in particular the role of official and informal rules. Schick (1998) further develops this connection by discussing allocative efficiency in terms of 'government ability to distribute funds on the grounds of the efficacy of public programs in achieving their strategic goals.

Dania & Hanin (2014) by a study on the efficient and strategic allocation for sustainable development in Jordan revealed that the country is new to the concept of planning in comparison to other countries. They also stated that while planning was launched in the nation in the 1950s, it still struggles with the problem of resource allocation and therefore calls for equitable resource distribution. The study suggested that resource allocation should be facilitated by a correct domestic agenda as the domestic agenda is a significant document in the determination of resource allocation priorities. This is because of the ability to predict and work on medium and long-term development plans that form the very beginning and in a phased way where continuous evaluation is possible for the development that has been accomplished so far. Judging from this literature, the Ghanaian economy must allocate resources strategically to guarantee that the interest of the nation should first be prioritized to lead to anticipated results.

### **2.2.2 Attaining of government priorities.**

Determining policy priorities is a challenge for any government because, for instance, there may be a multiplicity of goals to be achieved concurrently or inefficiencies in the execution of public policies. In a study by Castaneda, Wendelspiess, & Omar (2018) on “How governments determine policy priorities, it was revealed that network of spillovers between policy issues as well as known political economy problem arises mostly from the budgeting process. This is to say that government must be policy driven when preparing the budget for attain priorities set. Also, governments must ensure that priorities of the Nation comes first as resources are scarce and the dependency of development partners keeps dwindling. The Ghanaian economy has adopted the “Ghana beyond aid agenda” meaning that Ghana must be set its priorities right by making sure that citizens are provided with the needed goods and services for a healthy economy growth. This will also help the economy not to be overdependence on support from development partners as our priorities have been rightly established.

### **2.2.3 Improved Budget transparency and accountability**

Cimpoeru (2015) did a study on Budget Transparency – an improving factor for corruption and Economic Performance and the results indicated that “more information is always better than lesser ones”. Thus, in order to regulate public operations, adding transparency to the budget process will fight so-called budgetary "tricks." This obviously says that countries, particularly Ghana, must start to rethink policies that are oriented towards transparency and reducing malfeasance in order to guarantee a good economy.

### **2.3 Summary of Literature review**

In the literature instances covered, it is evident PBB strategy promotes the ability of agency to acquire resources economically and to use these resources efficiently (input-output) and effectively (output-output) to attain performance objectives. It also showed that PBB cannot function in isolation but some technical specifications such as linkage of programme-based allocations to administrative classification and other fundamental public service management regulations and human resources management that will guarantee enhanced connections between budget and service delivery.

Another idea is that improved budget planning alone is not sufficient and must be accompanied by systems guaranteeing disciplined use of resources and improved incentives for delivery by MDAs and MMDAs.

The theoretical incorporation shows the fundamentals of budgeting as well as the distinct methods taken by developing nations to introduce PBB. The empirical studies focus on the relationships between the introduction of PBB and its linkage to improved Public Sector service delivery paying special attention to strategic resource allocation, attainment of priorities and efficient utilisation of government resources. It also pays attention to the relationship between PBB and the improved budget transparency and accountability.



## **CHAPTER THREE**

### **METHODOLOGY**

#### **3.0 Introduction**

The primary source of data for this research will be interviews with all MDAs. Questionnaires will be designed and administered to bring out relevant information on specific questions mentioned. It will mainly focus on the four thematic areas namely strategic allocation of Public resources, efficient utilisation of Public resources and attainment of Government priorities. Lastly, it will also focus will be Budget transparency and accountability.

Reports by Civil Society Organisations, comments and websites of relevant institutions may be considered as part of secondary source. While the focus of the research is on Budgeting for results by the introduction and implementation of PBB for the period of 2014-2019, some attributes can also be given to tenure of ABB in the early 2000's, so the research will delve into the past where necessary.

The research is exploratory in nature. Social exploratory research aims to find out how individuals get along with their behavior in the environment in question, what meanings they give to their actions, and what concerns problems. The objective is to know 'what's happening here?' And research social phenomena without express expectations (Schutt, 2006). This chapter includes Research Design, Data Sources, Population Sample and Sampling Technique, Data Collection Instrument, Data Analysis Technique, and Ethical Consideration.

### **3.1 Research Design**

In a study carried out by Cooper and Emory (1995), a research design is a framework that specifies the relationship between the variables of the study and begins with a plan to select the sources and types of information used to answer the research question. This research was carried out through a case study and, as stated previously, is exploratory. Descriptive statistics were used to conduct a comprehensive comparative study on MDAs implementing PBB.

### **3.2 Sources of Data**

This study depended primarily on primary data where the researcher used unstructured interviews and questionnaires to gather information from the respondents. The questionnaire contained open and closed ended questions that assist assess the true impression of MDA officers about the execution of PBB in Ghana. The interviews were very engaging that help respondents in expressing themselves justly.

### **3.3 Population, Sample and Sampling Technique**

Population of the study is forty nine MDAs in Ghana with target respondents comprising of Budget officers/Analyst, accounts officers and planning officers among others. The target respondents were selected as a result of their regular involvement in preparing and implementating the annual budget. The convenience sampling technique was used to pick the respondents from all MDAs. This was done because of ease of access and the speed at which data was to be gathered. It is also due to the researcher's working relationship with the said respondents.

A purposeful sampling technique was used to select the sample size of 67 participants from 42 MDAs as shown in Table 3.1 below.

**Table 3.1 Respondents**

<b>No.</b>	<b>Job position/Title</b>	<b>Figure</b>
1.	Budget officers/Analysts	23
2.	Accountants	17
3.	Administrative officers	14
4.	Others including Planning officers, Programmes officers, M&E officers etc.	13
<b>5.</b>	<b>Total</b>	<b>67</b>

### **3.4 Data Collection Instruments**

Questionnaires were administered and some unstructured interviews were held with Budget officers/Analyst, accounts officers as well as planning officers and others in the process of collecting the data. The questionnaire was made up of 35 items including opened ended questions and closed ended questions. Majority of the questions were closed ended questions with a choice of five responses one to five on a Likert scale: Strongly disagree, disagree, neutral, agree and strongly agree. All items on the questionnaire were explained exhaustively to the respondents in administering. The questionnaire schedules contained a covering note revealing the researcher's identity and also detailing the nature and purpose of the research. Face-to-face communication was the interview method used in questionnaire administration. Each interview took not more than thirty minutes due to the simple nature of questions posed by the interviewer to the interviewees to answer.

### **3.5 Data Analysis Techniques**

According to Cohen & Manion (2007), “data analysis involves organizing, accounting for, and explaining the data; in short, making sense of the data in terms of participants’ definitions of the situation, noting patterns themes, categories and regularities”. Next to the collection of the questionnaires and completion of interviews with respondents, the returns were edited to correct all errors. Afterwards, a database was created using excel and SPSS package to critically analyse the data collected. This approach facilitated the presentation of the analysis efficiently. However, the research concentrated its attention on verifying the internal consistency of the constructs that look at the thematic fields using Cronbach's alpha and the structural equation model used to evaluate whether the implementation of PBB has resulted in budgeting for outcomes in our economy.

### **3.6 Ethical Consideration**

The researcher requested approval from the Ministry of Finance's Budget Division as well as from all MDAs ' principal spending officers. The researcher introduced himself and gave all questionnaire respondents a short explanation of the purpose of the research despite the good working relationship. The researcher introduced himself and gave a brief explanation of the purpose of the study to all respondents of the questionnaires despite the working relationship existing. Questionnaires were then administered and collected at the end of the interview. Further clarifications were given to respondents to aid the answering of the questionnaires. Confidentiality played a key role factor in getting the respondents to pay special attention to the questions and expressing the truest feeling in answering the questions. This was of utmost importance because the “principles of anonymity is linked with confidentiality” (Bless et al 2006). Respondents have the rights to determine whether to participate or not in a research study even though most researchers may have not bad intentions. Thus, there is the need to observe that participants have their right to privacy as well as protection from physical and

psychological harm. With this, justice, respect, trustworthiness and autonomy of participant's right were applied during the administration of the questionnaires for this study.

## **CHAPTER FOUR**

### **DATA ANALYSIS AND DISCUSSION OF RESULTS**

#### **4.0 Introduction**

This chapter provides the outcomes gained from the gathered data analysis. The researcher used standardized questionnaires to collect the information. The section gives an overview of the different quantitative and statistical methods used in the study. The use of inferential statistics was to allow the researcher to infer data about the population used for the research by forming credible findings about the interactions between the study variable. The quantitative statistics assisted the researcher to describe numerical data gathered from the field. On the whole, the quantitative statistics served a fundamental purpose of description and analysis and helped in the testing of hypothesis stated.

The chapter presents a discussion on the interrelationship among the factors that lead to improvement of budgeting in Ghana. Specifically, the research attempted to develop connections with research factors such as strategic distribution of government funds, effective use of government funds, achievement of government objectives, and budget transparency and accountability impact on budgeting for results. Also, the study explored on the respondent opinion in relation to implementation of PBB in Ghana.

The quantitative data gathered during the study were coded for evaluation using SPSS (Version 25) and Microsoft Excel (Version 2019) for quantitative data analysis. The researcher thoroughly discussed the qualitative data in relation to the study objectives using a semantic approach. The analysis is consistent with the study's stated objectives. The researcher administered 67 questionnaires which are fully completed and represented in the tables.

#### 4.1 Data Presentation and Analysis

The data presentation and analysis of the study comprises of the two sections namely; descriptive statistics and structural equational model.

##### 4.1.1 Descriptive statistics

To comprehend and summarize the primary numerical characteristics of the information set, the researcher used descriptive statistics. The descriptive data analysis gives easy summaries of the sample and the measures used throughout the research. In terms of measurement ratios, the information gathered was evaluated descriptively. The descriptive statistics of the study includes gender of respondents, job position of respondents, the number of years of working and academic qualification of respondents.

##### 4.1.1.1 Gender of respondents

The study categorizes the gender of all respondents into males and females. The outcome of the finding indicates that more than half (64.2%,  $n = 43$ ) of the respondents were males while the females constituted 35.8% ( $n = 24$ ) of the sampled population.

**Table 4.1: Gender of respondents**

Gender	Frequency	Percentage
Males	43	64.2
Females	24	35.8
Total	67	100.0

Source: Field work, 2019

#### 4.1.1.2 Job title of respondents

The study examined the respondent job credentials in the ministry department and agency (MDA). The study result indicates that majority (34.3%, n = 11) of the respondent are budget officer/ analyst. Also, this is followed by accountant which constitutes 25.4% (n =17) of the study population. In addition, 14 of respondents representing 20.9% were Administrative officers and 14 of them representing 19.4% had different job.

**Table 4.2: Job position of respondents**

Job Position	Frequency	Percentage
Budget Officer/Analyst	23	34.3
Accountant	17	25.4
Administrative Officer	14	20.9
Others	13	19.4
Total	67	100

Source: Field work, 2019

#### 4.1.1.3 Years of Working with MDA

The study assessed all respondents' years of work with their respective Ministry Department and Agencies. Table 4.3 shows that majority (37.3%, n =25) of the respondent had spent between 1 to 5 years working in their respective MDA. Also, some (29.9%, n = 20) of respondent posited that they have work between 9 and 12 years, while a small number (20.9%, n =14) of participant claimed that they have work between 6 and 8 years. Furthermore, only 8 (11.9%) of the respondents states that he has work for more than 12 years.

This indicates that most of the respondents in the study have some experience related to MDA budget.



**Table 4.3: Years of Working with MDA**

Years of Working	Frequency	Percentage
1-5years	25	37.3
6-8 years	14	20.9
9-12 years	20	29.9
More than 12 years	8	11.9
Total	67	100

Source: Field work, 2019

**4.1.1.4 Academic Qualifications of respondents**

The study evaluates the academic qualifications of respondents working in MDAs. All respondents under the study had qualifications in diploma/HND, bachelor degree and master's. The outcome of study however revealed that majority (68.7%, n =46) of the respondents had obtained master's degree certificate while the minority (29.9%, n =20) of the respondents had obtained a bachelor degree. In addition, the study revealed that only (1.5%, n=1) respondents possessed Diploma qualification.

**Table 4.4: Academic Qualifications of respondents**

Level of education	Frequency	Percentage
Diploma	1	1.5
Degree	20	29.9
Masters	46	68.7
Total	67	100

Source: Field work, 2019

#### 4.1.1.5 Years involved in preparing and implementing MDA budget

The study investigates the number of years spent by respondents in the preparation and implementation of MDA budgeting. The outcome of this investigation revealed that majority (34.3%,  $n = 23$ ) of the respondents have spent 1-4 years in budget preparation, 16 of them representing 23.9% have spent 5-7 years in budget preparation, 12 of respondents representing 17.9% have also spent 8-10 years in the budget preparation and 16 of the respondents representing 23.9% spending more than 10 years in budget preparation. This implies that most of the respondents are versatile with preparation and implementation of MDA budgeting in Ghana.

**Table 4.5: Years involved in preparing and implementing MDA budget**

years of involvement in Budgeting	Frequency	Percentage
1- 4 years	23	34.3
5 -7 years	16	23.9
8-10 years	12	17.9
More than 10	16	23.9
Total	67	100

Source: Field work, 2019

#### 4.1.2 Reliability

Bolarinwa (2015) defined Reliability as the extent to which the scales or items used in a survey do provide consistent results when surveying other similar populations. He also referred it to be a way of measuring the stability of constructs used for a particular study. Three main types of reliability are often the concern of researchers in social sciences. These include internal consistency, half reliability divided and reliability for testing (Malhotra, 2007).

However, this research concentrated its attention on verifying the inner consistency of the constructs using Cronbach's alpha. The internal consistency test of each construct is presented in Table 4.6 below.

**Table 4.6: Reliability of study variables**

Study Variables	Frequency	Cronbach's Alpha
Strategic	6	0.839
Efficient	5	0.881
Attainment	7	0.806
Budget	7	0.836

Source: SPSS output

Hair et al (2006) proposes that a Cronbach's Alpha above 0.6 is acceptable. The findings of the internal consistency test stated that all the constructs have more than 0.80 Cronbach's Alpha. The Cronbach's all-dimensional Alphas were above 0.8. These results indicate that there is a high degree of internal consistency between the products in the four constructs and as such these constructs are reliable. A high level of alpha is also an indicator of the high level of correlation of items in each structure, an important requirement for the construction of a summary scale. To explore the budgeting results in the Government sector; the items under these constructs were summed up to represent the main construct they measured.

#### **4.1.2.1 Strategic Allocation of Public Resources**

The study assessed factors influencing strategic allocation of public resources (Government sector only).

The study outcome indicates that 25 of the respondents constituting 37.3% claimed that they agreed while 15 representing 22.4% strongly agreed that Resource allocation to MDA were in line with annual plan. On the other hand, 9 respondents representing 13.5% opined to

disagreement while 18 of respondents representing 26.9% had no opinion on the issue. It could be seen that most of respondents agreed that Resource allocation to MDA were in line with the MDA's annual action/medium terms plans.

Also, the study focused on MDA medium terms plan are prepared and costed using the total resource envelope determined by the MoF. The results revealed that most of the participant stated that they agreed (46.3%, n = 31) while 13 representing 19.4% claimed that strongly agreed that MDAs, MTDPs were prepared and costed using resource enveloped by MoF. However, some of participant representing 6% (n = 4) disagreeing and 15 of them representing 22.4% had no opinion on this. Hence, most of the respondents agreed that the MDAs, MTDPs were prepared and costed using resource enveloped by MoF.

Moreover, 31 of those interviewed representing 46.3% agreed and 17 representing 25.4% strongly agreed that there was a Linkage between National plan and the Budget with just 1 of them representing 1.5% disagreeing. 18 of them representing 26.9% had no opinion on this. Hence, most of them agreed that there was a Linkage between National plan and the Budget

In addition, 30 of those interviewed representing 44.8% agreed and 17 representing 25.4% strongly agreed that the MTI ceilings were reliable and priority based for Budget preparation with just 7 of them representing 10.4% disagreeing. 17 of them representing 25.4% had no opinion on this. Hence, most of them agreed that the MTI ceilings were reliable and priority based for Budget preparation.

Furthermore, 35 of those interviewed representing 52.2% agreed and 11 representing 16.4% strongly agreed that PBB has enabled strategic allocation of resources than ABB with just 1 of them representing 1.5% disagreeing. 20 of them representing 29.9% had no opinion on this. Hence, most of them agreed that PBB has enabled strategic allocation of resources than ABB.

**Table 4.7: Strategic Allocation of Public Resource**

Strategic Allocation	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
Resource allocation to MDAs is in line with annual plan	3(4.5%)	6(9%)	18(26.9%)	25(37.3%)	15(22.4%)
MDAs MTDPs are prepared and costed using resource enveloped by MoF	0	4(6%)	15(22.4%)	31(46.3%)	17(25.4%)
Linkage between National plan and the Budget	0	1(1.5%)	18(26.9%)	31(46.3%)	17(25.4%)
MTI ceilings are reliable and priority based for Budget preparation	0	7(10.4%)	17(25.4%)	30(44.8%)	13(19.4%)
PBB has enabled strategic allocation of resources than ABB	0	1(1.5%)	20(29.9%)	35(52.2%)	11(16.4%)

Source: Field work, 2019

**4.1.2.2 Efficient Utilization of Public Resource**

From the above table, it could be seen that 32 of them representing 47.8% agreed and 14 of them representing 20.9% strongly agreed that PBB has introduced flexibility of resources with 2 of them representing 3% disagreeing. 19 of them representing 28.4% had no opinion that. Hence most of them agreed that PBB has introduced flexibility of resources

Also, it could be seen that 37 of them representing 55.2% agreed and 9 of them representing 13.4% strongly agreed that PBB ensures Government expenditure is within appropriated Budget with 1 of them representing 1.5% disagreeing. 20 of them representing 29.9% had no opinion that. Hence, most of them agreed that PBB ensures Government expenditure is within appropriated Budget.

Moreover, it could be seen that 42 of them representing 62.7% agreed and 10 of them representing 14.9% strongly agreed that PBB has ensured efficient prioritization and utilization of resources with nobody disagreeing. 15 of them representing 22.4% had no opinion on that. Hence, most of them agreed that PBB has ensured efficient prioritization and utilization of resources.

But, from the table, it was seen that, 22 of them representing 32.8% strongly disagreed and 30 of them representing 44.8% disagreed that ABB came with good procedures for commitment control than PBB with 3 of them representing 4.5% agreeing. 12 of them representing 17.9% had no opinion on that. Hence, most of them disagreed that ABB came with good procedures for commitment control than PBB

Furthermore, it could be seen that 32 of them representing 47.8% agreed and 8 of them representing 11.9% strongly agreed that the MDAs ensured projects and activities were carried out at minimum cost with 1 of them representing 1.5% disagreeing. 26 of them representing 29.9% had no opinion that. Hence, most of them agreed that the MDAs ensured projects and activities was carried out at minimum cost

From the above table, it could be seen that 34 of them representing 50.7% agreed and 12 of them representing 17.9% strongly agreed that the MDAs ensured projects and activities were carried out on time and budget with 4 of them representing 6% disagreeing. 17 of them representing 25.4% had no opinion that. Hence, most of them agreed that the MDAs ensured projects and activities was carried out on time and budget

**Table 4.8: Efficient Utilization of Public Resources**

Efficient Utilisation	Strongly Disagree	Disagree	Neutral	Agree	Strongly agree
PBB has introduced flexibility of resources	0	2(3%)	19(28.4%)	32(47.8%)	14(20.9%)
PBB ensures Government expenditure is within appropriated Budget	0	1(1.5%)	20(29.9%)	37(55.2)	9(13.4%)
PBB has ensured efficient prioritization and utilization of resources	0	0	15(22.4%)	42(62.7%)	10(14.9%)
ABB came with good procedures for commitment control than PBB	22(32.8%)	30(44.8%)	12(17.9%)	3(4.5%)	0
MDAs ensure that projects and activities are carried out at minimum cost	0	1(1.5%)	26(38.8%)	32(47.8%)	8(11.9%)
MDAs ensure that projects and activities are carried out on time and budget	0	4(6%)	17(25.4%)	34(50.7%)	12(17.9%)

Source: Field work, 2019

**4.1.2.3 Attainment of Government Priorities**

From the attainment of Government priorities table, it could be seen that 37 of them representing 55.2% agreed and 13 of them representing 19.4% strongly agreed that PBB has contributed to achievement of Government priorities than ABB with nobody disagreeing. 17 of them representing 25.4% had no opinion on that. Hence, most of them agreed that PBB has contributed to achievement of Government priorities than ABB

Also, from the above table, it could be seen that 42 of them representing 62.7% agreed and 12 of them representing 17.9% strongly agreed that there were Systematic processes in place to review MDAs KPIs with nobody disagreeing. 13 of them representing 19.4% had no opinion that. Hence, most of them agreed that there were Systematic processes in place to review MDAs KPIs.

Moreover, it could be seen that 30 of them representing 44.8% agreed and 11 of them representing 16.4% strongly agreed that the PBB ensures value for money for projects and activities with 2 of them representing 3% disagreeing. 24 of them representing 35.8% had no opinion that. Hence, most of them agreed that the PBB ensures value for money for projects and activities.

Furthermore, it could be seen that 39 of them representing 58.2% agreed and 8 of them representing 11.9% strongly agreed that KPIs in PBB provides framework for demanding results from MDAs with 1 of them representing 1.5% disagreeing. 19 of them representing 28.4% had no opinion that. Hence, most of them agreed that KPIs in PBB provides framework for demanding results from MDAs.

Clearly, it could be seen that 32 of them representing 47.8% agreed and 16 of them representing 23.9% strongly agreed that the MDAs provide timely reports on KPIs for Budget programmes with 3 of them representing 1.5% disagreeing. 21 of them representing 31.3% had no opinion that. Hence, most of them agreed that the MDAs provide timely reports on KPIs for Budget programmes.

Also, it could be seen that 40 of them representing 59.7% agreed and 5 of them representing 7.5% strongly agreed that PBB ensures expenditure prioritization to achieve desired results with 1 of them representing 1.5% strongly disagreeing. 21 of them representing 31.3% had no opinion that. Hence, most of them agreed that PBB ensures expenditure prioritization to achieve desired results

Lastly, it could be seen that 38 of them representing 56.7% agreed and 12 of them representing 17.9% strongly agreed that PBB focuses on long term goals leading to outcomes than ABB with 2 of them representing 3% disagreeing. 15 of them representing 22.4% had no opinion



that. Hence, most of them agreed that PBB focuses on long term goals leading to outcomes than ABB.

**Table 4.9: Attainment of Government Priorities**

<b>Attainment of Government</b>	<b>Strongly Disagree</b>	<b>Disagree</b>	<b>Neutral</b>	<b>Agree</b>	<b>Strongly agree</b>
PBB has contributed to achievement of Government priorities than ABB	0	0	17(25.4%)	37(55.2%)	13(19.4%)
Systematic processes in place to review MDAs KPIs	0	0	13(19.4%)	42(62.7%)	12(17.9%)
PBB ensures value for money for projects and activities	0	2(3%)	24(35.8%)	30(44.8%)	11(16.4%)
KPIs in PBB provides framework for demanding results from MDAs	0	1(1.5%)	19(28.4%)	39(58.2%)	8(11.9%)
MDAs provide timely reports on KPIs for Budget programmes	0	3(4.5%)	16(23.9%)	32(47.8%)	16(23.9%)
PBB ensures expenditure prioritization to achieve desired results	1(1.5%)	0	21(31.3%)	40(59.7%)	5(7.5)
PBB focuses on long term goals leading to outcomes than ABB	0	2(3%)	15(22.4%)	38(56.7%)	12(17.9%)

#### **4.1.2.4 Budget Transparency and Accountability**

From the above table, it could be seen that 37 of them representing 55.2% agreed and 9 of them representing 13.4% strongly agreed that PBB has enhanced the quality of KPIs provided by MDAs than ABB with 3 of them representing 3% disagreeing. 18 of them representing 26.9% had no opinion that. Hence, most of them agreed that PBB has enhanced the quality of KPIs provided by MDAs than ABB

Also, the above table, it could be seen that 34 of them representing 35.8% agreed and 5 of them representing 7.5% strongly agreed that PBB estimates were uploaded online with 2 of them representing 3% disagreeing. 36 of them representing 53.7% had no opinion that. Hence, most of them had no opinion that PBB estimates were uploaded online.

Moreover, the above table, it could be seen that 36 of them representing 53.7% agreed and 12 of them representing 17.9% strongly agreed that Content of PBB estimates accessed reflects MDAs Budget inputs with 2 of them representing 3% disagreeing. 17 of them representing 25.4% had no opinion on that. Hence, most of them agreed that Content of PBB estimates accessed reflects MDAs Budget inputs.

But, from the table, it was seen that, 28 of them representing 41.8% strongly disagreed and 27 of them representing 40.8% disagreed that MDAs publishes PBB estimates on their website with 5 of them representing 7.5% agreeing. 10 of them representing 10.4% had no opinion on that. Hence, most of them disagreed that MDAs publishes PBB estimates on their website

Furthermore, the above table, it could be seen that 39 of them representing 58.2% agreed and 5 of them representing 7.5% strongly agreed that there was Mechanisms in place with PBB to ensure sufficient scrutiny with 1 of them representing 1.5% disagreeing. 22 of them representing 32.8% had no opinion on that. Hence, most of them agreed that there was Mechanisms in place with PBB to ensure sufficient scrutiny.

Also, the above table, it could be seen that 29 of them representing 43.3% agreed and 9 of them representing 13.4% strongly agreed that MDAs adhere to reporting and monitoring arrangements of the Budget with 2 of them representing 3% disagreeing. 27 of them representing 40.3% had no opinion on that. Hence, most of them agreed that MDAs adhere to reporting and monitoring arrangements of the Budget.

Finally, it can be seen from the above table that 21 respondents representing 31.3% agreed and 8 of them representing 11.9% agreed heavily that PBB has processes for promoting citizenship in the budget process, with 14 of them representing 20.9% disagreement and 24 representing 35.8%.

**Table 4.10: Budget Transparency and Accountability**

Transparency and Accountability	Strongly Disagree	Disagree	Neutral	Agree	Strongly agree
PBB has enhanced quality KPIs provided by MDAs than ABB	0	3(4.5%)	18(26.9%)	37(55.2)	9(13.4%)
PBB estimates are uploaded online	0	2(3%)	36(53.7%)	24(35.8%)	5(7.5%)
Content of PBB estimates accessed reflects MDAs Budget inputs	0	2(3%)	17(25.4%)	36(53.7%)	12(17.9%)
MDAs publishes PBB estimates on their website	28(41.8%)	27(40.3%)	7(10.4%)	4(6%)	1(1.5%)
Mechanisms in place with PBB to ensure sufficient scrutiny	0	1(1.5%)	22(32.8%)	39(58.2%)	5(7.5%)
MDAs adhere to reporting and monitoring arrangements of the Budget	0	2(3%)	27(40.3%)	29(43.3%)	9(13.4%)
PBB has mechanisms to promote the citizenry in the budget process	2(3%)	12(17.9%)	24(35.8%)	21(31.3%)	8(11.9%)

Source: Field work, 2019

## 4.2 Structural Equational Model

Structural equation modeling, or SEM, is a very general, mainly linear, mainly cross-sectional method of statistical modeling. Analysis of the factor, assessment of the route and regression all constitute special cases of SEM. SEM is a method that is mainly confirmatory rather than

exploratory. That is, an investigator is more probable to use SEM to determine if a particular model is valid than using SEM to "discover" an appropriate model — though SEM analyzes often involve some exploratory component.

Structural equation modeling (SEM) is a statistical technique used for analyzing structural models which contain latent variables (Meyers, Gamst & Guarino, 2013). SEM can be used to analyze two types of models: a measuring model and a structural model. The assessment model assesses to what extent the expected connections between the variables are expressed in the interactions between the factors observed. The structural model measures the magnitude of the connection between latent constructs as well as the connection between other measured factors. If the hypothesized model data and observed models match, the structural equation model can be used to explain the hypothesized model. For example, exploratory and confirmatory factor analysis models contain only the measurement part, while path diagrams can be viewed as SEMs containing only the structural part. The nature of the study hypothesis offers the rationale for using structural equation modeling as a method for data analysis. This research concentrated on the structural model and checked the validity of the hypothesized structural model as opposed to the given model.

A structural equation model means a structure of the measurement covariance matrix (hence an alternative name for this sector, "covariance structure assessment"). Once the parameters of the model are estimated, the resulting model-implied covariance matrix can then be compared to an empirical or data-based covariance matrix. If the two matrices are compatible with each other, then the structural equation model can be regarded a plausible explanation for the relationship between the measures.

In specifying pathways in a model, the modeler can posit two types of relationships:

1. Free pathways in which hypothesized causal (actually counterfactual) connections between factors are screened and thus left ' free ' to differ.
2. Relationship between factors already estimated, generally based on prior research ' fixed ' in the model.

A modeler often specifies a set of theoretically plausible models to evaluate whether the suggested model is the best of the set of feasible models. Not only must the model account for the theoretical reasons for building the model as it is, but the model must also take into account the number of data points and the number of parameters that the model must estimate to identify the model. An defined model is a model where the model is uniquely recognized by a particular parameter value and no other equivalent formulation can be provided by a distinct parameter value. The parameter is the value of concern, which could be a coefficient of regression between the exogenous and the endogenous variable or the charging factor (coefficient of regression between an index and its factor).

The variables used in the structural equation model are:

- I. Latent
  - Strategic Allocation of Public Resource
  - Efficient Utilization of Public Resource
  - Attainment of Government Priorities
  - Budget Transparency and Accountability
  - Budgeting result
- II. Endogenous
  - Budgeting result

Hence the numbers of variables in the SEM are

- Number of variables in this model 5

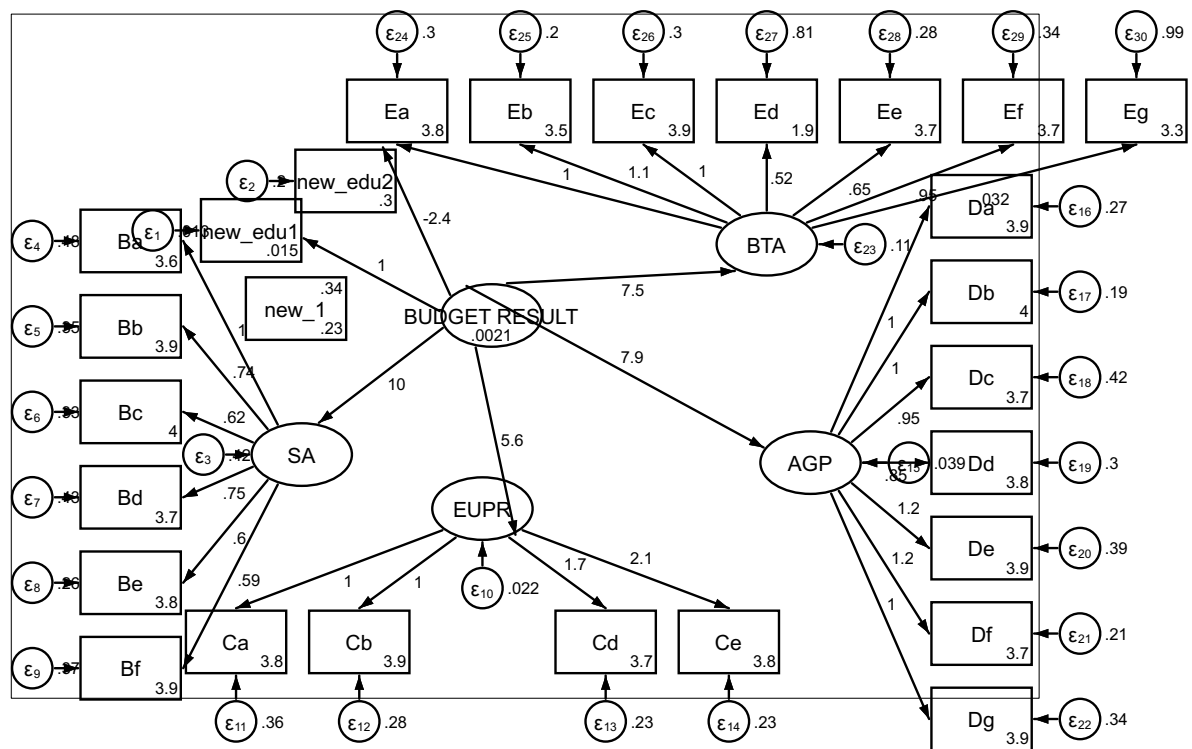
- Number of latent variables 5
- Number of endogenous 1

#### 4.2.3.1 Structural equation of study variables links with Budget result

The structural equation result of how Strategic Allocation, Efficient Utilization, Attainment of Government and Budget Transparency contribute to Budget results was done. The findings have been provided in Table 4.11 and Figure 4.1.

**Table 4.11: Structural Equation of study variables links with Budget result**

Variables	Coefficient	Std. Err.	Z-value	P-value	[95% Confident interval]	
					Lower	Upper
Strategic Allocation	10.3051	4.24428	2.43	0.015	1.9864	18.6237
Efficient Utilization	5.64883	2.6625	2.12	0.034	0.4304	10.8672
Attainment of Government Priorities	7.90508	3.10945	2.54	0.011	1.8107	13.9995
Budget Transparency	7.53188	2.9915	2.52	0.012	1.6686	13.3951

**Figure 4.1: Path Analysis of the study variables links with Budgeting results**

Here the coefficient of strategic allocation of public resources according to the respondents is 10.30 which reflect the complete impact of the structure towards budgeting for results and keeping the other variables as constant. The projected positive sign means that such an impact is positive that the strategic allocation of public resources would increase by 10.30 per unit rise in the construct and that the coefficient value is significant  $p\text{-value} = 0.015$ ) at 5 percent level. The coefficient of efficient utilization of public resources is 5.65 represents the full effect towards budgeting results. The projected positive sign means that such an effect is positive that budgeting findings would increase by 5.65 per unit rise in job ethical impact on people in an organisation and this coefficient value is significant ( $p\text{-value} = 0.034$ ) at 5 percent level.

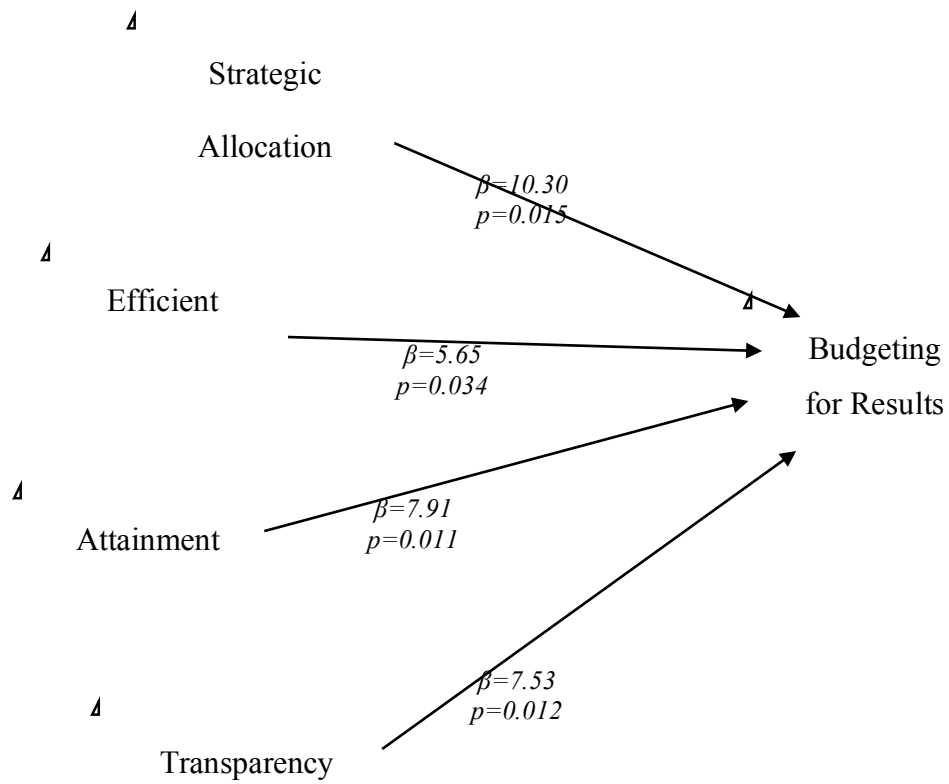
Furthermore, the coefficient of attainment of government priorities is 7.91 which reflect the complete impact of the construct on budgeting for results and keeping the other variables as constant. The projected positive sign means that such an impact is positive that the

achievement of respondents' government objectives would increase by 7.91 for each unit rise in the structure and this coefficient value is important ( $p\text{-value} = 0.011$ ) at 5 percent level.

Finally, budget transparency ratio is 7.53, which reflects the construct's complete impact on budgeting for results and keeping the other variables as constant. The projected favorable sign means that such an impact would boost the budget transparency by 7.53 for each unit increase in the construct and this coefficient value is significant ( $p\text{-value} = 0.012$ ) at 5% level.



**Figure 4.2: Refined Path Analysis of the study variables links with Budgeting results**



### **4.3 Challenges for implementation and way forward of PBB**

From the study it was observed that fiscal challenges with respect to revenue targets are mostly not meet with government expenditure or planned programmes. High attrition rate in the Public Sector leading non-existence or few dedicated budget officers to prepare and implement the budget was also observed to be a key challenge to the implementation of PBB. Another key challenge that was enumerated was the issue of appointing Programme Managers for the implementation of PBB as more institutions are grouped to achieve programme or sub programme objectives thus, creating accountability issues. Furthermore, Poor quality of performance information is provided by MDAs as measure of Programmed Based Budget.

With regard to the manner forward, the implementation process of PBB needs to be reviewed and deepened by building capacity or providing more training for Budget officers. Review MDAs Programme Structure must be as well as Key Performance Information provided must be SMART. MoF must review of Manuals/ Guidelines used for the implementation of PBB. There must guidelines developed for costing Sector Medium Term Development Plan of MDAs to enhance the budget process.

### **4.4 Discussion of Results**

This chapter describes the findings in relation to the study goals as well as the literature reviewed. The debate is submitted in accordance with the study goals.

#### **4.4.1 Strategic Allocation of Public Resources**

Results from the study indicate that the implementation of PBB has brought about several benefits in the resource allocation process to MDAs. This is evident from the Structural Equation Model used for the thematic area for the study where the z-value and the p-value were 2.43% and 0.015% respectively. Thus, revealing that PBB has enabled the harmonization of resource allocation to MDAs with annual action plan. The implementation of PBB has also

made ceilings for MTI reliable and is prioritized for budget preparation as well as the introduction of flexibility in resources allocation. Beside these benefits, results show that PBB enables Linkage between National plan and MDAs Budget.

These observations are in line with the findings by Dania & Hanin (2014), they examined the efficient and strategic allocation of resources for sustainable development in Jordan. They asserted that PBB links organisational goals, programmes and budgets together. They also specified that PBB offers a greater structure for political leaders to agree on budgets

#### **4.4.2 Contribution of PBB to efficient utilization of resources by government.**

The implementation of PBB has ensured efficient prioritization and utilization of resources. This is evident from the Structural Equation Model used for the thematic area for this study where the z-value and the p-value were 2.12 % and 0.034% respectively. As a consequence, the findings showing PBB enabled MDAs to guarantee that projects and operations are carried out at a minimum price. The application of PBB has also allowed MDAs to guarantee that projects and operations are carried out on time and within budget. The results indicate that the implementation PBB has positively and significantly contributed to efficient utilization of resources by government.

#### **4.4.3 Contribution of PBB to the attainment of government priorities.**

From the study it is observed that PBB has ensured expenditure prioritization to achieve desired results by government. This is evident from the Structural Equation Model used for the thematic area for this study where the z-value and the p-value were 2.54% and 0.011% respectively Also, PBB ensures value for money for projects and activities by MDAs. Further, the findings showed that the implementation of PBB provides KPIs framework for demanding results from MDAs. The implementation of PBB focuses on long term goals leading to

outcomes than ABB, provide MDAs with timely reports on KPIs for Budget programmed and systematic processes in place to review MDAs KPIs. Finally, PBB has contributed to achievement of Government priorities than ABB.

The results in relation to the contribution of PBB to the attainment of government priorities are line with arguments by Castaneda, Wendelspiess, & Omar (2018). They claim that the presence of a network of spillovers between policy issues as well as recognized political economy problems stems mainly from the budgeting process. Therefore, the implementation of PBB will drive the achievement of government goal in tandem with expenditure.

#### **4.4.4 Contribution of PBB to budget transparency and accountability**

PBB has enhanced the quality of KPIs provided by MDAs than ABB. This is corroborated by Kaufmann and Bellver (2005) finding that transparency is associated with stronger indices of socio-economic and human development, greater competitiveness and decreased corruption. They showed that a country with a more transparent environment tends to have more effective government organisations for countries with the same income level, particularly when it comes to providing public services. It also confirmed by the evidence derived from the Structural Equation Model used for the thematic area for the study where the z-value and the p-value were 2.52% and 0.012% respectively

To be specific, it was revealed that PBB estimates are uploaded online and reflects MDAs Budget inputs. The results further show that PBB put in place mechanisms to ensure sufficient scrutiny. Finally, the implementation of PBB has resulted in MDAs adhering to budget reporting and monitoring arrangements and also involving stakeholders in the budget process.

The results on the contribution of PBB to budget transparency and accountability are in line with Islam (2003), which finds that nations with better data flows have better quality management.

## **CHAPTER FIVE**

### **FINDINGS, SUMMARY AND CONCLUSION**

#### **5.1 Introduction**

The chapter summarises results and findings from the analysis including conclusion and recommendations. This chapter also discusses the study constraints and further research regions.

#### **5.2 Summary**

The preliminary descriptive analysis as observed from table 4.1 showed that out of a total of 67 respondents, majority (64.2%) of them were males and the rest (30.31%) were females. With regards to job positions, (34%) of the respondents were Budget Officers/Analysts, (25.4%) were Accountants, 20.9% were Administrative officers while 19.4 % were found to be in other fields such as programme officers, monitoring and evaluation officers etc. Out of the Sixty-seven respondents, 29.9% were found to be working with their respective MDA for more than 8 years, 20.9% had been working with their respective MDA between 6-8 years and 37.3% of officers were found to be working with their respective MDA for about 1 -5 years. With regard to the respondents ' level of education, it was noticed that 68.7 percent had a master's degree, 29.9 percent had bachelors and 1.5 percent had a diploma.

With regards to Strategic allocation of Public resources, results from the study indicated that the implementation of PBB has brought about several benefits to MDAs. It also showed that PBB has enabled the harmonization of resource allocation to MDAs with their annual action plan. The implementation of PBB has also made ceilings for MTI reliable and is prioritized for budget preparation as well as the introduction of flexibility in resources allocation. Beside

these benefits, the results showed that PBB enables Linkage between National plan and MDAs Budget.

These observations are in line with the findings by Dania & Hanin (2014), they examined the efficient and strategic allocation of resources for sustainable development in Jordan. They asserted that PBB links organisational goals, programmes and budgets together. They also specified that PBB offers a greater structure for political leaders to agree on budgets.

In relation to efficient utilisation of Public resources, it was observed that PBB has enabled MDAs to ensure projects and activities are carried out at minimum cost and also carried out on time and within budget.

Furthermore, it was revealed that PBB ensures expenditure prioritization to achieve desired results by MDAs. Also, PBB ensures value for money for projects and activities by MDAs. Further, the results show that the implementation of PBB provides KPIs framework for demanding results from MDAs but MDAs do not provide timely reports on KPIs for Budget programmes and sub programmes. This is eminent by the delay in the submission of MDAs quarterly performance reports submitted to the Ministry of Finance as part of the requirements of the Public Financial Management Act (PFMA). Additionally, the implementation of PBB also focuses on long term goals leading to the achievement of outcomes unlike the ABB which focuses on activities and output. It was also evident that PBB has contributed to the achievement of Government priorities as compared to ABB. This finding was reinforced by Castaneda, Wendelspiess, & Omar (2018). They claimed that the presence of a network of spillovers between policy issues as well as recognized political economy issues stems mostly from the budgeting process. Therefore, the implementation of PBB drives the achievement of government goals in line with expenditure.

The implementation of PBB provides a framework for the continuous review of MDAs Key Performance Indicators to ensure the quality of these indicators over time. This is corroborated by Kaufmann and Bellver (2005) who discovered transparency to be linked to better indices of socio-economic and human development, increased competitiveness and decreased corruption. The findings also showed that countries with the same income level tend to have more effective government agencies, particularly when it comes to providing public services, a country with a more transparent environment.

From the study, respondents agreed that PBB estimates are uploaded online and reflects Budget inputs made by MDAs. The results further showed that PBB has in place mechanisms to ensure sufficient scrutiny of MDAs budget through parliamentary engagements with various select committees. The outcome of the research indicates that the Ministry of Finance uploads MDAs PBB estimates as enshrined in the PFM Act 2016 (Act 921). However, some MDAs agreed to the fact that they do not publish their PBB estimates on their website as required. This therefore affects the transparency of the budget as information about MDAs are not readily accessible by the Public.

Finally, the research revealed that even though most MDAs adhere to reporting and monitoring requirements of the Budget, some do not, leading to difficulty in collating Budget performance reporting. The results also revealed that various stakeholders including the citizenry and Civil Society Organisations are mostly involved in the Budget preparation and implementation process.

The results on the PBB contribution to budget transparency and accountability are in line with Islam (2003), which finds that nations with better data flows have better quality governance.



### **5.3 Conclusion and recommendations**

Looking closely at the research's primary goal of reviewing the execution of PBB Ghana, it is obvious that the delivery of public sector has improved. Also, some revelations have been made in terms of improved strategic allocation of Public resources by government and efficient utilisation by MDAs. PBB has also led to improved budget transparency and accountability and eminent by the upload of PBB estimate on Ministry of Finance as required by the Public Financial Management Act.

Despite all the achievements stated earlier, the PBB approach has been faced with some challenges since its introduction. The issue of limited fiscal space undermines government ability to properly execute budget as programmed. This is a result of revenue short falls leading to government inability to meet its expenditures as planned. Also, the rate of high attrition in the Public Sector has led to few dedicated budget officers to prepare and implement the budget. This however leads to low capacity of officers in the preparation of the budget. Furthermore, the issue of appointing Programme Managers for the implementation of PBB is a challenge as more institutions are grouped to achieve programme or sub programme objectives and this generally creates accountability issues. Lastly, poor quality of performance information provided by some MDAs remains a challenge.

It is however recommended that government of Ghana takes steps to review and deepen the implementation process of PBB dgeting by building capacity or offering more training for Budget officers/Analyst involved in the preparation and implementation of the budget. Also, programme structures developed by MDAs must be reviewed over a medium to long term to ensure developments are met. It is also suggested that key performance information provided by MDAs be specific, measurable, achievable, realistic and time-bound (SMART). The Ministry of Finance must also review manuals/guidelines used for the implementation of PBB.

This will intend facilitate an improvement in the preparation of the budget. Conclusively, government must develop some guidelines to establish a linkage in the development and costing of Sector Medium Term Development Plans (SMTDP) of MDAs to enhance the budget preparation and implementation process

#### **5.4 Study Limitations**

The study is limited to MDAs (Central Government) and does not covers Metropolitan, Municipal and Districts assemblies (Local Government). This was due to the time limit imposed by the study. Data gathering was a bit of challenge as most articles on introduction and implementation of PBB were difficult to find. This study is also limited on the basis of the methodology by using only the Cronbach's alpha and the Structural equation model approaches with the thematic areas selected.

#### **5.5 Further Study**

Future researcher can look at extending the scope of the study to Metropolitan, Municipal and Districts assemblies (Local Government) in Ghana employing different methodology as well as making use of more thematic areas. The period under review may also vary to a longer period to take into consideration the effect on the execution of PBB in Ghana.

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**UNIVERSITY OF GHANA**

**APPENDIX: QUESTIONNAIRE**

**TOPIC: BUDGETING FOR RESULTS; THE INTRODUCTION OF PROGRAMME  
BASED BUDGETING IN GHANA.**

**TO BE COMPLETED BY STAFF/EMPLOYEE OF MDAs**

The results of this study will be used for scholarly/ academic purposes but could lead to improvements in budgeting for results; the introduction of programme based budgeting in Ghana. Your responses will be confidential and your identity would not be directly disclosed in the write-up.

Contact Person: **0240368425**

Please enter the date DD/MM/YY.....

**INSTRUCTION: Please tick  $\sqrt{\phantom{x}}$  beside the responses that are applicable.**

**Section A: Background of MDA**

**1. Name of MDA.....**

**2. Gender of respondent.**      a) Male [ ☐ ]                      b) Female [ ☐ ]

**3. Job Position/Title**

a) Budget Officer/Analyst [ ☐ ]    b) Accountant [ ☐ ]    c) Administrative Officer [ ☐ ]

e) If others [ ☐ ] specify.....

**4. How long have you worked with the MDA? .....**

**5. What is your level of education?**

a) Diploma [   ]

b) Degree [   ]

c) Master's Degree [   ]

d) If any other, state.....

**6. How long have you been involved with the preparation and implementation of your MDA's Budget?**

**SECTION B:    KINDLY TICK THE RESPONSE THAT REFLECTS YOUR LEVEL OF AGREEMENT ON THE FOLLOWING STATEMENTS ON THE INTRODUCTION OF PROGRAMME BASED BUDGETING IN GHANA.**

Strongly Disagree (SD) =1    Disagree (D) =2    Neutral (N) =3    Agree (A) =4    Strongly Agree (SA) =5

ITEM	1	2	3	4	5
<b>1. Strategic allocation of Public resources</b>					
a) Allocation of resources to your MDA by Government is in line with your MDA's Annual Action/ Medium Term plans.					
b) MDA's Medium Term plans are prepared and costed using the total resource envelope determined by the MoF.					
c) The adoption of policy objectives and strategies from the National plan leads to stronger linkage between the National plan and the Budget.					
d) The Medium Term indicative ceilings are policy and priority based and reliable in the preparation of your MDA's Budget.					
e) Do you agree that PBB has enabled strategic allocation of resources to projects and activities than ABB					
f) PBB has introduced flexibility in allocation of resources and addressed inefficiencies to achieve performance targets					
<b>2. Efficient utilization of Public resources</b>					
a) PBB has been structured to ensure Government expenditure is within the appropriated budget.					
b) PBB has ensured efficient prioritization and utilization of resources due to its flexible nature as compared to ABB.					
c) ABB had good procedures for commitment control of Government resources compared to the current PBB					



d) MDAs ensure that all projects and activities are carried out at the minimum cost to government					
e) MDAs ensure projects and activities are carried out on time target					
Strongly Disagree (SD) =1 Disagree (D) =2 Neutral (N) =3 Agree (A) =4 Strongly Agree (SA) =5					
<b>ITEM</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
<b>3. Attainment of Government priorities</b>					
a) The current budgeting system has contributed to the achievement of Government priorities compared to ABB					
b) There exists systematic processes to review MDAs Performance information to ascertain achievement of government priorities					
c) PBB has ensured better value for money for all projects and programmes to be undertaken.					
d) Performance information as a component of the current budgeting system provides a framework for demanding results from Government institutions as compared to the past system.					
e) MDAs provide timely reports on the performance of Budget Programmes and Sub Programmes					
f) The current budgeting system ensures expenditure prioritization to achieve the desired results by government					
f) PBB focus long term goals leading to outcomes desired by government than ABB					
<b>4. Budget Transparency and Accountability</b>					
a) The implementation of PBB has enhanced the quality of performance information provided as compared to the current ABB					
b) PBB estimates are uploaded online by the timeline in the PFMA					
c) The content of PBB estimates can be accessed online and clearly reflects MDAs Budget inputs					
d) Your MDA publishes its PBB estimates on your website					
e) There are mechanisms for ensuring sufficient scrutiny and discussion of the Budget Statement and Economic Policy					
f) Efficient reporting and monitoring arrangement have been put in place by government and are strictly adhered to by MDAs					
g) Mechanisms are available for the involvement of stakeholders such as the citizenry in the budget process					

7. Kindly provide any other comment(s) on the introduction/implementation of Programme Based Budgeting in Ghana.

.....

.....

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**Thank you very much for your CO-OPERATION.**

# Stata Output of Structural equation model

