

**PUBLIC FINANCE MANAGEMENT REFORM AND EXPENDITURE CONTROL IN  
GHANA: THE ROLE OF THE MINISTRY OF FINANCE IN IMPLEMENTING THE  
MTEF**

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A minor dissertation submitted in partial fulfilment of the requirements for the award of the  
degree of Master of Philosophy in Public Policy and Administration

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## COMPULSORY DECLARATION

This work has not been previously submitted in whole, or in part, for the award of any degree. It is my own work. Each significant contribution to, and quotation in, this dissertation from the work, or works, of other people has been attributed, and has been cited and referenced.

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Signature: \_\_\_\_\_

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My thankful heart goes to the God Almighty for His protection, His grace, and His blessings. As the saying goes: *“the only one who can truly satisfy a human heart is the one who made it”*. I am extremely grateful, Lord.

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## **DEDICATION**

I hereby dedicate this work to my love and my best friend Miss Rosalinda Antwi, to my lovely auntie Mrs Elizabeth Odei and to my parents Mr and Mrs Acheampong; and finally, to my lovely siblings. I do appreciate your support and your words of encouragement towards the completion of this work.

## ABSTRACT

Public expenditure control is vital in countries because it is a key instrument for ensuring effective government strategic planning and policy priorities. In many countries, public expenditure control has been inadequately implemented because of weak accounting systems, a weak cash management system and a weak flow of information, among others, despite public finance management reforms implemented in developing countries. Public expenditure management has been a concern in Ghana's public service because of weak budget formulation, weak monitoring and evaluation, and an ineffective flow of information between the ministry of finance (MOF) and the key public institutions. The Medium-Term Expenditure Framework (MTEF) has been introduced in Ghana's public service but it has been faced with challenges after the initial stage of implementation of the reforms. This study sought to examine why public finance management reforms appears to have failed to control public expenditure in Ghana, by investigating the ministry of finance's (MOF) role in implementing the MTEF.

The study employs a qualitative method using interviews with officials from the MOF to examine the role of the MOF in implementing the MTEF. The key themes that the researcher sought to test through the research as potential factors behind poor expenditure control included the coordination amongst other government institutions, weak planning and forecasting, monitoring and evaluation capacity, information management systems and cash management systems, the political environment and the commitment control. The findings revealed that, despite the importance of political environment and the commitment control, planning and forecasting, the monitoring and evaluation capacity, information management system and the cash management and the coordination management government institutions in implementing the MTEF by the MOF, the new public management framework is not well implemented as it should be. The findings also revealed that in implementing the MTEF by the MOF, coordination among other government institutions such as the MOF and the NDPC has been improved and overcoming the shortcoming of implementing the public finance management reform in Ghana.

## **GLOSSARY**

BPEMS	Budget and Public Expenditure Management System
CAGD	Controller and Accountant General Department
EMS	Economic Management Support
ERP	Economic Recovery Program
FADFR	Financial Administration Decree and the Financial Administration Regulation
GIFMIS	Ghana Integrated Financial Management Information System
GRA	Ghana Revenue Authority
MDAs	Ministries Department and Agencies
MTEF	Medium Term Expenditure Framework
MOF	Ministry of Finance
MOFEP	Ministry of Finance and Economic Planning
MTSMFs	Medium-term Strategic Management Frameworks
MMDAs	Metropolitan, Municipal and District Assemblies
MTBF	Medium Term Budget Framework
NGO	Non-governmental Organization
NPMR	New Public Management Reform
NPFM	New Public Financial Management
NDPC	National Development Planning Commission
OSGE	Governance Economic and Financial Management Department
ODI	Overseas Development Institute
OBI	Open Budget Index
PFM	Public Finance Management
PEM	Public Expenditure Management
PFR	Public Finance Reform
PUFMARP	Public Financial Management Reform Programme
PBB	Performance-Based Budgeting
PFMR	Public Finance Management Reform
SAP	Structural Adjustment Programme
SEC	State Enterprises Commission

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## CHAPTER ONE: INTRODUCTION

### 1.1 Background to the Study

The public sector is vital to the growth of the economy regarding the provision of public goods, performing a social task, and to ensure that the long-term sustainable social and economic growth of that country is maintained. The existence of the public sector, in each country, is to ensure that people's wellbeing is enhanced and promoted to provide a good environment for promoting private sector activities. An efficient, effective and well-functioning public sector ensures economic growth, accountability, and development. Over time, reforms of the public sector in the sub-Saharan African countries were introduced (Kirgu, 2002; Chittoo, 2009). The public sector in many developing countries such as Ghana has been associated with inefficiency and a lack of transparency and accountability; this is due to corruption and misappropriation of public funds. This has prompted the government to introduce reforms, policies, and programmes for ensuring efficiency and effectiveness in many public sectors in developing countries.

According to Yebaoh (2015:1), there have been three strands or waves of public sector reforms in sub-Saharan Africa, since the 1970s, focusing on diverse aspects of public sector management. This took place in the mid-1980s to mid-1990s; this was to ensure and to improve the delivery of public services by public institutions. Public finance management reforms (PFMR) are key elements of good governance reform in most developing countries such as Ghana. Most of the reforms have taken place over the past decade, including new public management (NPM). Public sector reforms look at various aspects of the public sector. These reforms are vital to the government, as they aid in the efficiency of a public institution and delivery of public services.

Yaboah, (2015:2) pointed out that the activities of public finance management (PFM) comprise budget controls, budget execution, reporting, monitoring and evaluation, and the accounting process. PFM comprises the allocation of resources and the distribution of income for the activities of the government. It also emphasises the mobilisation of revenue, management of debt by government and the spending patterns of the government (Pretorius & Pretorius, 2008). At the heart of any reforms within the public sector lies the financial management reforms (Brignall & Modell, 2000). Examples of such reforms associated with

the PFM are the “medium-term expenditure framework” (MTEF), and Ghana’s Integrated Information Management System (GIFMIS). The above PFM were introduced, to ensure maximum accountability and efficiency in the allocation of public funds. Lack of accountability and efficiency in resource allocation resulted in poor expenditure control in the PFM of Ghana. To make sure that there was proper control of public expenditure, within Ghana's PFM, there existed a need to ensure accountability and efficiency in the allocation of resources, via the Ministry of Finance (MOF) and other line ministries in Ghana. According to Yeboah (2015:2), PFM includes the controlling, the planning, the monitoring, and the implementation of fiscal policies; together with activities such as an audit of revenue, accounting, assets and liabilities, and expenditure. In the context of Ghana, PFM’s of public institutions such as the Ministry of Finance (MOF), and Ministries, Departments and Agencies (MDAs) took place during the days of the „Economic Recovery Program“ (ERP) in 1983.

To improve PFM in Ghana, to control public expenditure management, the ERP and the Structural Adjustment Programme (SAP) were introduced in 1983 by the IMF and World Bank. The Economic Management Support (EMS) project, which was introduced in 1991, focused on improving the auditing, tax administration, budgeting and an expenditure reporting system in Ghana (Oduro, 2003:3). However, after the ERP many reforms came into existence as a way of ensuring effectiveness and efficiency in PFM within the public institutions of Ghana. This was as a result of the shortcomings of ERP. The Ghanaian government introduced reforms of the PFM programs in 1995, to manage public resources. Medium-term strategic management frameworks (MTSMFs) were regarded as a means of addressing problems within the Public Expenditure Review (PER) in 1993 and 1994 respectively (Anipa, Kaluma & Muggeride, 2003).

There have been issues with expenditure control in Ghana, within various MDAs and Metropolitan, Municipal and District Assemblies (MMDAs). These include poor formulation of the budget system, a lack of monitoring and evaluation and an improper flow of information between public institutions in Ghana (Adzroe, 2015:4). These reforms in Ghana comprise the following; the MTEF; the financial and accounting reforms known as the Budget and Public Expenditure Management System (BPEMS), now known as the GIFMIS; payroll reforms; and fiscal decentralization.

Challenges of PFM with which these reforms occur include weak budgetary framework formulation, a lack of proper accounting, ineffective auditing, a lack of reliable, accurate and timely information for management decision making, ineffective public expenditure, monitoring and control, and a lack of budget ownership (Yeboah, 2015:5). For instance, the MTEF was launched in 1999, by the Ghanaian government, to address weaknesses in the country's budget framework. Moreover, major problems are being faced in implementing a BPEMS in Ghana. That is because of a lack of capacity building and expertise, a lack of ownership and involvement by stakeholders in developing and designing budget and public expenditure management (PEM); and lastly, the project was mainly initiated by external actors and donors (Hendriks, 2012).

The public expenditure control has been a major issue within various ministries such as the MDAs, the Controller and Accountant General Departments (CAGD), particularly the MOF in its allocation of resources to various institutions. Effective control of public expenditure is a prerequisite for a country to have a well-managed PFM system in place. Yearly budgets, budget plans for the medium term, and fiscal rules mean little if one cannot have controlled expenditure during the execution process. Ineffective controls of spending do not only affect fiscal discipline and macroeconomic stability, ineffective controls undermine integrity in the stewardship of public resources (Pattanayak, 2016:1).

Furthermore, ineffective management of spending by the government is as a result of problems in many developing countries such as Ghana. In these countries, problems of poor expenditure controls arise because of the following; a lack of credibility of the budgeting system and a high rate of arrears on expenditure (Flynn & Pessoa, 2014:8). Flynn and Pessoa (2014:8) stated that expenditure arrears by the government is the most frequent issue within the PFM of any country; in terms of the summation of expenditure arrears as a problem caused by poor expenditure control. These can be viewed from the angle that the government accumulates arrears on expenditure over a long period; thus, the arrears on goods and services occurs, as well as arrears of compensation within the expenditure of a country. When this occurs, it affects the level of expenditure of that country, because the budget meant for a project will be used to offset the payment of arrears on another project, which then affects the execution of the budget.

In Ghana, poor expenditure control within the PFM is associated with a lack of capacity building such as with staffing, information management systems, skills and knowledge, monitoring and evaluation, commitment controls, and revenue control (Robert & Andrew, 2005:307). Commitment in this context remains a vital stage within the expenditure process. Commitment control is important in controlling expenditure. Commitment control involves allocating resources strictly, in accordance with what these have been committed to, instead of diverting resources for other purpose. Despite having introduced various public finance management reforms in Ghana, public finance management reforms in Ghana continues to exhibit weaknesses in enforcing and implementing these measures to control budgeted expenditure. PFM is concerned about the budget system, transparency and control of public expenditure by the MOF. The state's focus is on how public resources can lead to a more effective and efficient way of using the budget. There is poor control of expenditure by the MOF in Ghana and other line ministries. This is because of the lack of an effective accounting process within the public finance management. Despite the introduction of several regulations including the financial administration regulation 2004 (L11082), the Internal Audit Agency Act, 2003 (Act 658) and the Public Procurement Act (Act 663), financial allocations from the MOF to line ministries remains problematic (Betley et al., 2012).

Killick (2005:1) points out that budget estimates and real expenditure have been associated with large deviations between them. Leakages are about the allocation of funds released from the central government to its point of service delivery. According to Killick (2005:1), the budget preparation process is opaque, and thus it prevents the chance of people accessing more details. Pattanayak (2016:1) posits that poor expenditure control in Ghana is due to the following: the lack of credibility of budget preparation; a lack of accountability and transparency within the legislature; overruns of expenditure; and the lack of a strong internal and external audit system, to ensure the integrity of expenditure control.

Robert and Andrew (2005:306-307) argue that the greatest challenge facing the PFM system in Ghana is the lack of an adequate monitoring and evaluation system, an inadequate flow of information and management of data, a lack of a proper auditing and accounting system, poor budget formulation and implementation, a lack of regulation and laws and poor compliance with respect to regulating the financial system. Failure to also achieve accountability, planning, controlling and monitoring will result in weakening the public

sectors accounting, budget, control of expenditure, management of cash flows and the system of auditing among others (Vani & Dorotinsky, 2008).

## **1.2 Research Question**

Why have public finance management reforms failed to control expenditure in Ghana?

## **1.3 Research Objective**

The objective of this research is to describe the processes used by the Ministry of Finance to implement public finance management reforms to manage expenditure. The research also aims to identify weaknesses and challenges faced by the MOF in enforcing expenditure control by MDAs.

## **1.4 Research Methodology**

### **1.4.1 Source of the data**

This research will make use of both primary and secondary data from the MOF in Ghana. Thus, issues relating to how expenditure is controlled and accounted for will be examined. The research will solicit primary data from the MOF in Ghana, by using key informant interviews. The central focus of the interview is to understand how officials in the MOF, who are involved in the budget allocation process, implemented the MTEF as an instrument to control expenditure, and the challenges they experienced. The research will also make use of secondary data literatures on academic studies and ministry documentation on PFM and expenditure control in Ghana.

## **1.5 Organisation of Chapters**

This research will comprise six main chapters. The rest of the dissertation will comprise:

**Chapter Two:** Chapter two of this dissertation will review the literature on the problems of expenditure control in developing countries, and secondly, it will review the literature on the challenges of expenditure control in Ghana, the role of the MOF and other public bodies and Ghana's experience in implementing the MTEF.

**Chapter Three:** This chapter will comprise material on concepts and theories of PFM. The

concept and theory will emphasize elements of the New Public Management Reform (NPMR) system in developed, developing countries and sub-Saharan African countries particularly Ghana and Nigeria.

**Chapter Four:** This component of the research will comprise the research methodology employed, such as the methods of data gathering, secondary sources; the interview guide; the limitations of the study; sampling as well as ways of collecting data and ways of analysing it.

**Chapter Five:** Chapter Five will discuss the main findings of the research, drawing on interviews and secondary sources.

**Chapter Six:** This last chapter of the research will summarize the outcomes and the conclusion, based on the findings gathered from Chapter Five. This chapter will also focus on what the researcher has learned from the study and on the seriousness of the challenges facing expenditure control in the MOF in Ghana, including how these present obstacles for reform efforts.

## **CHAPTER TWO: REVIEW OF THE LITERATURE ON PUBLIC EXPENDITURE CONTROL IN DEVELOPING COUNTRIES**

### **2.1 Introduction**

This chapter will look at the literature on the problems of expenditure control in developing countries. It will be structured to include problems of expenditure control in developing countries; the challenges facing expenditure control in Ghana and lastly; a review of the PFMR's tools for controlling expenditure in Ghana, particularly the MOF.

### **2.2 Challenges of Expenditure Controls in Selected Developing Countries**

The challenges of controlling public expenditure are particularly acute in developing countries. This is because most developing countries have weak planning and forecasting systems, weak control commitments among other in controlling their public expenditure. It is vital for the government to control its resource allocation, within its budget preparation. This can be done by ensuring that the budget is efficient, effectively executed, and that it meets the allocation priorities. In ensuring a good mechanism for controlling public expenditure by the government in these developing countries, its success or failure depends on how strong or weak its institutions are for ensuring effective financial management. According to Campos, (2001), public expenditure control can be defined as the allocation of public resources efficiently, responsively, and effectively.

Some scholars have pointed out that there are many problems facing expenditure control in PFM in most developing countries. The poor payroll and personnel management is one of the causes of poor expenditure control in developing countries. According to Tommasi (2009:57), in terms of government expenditure, the wage bill is the main component of expenditure which is difficult to be controlled. The payroll is underpinned by personnel databases, which provides a list of all staff. The similarity that exists between the payroll and the personnel database is a major control device, but this has been implemented inadequately. Necessary procedures must be followed to ensure that databases are updated on a regular basis to prevent the existence of ghost workers. There is the need to undertake an audits system regularly to identify the weakness within the control system (Tommasi, 2009:57).

Tommasi (2009:58) posit that, in developing countries such as Ghana, and Nigeria, a lack of personnel management and payroll system management and a system to track ghost workers

on the payroll system, whereby ghost names are loaded into the system creates problems in controlling public expenditure. This increases the risk of corruption, or payroll systems that supposedly remunerate actual staff instead of fictitious employees, which is designed to hide corruption. Ghost workers who are not part of the working staff, but their names are found on the payroll system; the lack of payroll system and corruption has been the greatest concern which has led to the misappropriation of public funds in developing countries.

Secondly, in terms of controlling expenditure in developing countries, a lack of certainty about receipts and resource availability has been a predominant issue regarding expenditure control and budgetary performance. According to Robert (2003:31), budget preparation tended to overstate, about fiscal receipts, and suffered from overestimated foreign donor assistance and even the budget support on which public services and public investment depended.

Another problem of the poor expenditure control in developing countries is the constraint on resource mobility. This is because public institutions in developing countries are unable to finance the overambitious policy goals by politician promise. This underpins the level of confidence in the budget process and the planning process (Pradhan, 1996:46). Politicians make several promises outside the formal budgeting process which puts a strain on or outstrips available revenue and the planning process and the failure in considering the long-term implications on public expenditure. Also, there are poor linkages which exist between budgeting and the planning, particularly where public institutions lack detail recurrent plans for budget preparation. These are prepared by separate institutions such as the MOF and the NDPC, by introducing the use of projections of resources and the timeframes (Pradhan, 1996:46).

Cash management system has been a major problem to the control of public expenditure in developing countries. Proper cash control ensures that public resources are used for the right thing at the right time. One major issue of controlling expenditure in developing countries is the lack of good cash planning. In developing countries, issues of weak cash planning due to poor forecasting, planning, and monitoring have affected the cash management system within the public service institutions. According to Radev & Khemani, (2009:2) the planning and monitoring system of most developing countries are weak, which has resulted in poor allocation of resource leading to arrear on expenditure. This serves as a limitation on effective

commitment controls. The main task of commitment control is to ensure that, commitment should be consistent with the budget preparation and the expenditure ceilings. However, a cash planning management system is there to ensure that the availability of cash for projects are confined to the expenditure ceilings, and to ensure commitment control. Cash planning management will not be effective until it integrates with control over commitment (Radev & Khemani, 2009:2). In a case study conducted in Tanzania and Liberia, there was a low-level commitment to the budget as a result of uncertainty in the planning stage because of weak revenue and expenditure forecasting. This arises because of inadequate staff and expertise at the budgeting department (Simson & Welham, 2014:24). These failings include perennial over-optimistic revenue forecasts during budget formulation to justify a higher expenditure plan. If the forecasted revenue then fails to materialise, this creates pressure to identify savings when executing the budget (Hadley, 2016:11). The lack of systematic tracking and control of commitments has led to over commitment and arrears in Ghana, Nigeria and Togo. Cash plans in these countries are used as tools for expenditure discipline but themselves tend to be unrealistically optimistic, as they do not reflect expected cash outflows based on commitments (Pattanayak, 2016:21).

In Latin America, Carlos and Gabriel (2010:3) posit, that the MTEF was introduced in developing countries to give solutions to fiscal reform, without any form of improvement in the outcome of the budget system. In this context, when a country adopts the practice of the MTEF, necessary steps must be taken to ensure that the MTEF is well implemented. According to Carlos and Gabriel (2010:4), in Latin America, a lack of capacity building in areas such as staffing, the information system, monitoring and evaluation, knowledge and skills, has caused problems with poor expenditure control within the bureaucracy of countries such as Peru, Colombia, and Argentina.

### **2.3 Challenges of Expenditure Controls in Ghana**

This section will review the literature on factors of poor expenditure control in Ghana's PFM system. Public expenditure control in Ghana depends on elements of PFMR's such as the MTEF, and the GIFMIS within the Financial Administration Decree and the Financial Administration Regulation of 1979. In Ghana, public expenditure control is vital to the government, the MOF, line ministries and other state institutions. A report from the World Bank and the IMF (2004:8), showed that Ghana achieved seven out of the sixteen PEM benchmarks, compared with one out of fifteen in the assessment carried out in 2001. There

have been seven improvements in the indicators of public expenditure control in Ghana including:

- 1) Quality improvement in the fiscal information process
- 2) Having regular checks on fiscal reports to track the level of poverty by reducing the level of spending
- 3) Budget execution issues such as arrears on expenditure
- 4) Grouping and identifying poverty-reducing spending
- 5) Classification of expenditure budgeting
- 6) Systematic surveys were in use
- 7) Transactions are recorded in the accounts in a timely fashion. The following nine were not met by the Ministry of Finance. These include,
  - a. Effectiveness of the internal control system,
  - b. Improvement in the integration process of the medium-term forecasts,
  - c. Improvement in the reliability of budget guidelines for the future,
  - d. The coverage of the expenditure budget system,
  - e. Donor funds inclusion,
  - f. Information from financial auditor,
  - g. Effective and efficient system for procurement,
  - h. The magnitude of spending which is funded by inadequate report within the budgetary sources
  - i. Regularity of timely internal fiscal reporting (World Bank & IMF, 2004:8-33)

Despite these improvements, scholars have pointed out that there have been concerns with Ghana's expenditure control system. According to Adamtey (2017:3), the main reason for poor expenditure control in Ghana is as a result of weakness in the accounting system (GIFIMIS) within the PFM system. The lack of ICT infrastructure causing poor network connectivity faced by the GIFIMIS has been a problem in ensuring a proper budgeting process in the PFM of Ghana, which ensures improper use of state resources. Although Ghana has the GFIMIS system, which is used for accounting purposes in the various institutions of the country, this reform has not been able to capture ghost workers on the public sector payroll.

Another challenge to expenditure control in Ghana is lack of capacity. According to Ohemeng (2018:3), lack of capacity that is trained staff, has adversely affected expenditure control in Ghana public service. He pointed out that the MOF and its line ministries did not have a permanent budget officer. These officials would not be able to use the little knowledge that he or she had to improve their budget preparation and expenditure control in the country. Those officials needed to get basic training from new budgeting officers, which affected the capacity of the MOF and the line ministries.

Monitoring and evaluation, which is one of the ways to ensure expenditure control in developing countries, has been poorly developed in Ghana. Expenditure monitoring responsibility in Ghana has been divided between the National Development Planning Commission (NDPC) and the Ministry of Finance (MOF). The MOF was formerly created to help in the effective monitoring and the control of public expenditure, but the MOF has not been effective and efficient in monitoring its public expenditure. This is because the monitoring and evaluation capacity of the ministry have not been adequate, as a result of lack of expertise to monitor the activities of the ministry due to lack expertise to ensure that the planning and activities of the line ministries are monitored effectively (Oduro, 2003:42).

According to Robert and Andrew (2005: 306) periodic project inspections are done by the Ministry's project implementation monitoring unit on an ad hoc basis but have not been properly established and staff resources does not allow performance monitoring. According to Robert (2003:38), cash releases in Ghana are uncertain in terms of timing and amount, this is due to poor planning and forecasting by the MOF and the NDPC. Overlaps exist between the work of the project implementation monitoring units and the NPDC poverty units, further stretching the limited capacity that does exist (Robert & Andrew, 2005:306).

According to Robert and Andrew (2005:307), the performance environment within public institutions such as the MOF and the NDPC are weak, and the monitoring and the evaluations staff are given little training support, recognition, or professional independence. Little support has been put in place for central units to develop an effective monitoring and evaluation system in the line ministries. Problems of weak monitoring and evaluation is as result of lack of trained staff this leads poor adaptation of the multi-year budgeting system in the information management system for controlling expenditure in Ghana. This has resulted in weak information management which has failed to accurately reflect on service delivery plans and expenditure. The weak information management have failed in providing vital

information between the MOF and the MDAs. According to Robert and Andrew (2005:307), these failures in the information management system have impeded forecasting and planning the activities of the MTEF.

Another challenge of poor expenditure control in Ghana, according to Robert (2003), is poor commitment control and poor cash management. Commitment control is defined as “a future obligation to make a payment (for instance a signed contract for delivery of a service)” (Simson, Sharma, & Aziz, 2011). In Ghana, poor control of ‘cash flow has created an accumulation of arrears by the government. According to Robert (2003:40), the biggest challenge of commitment control in Ghana is how to control arrears of payment. Arrears have been a problem in Ghana; the arrears were built on during elections in Ghana (Robert, 2003:40). Weak commitment control leads to over commitment. This is because the cash plans which is used as framework for controlling the expenditure patterns which tends to be unrealistically optimistic, since they do not follow expected outflows of cash based on the commitments (Pattanayak 2016:21).

Cash management control has a major concern in controlling expenditure by the MOF. Simson, Sharma and Aziz (2011:10) revealed that, the MOF has a problem with how to manage the flow of its resources, as a result of weak M&E to track the allocation of resources by the MOF. Also, because the line ministries go above the ceilings that have been given to them and some even end up using public resources on unbudgeted expenditure, this results in a weak cash management system in the MOF department. The poor cash management system in controlling expenditure in Ghana is a result of delays in the payroll system. This has resulted in poor prediction of the flow of resources for ensuring an efficient delivery of service (Governance Economic and Financial Management Department (OSGE), 2015:12).

Another problem with poor expenditure control in Ghana’s PFM system is lack of proper planning and forecasting. Planning is vital in terms of controlling expenditure and in allocation of the budget. Planning and forecasting are concerned with looking into the future, and thus forecasting the future cost and revenue needs of a project (Adzore, 2015:4). The MOF has not been able to control its expenditure as a result of lack of planning on what the budget should be met for, with the allocation of resource and with putting into place systems to address them (Adzore, 2015). According to Adzore (2015:4), weak planning and forecasting in the MOF in Ghana is attributed to “unpredictability of funding from one year to the next year

and within the budget year” (Adzore, 2015:4). Another issue contributing to weak planning and forecasting of controlling expenditure, is the MOF’s inability to direct public resources to the priorities of the budget. This is because of weak monitoring and evaluation capacity of the ministry to monitor the activities of budget preparation.

Lastly, a lack of transparency has been a major issue for controlling expenditure in Ghana. Ohemeng (2016:124) argues that there is an opaque nature within the budget preparation process that allows a government to allocate state resources without having an established target. According to Adamtey (2017:3) Ghana’s record is “abysmal” when it comes to transparency within the budget preparation of the country. The table below shows the open budget transparency index of Ghana from 2008 to 2019.

**Table 1. The open budget index of Ghana from 2008 to 2019**

<b>Years</b>	<b>Ranking by the OBI</b>
2008	50
2010	54
2015	51
2019	50

In the table above, Ghana’s performance on the Open Budget Index (OBI), had worsened between 2008, when it stood at fifty (50), and 2010, when it had decreased to fifty-four (54). In 2015, Ghana improved its budget transparency to fifty-one position compared to 2010 and later improved in 2019. This is because, there has been improvement with regards to publication of the budget, in terms of initial budget preparation process, executive proposal of the budget system, in-year budgeting, which has reduced the level of corruption among key stakeholders.

In the previous paragraph Ghana’s rank on the OBI has remained at 50 until 2015. Transparency is the best way of ensuring that expenditure is controlled. Where there is a lack of transparency in the budget preparation and execution in the PFM of a country, there are always problems of expenditure control; because corruption and misappropriations of funds will exist between public servants. Adamtey (2017:23) posit that, the legal framework within the

budget preparation in Ghana had little provisions made for external budget transparency. He stated that, there has not been publication on some aspect of the budget document to the public, which was seen in the areas of pre-budgeting, executive proposal budgeting and even the in- year budget of the country.

The GIFIMIS has not been able to provide an adequate framework for its internal and external transparency, concerning the budgeting system in Ghana. This is due to lack of transparency and accountability in reform in controlling expenditure. The weakness of the GIFIMIS system, which is not been able to track ghost workers on the public service payroll can lead to a concern of misappropriation of public funds (Adamtey, 2017:8).

In the case of Ghana, problems of capacity in terms of expenditure control arose because of a shortage within the internal auditors in the central and the line ministries. In Ghana, the shortfall of capacity building is because of the weak demand and supply of staffs in Ghana. According to Robert and Andrew (2005:307) the “demand constraints include the lack of managerial incentives to change”. The lack of managerial incentives to change in this context is seen as the absence of motivation to staff such as bonus and promotion to enable them to work effectively, and lack of adequate information system to monitor the performance of staff.

Adamtey (2017:11), suggest that in ensuring transparency in budget preparation in Ghana, the government should revise the implementation of the public finance management system; which should involve the preparing and the publication of a statement of pre-budgeting, thus strengthening the coordination that exists between the MOF and the GIFIMIS. To ensure that budget reports are presented on a timely basis, officers must ensure that there is an improvement in information to the public on all forms of proposals regarding the budget implementation process. The MOF should embark on monitoring and evaluation to ensure that proper feedback and correct measures are received at the end of the day.

#### **2.4 A Regulatory Framework and Tool for Controlling Public Expenditure**

This part of the chapter reviews the regulatory framework for controlling public expenditure in Ghana, and the problems associated with these reforms in controlling public expenditure. In Ghana, the PER committee introduced this reform late in the 1990s, to address issues with

budgeting preparation and the expenditure system in the budget process. The Public Financial Management Reform Programme (PUFMARP) was the initial reform, which was undertaken in Ghana in the year 1996. This was termed as a medium-term strategy and aimed at improving on the PER in 1993 and 1994 respectively (Ohemeng, 2016). Its objective was to develop a well-integrated system of PFM. This included budget preparation, budget implementation, accounting and cash management, aid and debt management, revenue, procurement and auditing (Oduro, 2003:3).

The first three components of the objective of the PUFMARP were termed the Budget and Public Expenditure Management System (BPEMS). This was designed to help in the budget preparation of the government, and it was based on a three-year rolling out plan put in place by the government. The Ghanaian government introduced the MTEF as part of the BPEMS, to serve as an improvement in the budgeting system of the country, to ensure sustainable development of the country and to help realise the vision of 2020 (Short, 2003).

The BPEMS and the MTEF are closely related. As part of the PUFMARP, they focused on accounting and the implementation aspect of the budget. The BPEMS was used to match the new budgeting system; thus, improving the implementation processes and the budget preparation.

#### **2.4.1 Definition and overview of the Medium-Term Expenditure Framework (MTEF)**

The term MTEF is referred to as a system of budget formulation, planning and transparency in the central agencies and the cabinet to establish a credible link between resource allocation and strategic priorities and ensure the overall fiscal discipline. It is an expenditure tool and a policy framework in which vital information is formed concerning the decision-making process for the allocation of resources, where needs match priorities (Anipa, Muggeridge & Kaluma, 1999:5). In this context, the term strategic priorities of allocation mean that the government should be able to allocate resources effectively by prioritising its programs. The MTEF is now widely accepted as the most appropriate framework for strategic expenditure programming and budget restructuring (Anip et al., 1999:1). The MTEF was initiated as a tool for ensuring proper budget accounting processes, effective allocation of resources, proper control of expenditure pattern, and effectiveness and transparency within the budget process of the PFM system (World Bank, 2015).

The MTEF is a multi-year system of three years' expenditure planning. This reform spells out the main priorities for medium-term spending and constraints within the budget process, by linking it to its policy plan (World Bank, 1998). The World Bank (1998:2) suggested that the MTEF comprises a "top-down resource envelope", and a "bottom-up envelope" of the medium-term as well as the current cost of policies that exist and match the costs to the available resources within the annual budget preparation. The "top-down envelope" identifies the expenditure and the fiscal targets and estimates the revenues needed; together with the cost of government-wide programs. The bottom-up envelope must complement the macroeconomic model by scrutinizing activities and policies from the ministerial level to the MDAs. According to the World Bank (1998) first-year outward estimate, the MTEF serves as the basis for its framework in its subsequent year's budget; and whenever there were changes in economic conditions, its policies were taken into consideration. Odogu (2015) points out that, a great number of nations in developed and developing countries have implemented the MTEF as a way of reforming public finance management. According to Almaty (2011), there were about hundred countries using the MTEF by 2008.

## **2.5 Purpose of the MTEF**

According to Nepal and Nam (2010), the objectives of the MTEF included providing a realistic framework for managing, and well planning forecasts for public expenditure usage, accurate and more reliable estimated figures for spending, and revenue mobilisation within a defined period. The MTEF implementation process emphasized striking a balance between operational efficiency and strategic allocation of resources to ensure that line ministries would have greater autonomy over their budget composition (Anipa, Muggeridge & Kaluma, 1999:4). The introduction of the MTEF in Ghana took place during the period 1998 to 2000. It focused on how to improve the phases of all policy, budgeting, planning and cycles of the implementation process (Oduro, 2003:27).

MTEF focuses on the allocation of resources within line ministries. Its period of coverage is between three to four years. Most countries in the developing world, especially in the sub-Saharan African countries adopt the three-year system of the framework. Ghana has now moved from the three year to the four-year system of the MTEF and it is being monitored on an annual basis (Tommasi, 2009:53). The medium-term fiscal framework (MTFF) is vital in the implementation and the adoption of the MTEF. This framework gives clear objectives of

fiscal policy and provides projection and a fiscal target. The MTEF introduced the indicators and macro-economic framework in determining the availability of resources (Jones & Lawson, 1999:2). Tommasi, (2009:53) points out that the main objective of the MTEF is to focus on the inter-sectorial allocation of resources, which may be termed as the medium-term budgetary framework (MTBF). The MTBF is a multi-year budget approach used by the government to match its policy objectives with its expenditure plans. Resource allocation has been the main aim of the MTBF in matching government strategic priorities. Also, it makes provision for an allocation to match with the fiscal target of the government (Jones & Lawson, 1999:2).

### **2.5.1 MTEF experience in developing countries**

The MTEF has been adopted and developed by quite a number of developing countries as a tool for controlling expenditure in the budgeting system. The MTEF was well known in sub-Saharan African countries in the mid- 1990s. Within this period, twenty-five nations in Africa began to implement and to adopt the reform (MTEF) (World Bank, 2001). Similarly, Uganda adopted the implementation of the MTEF in its country to tackle the ineffective allocation of resources and macro-economic instability within the country. In the case of Ghana, it was introduced in the year 1996 to improve budget process formulation. In the year 1997, South Africa adopted it. Kenya experienced it in 1998, using it to aid in delivering results for its citizens, to yield result. Rwanda and Tanzania introduced it in the year 1999, as a medium to provide a strategic model for budget preparation and to ensure an effective allocation of public resources (Odogu, 2015). The concept of the MTEF is a framework that ensures that expenditure matches with its resources and aid in improving the outcome of the budget.

According to ODI (2005:3) it is acknowledged that politicians are often driven by concerns, including re-election that is not necessarily in line with an improvement in the outcome of the budgeting system. The ruled-based procedures and the objective of the MTEF, in the construction of the MTEF is inconsistent with the way in which politics operates within a given country, without the effort of the technocrats and the backing of the political system (ODI, 2005:3). But there are also many instances where it is evident to the political elite, as well as to key technocrats, that if they want to deliver effectively on their “political choices” and build the confidence of their citizens, they need a better budget process to do it (ODI, 2005:3). According to ODI (2005:3), the MTEF becomes not just any technical tool which is used to consolidate and optimize the level at which resources are been used but rather as an

important tool for reinforcing the legitimacy of the system and that of accountable government. In sub-Saharan Africa region, the MTEF was used as a framework for controlling public expenditure (World Bank, 1998). In this case, the MTEF in sub-Saharan African countries was regarded as a key public finance management component of reform. Public expenditure management was a major problem in the beginning of the MTEF implementation in Ghana.

## **2.6 Problems with implementing the MTEF in Ghana**

Key stakeholders in implementing the MTEF in Ghana included the MOF, the NDPC, and the CAGD, the Bank of Ghana, the Ghana revenue authority (GRA) and line ministries. Within the MOF, the deputy minister was the principal proponent, along with the budget department and the research department who were responsible for macroeconomic policy. However, budget committees were established within the MDA's, to prepare individual MDA input and to liaise with the MOF (Short, 2003:1). Short (2003:2) argued that the framework of the MTEF focuses on the controlling of expenditure, the accounting practices, the management of cash flows, the procurement, the collection of revenue and the resource allocation. This means that the MOF needs to achieve a sound financial system and a proper budgeting system.

The MTEF was intended to improve government contributions to development outcomes and to facilitate greater stability in fiscal policy, improved resource allocation, and more efficient service delivery. Performance reporting was required in the MTEF reforms; this requirement was built on target formulation and indicators of performance development. According to Oduro (2003), a problem that accounted for weak outcomes for budgeting systems in Ghana was the result of a lack of planning of the budgeting system regarding its policies. This was because there was no set target, no goals or objectives that the budget was meant to provide, and the priorities of the expenditure system were not clearly defined in Ghana's budget system. Oduro (2003), made the point that the MTEF was introduced to address weakness in the PFM system, and to achieve "predictability" of flow of resources. The framework was a way of achieving effective decisions on how the state allocated its resources and controlled expenditure among its ministries and agencies (Fozzard & Foster, 2001).

Odogu, (2015) points out that, the budget structure in Ghana could also facilitate the MTEF implementation process. In mid-1996, the government of Ghana introduced an integrated

PUFMARP. This part of the reform comprised a budget and a PEM system to account for PEM. Short (2003) pointed out that, one aspect of PUFMARP was that the MTEF and various aspects of PFMR's were mainly there to improve the allocation of resources, budgeting, the collection of revenue, macroeconomic planning, the management of debt, procurement and audit and aid. The reforms aimed at shifting the controlled economy of Ghana to a more market-based economy. The implementation of the MTEF in Ghana has been faced with several challenges. These include organisational integration, reform ownership, and political will, strategic capacity and organisational incentives. This aspect of the chapter will critically discuss the factors affecting the implementation of the MTEF in Ghana.

During the beginning of the implementation of the MTEF in Ghana, the political will and ownership of the reform was very high within the MOF, line ministries, and MDA's. The political leadership placed emphasis on the implementation of the MTEF, especially within the budget preparation process (Anipa et al., 1999). The political will or support in Ghana during the implementation of the MTEF motivated the PFMR's and engaged other stakeholders such as the MOF, NDCP, the head of the civil service, MDAs and the CAGD in the design and the implementation of the MTEF.

According to Robert and Andrew (2005:298), within a short period the political will of the implementation of the MTEF stagnated which in turn, slowed down the implementation of the MTEF. However, the main reason why political support has failed in the budget preparation was based on the strategic plan, within the budget formulation process. This was because patterns of actual expenditure concerning the priorities of the government did not happen. There was a high level of expenditure on health and education. However, these two areas of the expenditure were not in line with the priorities of the government. The MTEF has failed to meet the priorities of the government expenditure during election. This due to the high promise of the government during election periods. Also, during the initial stage of the implementation of the MTEF, the activities of the MTEF were not matching the actual expenditure which was introduced in 1998 (Robert and Andrew, 2005:300).

Robert and Andrew (2005:298) pointed out that, there was a greater level of ownership of the reform within the formulation stage of the reform, which contributes to the development of the initial MTEF budget. Notwithstanding, reform ownership has constituted a vital part of the MTEF from 1997 to 1998. Within this period, several training programs were organized by

the government and other officials from Ghana to facilitate the process of implementing the MTEF in Ghana. The MTEF was launched in Ghana during the periods before the start of an electoral cycle when ministers were paying a lot of attention to immediate electoral priorities instead of long-term planning under the MTEF. Robert and Andrew (2005:302) revealed that the macroeconomic problems in Ghana are tied to the four-year electoral cycle. In Ghana, the change of government and the electoral system also had an impact on the political will and the implementation of the MTEF. The reason was that, after the elections, the government often faced challenges in trying to achieve fiscal stability. The MOF had to demand that its line ministries practice fiscal discipline which seemed weaker during the pre-election years. During the 2000 general election, the country experienced a high effect on inflation this because of instability in its fiscal discipline, as a result of it the MTEF was not able to meet the demands of the government priorities (Robert & Andrew, 2005:302).

Another problem to the implementation of the MTEF in Ghana was a capacity constraint. Adzore (2015:18) pointed out that the skills gap and the capacity to train staff and the information management system has been a major issue in the implementation of the MTEF in Ghana's public service. The public sector lack adequate information management systems to aid in effective computerized system of the public finance management (Adzore, 2015:18). The main capacity building problems were concerned with the MOF and its line ministries, as a result of poor internal audits. A poor information system is also another problem for the implementation of the MTEF in Ghana. Capacity shortfalls in the important area of information management are closely tied to weak monitoring and evaluation. Ghana's PEM system has not been developed enough for the systematic adoption of benchmarking or even multi-year budgeting (Robert and Andrew, 2005:307).

Robert and Andrew (2005:307) attributed the failure of the MTEF and poor expenditure controls in Ghana to problems of monitoring and evaluation processes. A lack of monitoring and evaluation within Ghana's PFR led to poor planning and control of expenditure, as a result of lack of trained staff and inadequate systems and processes to conduct M&E activities. These slowed down the performance of the MTEF and the GIFIMIS, resulting in poor expenditure controls in the Ghana PFM system. Monitoring and evaluation are regarded as a main key to a results-based management framework. This was not well developed in Ghana's public sector. An exception to the rule of weak monitoring and evaluation capacity is the State Enterprises Commission (SEC), an entity with an effective performance evaluation

system (Robert and Andrew, 2005:306).

According to Robert and Andrew (2005: 304), institutions working separately and failing to communicate with each other adversely affect the implementation of the MTEF. That is in terms of ensuring efficiency in planning, and controlling of expenditure in Ghana, which has led to the creation of the NDPC under the 1992 Constitution of the Republic of Ghana, to aid in the developmental planning in the country. The MOF was responsible for the budgeting and the allocation of the resources in Ghana. The co-ordination between the NPDC and the MOF resulted in MDAs developing sector plans linked to the government priorities. Within the initial period of the implementation of the MTEF, entities collaborated well, which had some positive impact on the implementation of the MTEF in Ghana (Robert and Andrew, 2005: 307). The NDPC was created by the parliament of Ghana under the 1992 Constitution of Ghana, articles 86 and 87 were established by the Acts 479 and 480 (1994). The aim was to advise the government of development planning policies and strategies, by providing a national development policy framework for the country. The parliament believed that the creation of the NDPC would ease the pressure on the MOF and ensure more efficiency in the development planning policy of the government. This led to the transferal of the planning function from the MOF to the NDPC. The MOF was not in support of removing the planning function from its portfolio and moving it to the NDPC. This is because the MOF was mandated for the planning function, which was taken by the NDPC.

According to Robert and Andrew (2005:304), the failure of the MTEF as part of the BPEMS in Ghana was because of the institutional rivalry that existed between the NDPC and the MOF. This slowed down the work of these two institutions, which affects the control of expenditure. In this context, the term rivalry means competition, this is seen as the competition that exist between the MOF and the NDPC as a result of power play; that is who to perform what function with regards to the planning and budgeting of the country. There was a competition because the MOF thinks the NDPC has taken its role as the planning function to be performed by the NDPC. Tettey, (2001:173), stated that the institutional rivalry exists when the government decides to separate the planning function from the MOF and hand it to the NDPC, to ensure efficiency and effectiveness among the two institutions in terms of national development, and the preparation of the budgeting system.

## **2.7 Summary**

This chapter reviewed the literature on the problems of the public expenditure control in the developing world, namely, sub-Saharan African countries, specifically Ghana. The literatures of expenditure control in developing countries and Ghana posit that the PFM has been weak leading to poor expenditure control in these countries. The challenges that was pointed out in these countries are poor payroll and personnel management, lack of commitment control and cash management system, lack of capacity building. In Ghana, due to weakness in the country's PFR there has been concern regarding the control of expenditure. These includes non-transparency in the budget preparation in the country, weakness in the accounting and recording keeping system in public service in the country, issues of poor planning and forecasting have also undermined the integrity of the PFM system in Ghana. Literature attributed poor expenditure control in the implementation of the MTEF in Ghana to poor monitoring and evaluation system, the lack of an effective information system, the lack of capacity building, ownership, and political will and lack of coordination among the factors influencing the implementation of the MTEF in Ghana.

## **CHAPTER THREE: THEORIES AND CONCEPTS OF PUBLIC FINANCE MANAGEMENT REFORM**

### **3.1 Introduction**

This chapter will discuss the theories and concepts that are relevant to the analysis of PFMR and the MTEF. This will primarily include how these fit into the broader paradigms of public sector reform and NPM.

#### **3.1.1 Conceptual framework**

This part of the dissertation will review a conceptual framework from public sector reforms for addressing the concerns of MTEF and of poor expenditure control by the MOF in Ghana. The concept and the theory will emphasise the elements of the NPM in developed countries, developing countries and sub-Saharan African countries.

### **3.2 New Public Management Paradigm**

The NPM is regarded as a public sector reform by most academicians (Polidano, 1999). According to Polidano (1999) the NPM reforms are intended to respond to issues such as the deregulation of line management, performance-based accountability, especially via contract, the conversion of civil service departments into free-standing agencies or entities, and competitive mechanisms including internal marketing and contracting-out (Nyamita, 2015). The main aim of the NPM is to provide a performance-oriented culture which seeks to recondition the process as to how public institutions operate, to ensure mission-driven, efficiency, effectiveness, all-encompassing and improved quality management, that is in line with the practices of the private sector (Hope, 2012).

According to Hood (1991, 1995), the term NPM is the private sector ideas that are brought to the public institution. The NPM is a system that is used to capture several reforms ideas, which the market mechanisms and the management of the private sector aim to increase the efficiency level of the public sector (Grindle, 2004). The various types of the reforms within the NPM include the performance management introduction, results-created, the establishment of the market mechanisms within the public sector, which is to increase how the responsiveness of the public sector administration is, and the establishment of management techniques into the public sector (Maesschalck, 2004). Osborne (2006), revealed that the main

features of the NPM model includes:

- 1) Private sector-style management practices must be applied to increase flexibility in decision making;
- 2) An emphasis on the entrepreneurial leadership with regards to how the public service is organized
- 3) Focusing on output and input control and performance management, audit, and evaluation
- 4) The rapid use of competition, market; and the contracts for allocating resources and the delivery of service in the public service

The NPM has two schools of thought, thus the managerialism and the theory of public choice. The main element of the model of the NPM is Performance Management, which is the main concern to the managers of the private and the public sector and the political leaders (Bouckaert & Halligan, 2008; Larbi, 2006). Several scholars in most countries of OECD such as in New Zealand, UK, USA, and Australia, pointed out that the NPM reforms were introduced to reawaken the public sector in the 1980s. In these countries, reforms have been inspired by a belief in the efficacy of the market solution through the introduction of performance management to ensure effective service delivery. There have also been attempts to find ways in which the market can improve performance in areas that remain the preserve of the public sector (Fozzard & Foster, 2001:1).

According to Ohemeng (2018:1), the interest of the political right and left and centrist government in the NPM is to use public financing effectively by employing various ways in public institutions, while governance should focus on building transparency in budget preparation and public expenditure control. The focus of both is on adopting performance management into public institutions, and on focusing on organizational performance outcomes, and public budgeting, instead of practicing traditional input focused models.

The initiatives of the performance oriented NPM are to give autonomy to managers to strengthen the control of the central government. However, it is vital to consider what accountability and efficiency measures to use. Also, it is important to consider the reform implementation. This is because the conflicts about the ends, the scope, the means and the depth of measures must ensure that accountability and efficiency abound, and that this benefits the effort of the reform (Ole, 2001:5). Polidano (1999) suggested several measures that were

used by the NPM to ensure efficiency, these include:

- 1) The strengthening of public expenditure and revenue management through increased central-level control over budgeting in specified budget frameworks;
- 2) Better central financial controls and audits; and
- 3) Improved staff classification, establishment and recruitment procedures and more central control over these.

NPM is focused on accounting-based financial management techniques, which are drawn from the pursuit of the reform (Guthrie & Olson, 1999). Regarding this, the reform of the NPFM that favours the NPM movement introduces institutional financial management theories and techniques into private sector institutions (Padovani et al., 2010). A sound, accountable and a transparent management of public finance is vital for the performance of an organization. Performance management is seen as the basics for the performance of an organization which ensures the capacity of the government to manage available resources and to implement policy, through its own institution (Musgrave, 1959:4).

The aspect of finance regarding public administration emphasises the use of limited resources and prioritisation, to ensure the effectiveness of stewardship over assets and public money thus achieving value for money, to meet the priorities of the government, thus rendering the best services (Musgrave, 1959:4). According to Musgrave, (1959:4) the role of public finance as part of public administration in government is seen in the following activities: formulation of fiscal policy, budget preparation, budget execution, management of financial operations, accounting, auditing and evaluation.

The term expenditure control is seen as the day-to-day operations of government institutions in executing its objectives as stated within the budget (Visser & Erasmus, 2013). This forms part of the actual spending of resources concerning approved budgets from government institutions. Although, the spending is authorized by the budget, expenditure control in the governmental unit must be performed in such a way that it provides outcomes that are people-focused, provide good value for money and are sustainable (Tilley, 2014). Private sector techniques such as executing, accounting and the control of public finances, as well as

management were adopted by the public sector (Blidisel et al. 2010). However, expenditure control in the public sector is the same as in the private sector, with a focus on centralization and bureaucratization (Frumkin & Gelaskiewicz, 2004).

### **3.3 New Public Management and Public Finance Management**

This part of the study explains how PFM and NPM relate. According to Bokros and Dethie, (1998:381), for a country to overcome its public debt and its fiscal deficits, the government must ensure that reasonable and effective use of public resources can be achieved by establishing institutional reforms and restructuring of its public finances. Traditional budgeting systems should be replaced by performance budgeting systems. This must be based on items within the budget system, which are used for controlling public expenditure. This can be done through establishing set targets to meet set times in the budgeting system. Alternatively, would they not perhaps even be generating perverse outcomes of the reform? (Polidano, 1999:21). In ensuring an improvement in the performance budgeting, there is a need for the government to have effective institutions within the various public services. This is to ensure that the government overcomes the challenges of spending above the giving budget ceilings. In a performance budget, much focus should be placed on government activities to achieve effective outputs-based budgeting that permits the government to link the planning, operational management, performance measurement, and strategic management of the budgeting process (Keita, 2014:13).

According to Keita, (2014:14), strategic management can support the state, for example, to focus more clearly and consistently on its high priority goals, which will, in turn, lead to a more intensive pursuit of the results that are deemed to be of the greatest importance. Pollitt and Bouckaert, (2004:70) point out that the benefits derived from public finance reform in most countries, like the United States and Holland, allow for a change in the format of budget documents to display much more performance information.

Concerning New Zealand, the public finance reform through the elements of NPM; allows the MOF in a given country to maintain its focus on keeping government spending under control as it attempts to return to surplus and to start to reduce its debt (Keita, 2014:14). Nyamita (2015:29) contributed to the NPM debate by stating that a noticeable element of the NPM movement is the accounting-based financial management techniques that are being

utilised in the pursuit of reform. In other words, the public finance management reforms embrace the corporate financial management theories and techniques that are practiced by private sector corporations. The traditional public administration focuses on expenditure management “assessed in terms of compliance with procedures and legislatively mandated expenditure, as expressed in the annual budget”. Public expenditure focuses much on performance management to ensure the effectiveness and efficiency of how public funds are used (Premchand, 1993:37). Nyamita (2015:30) suggested that the reforms of PFM within sub-Saharan countries can be grouped into four areas. These include:

- 5) Focusing on the reform involves a financial reporting system. This includes promoting an accrual-based financial reporting framework for all government institutions, and state-owned enterprises, and it should set-up professional accounting standards.
- 6) Focusing on developing an expertise for market-based management systems and ways of dealing with the provision of services and pricing with its focus on cash management, which includes the financing side.
- 7) Emphasizes developing a performance management approach, which focuses on techniques. These include non-financial performance and financial indicators in all public institutions.
- 8) Focusing on delegation of budgets or decentralisation, coupled with the attempted integration of both the financial and the management accounting system (Nyamita, 2015:29).

To add to the above, the final aspect of this reform includes the changing of external and internal public sector audits, to provide effectiveness and efficiency in the public service (Hughes, 2003). These elements of NPM have allowed government to address the concerns of lack of proficiency within the management of public funds. In this regard, the concept and the theory of NPM is now being used to analyse the efficacy of public finance instruments like the MTEF and GIFIMIS to control public expenditure in Ghana’s PFM.

### **3.4 NPM and Public finance reform in Developing countries**

This part of the chapter will review the literature on the NPM and the public finance reform in developing countries. A well-functioning public sector within the developmental process in Africa is essential (Owusu, 2006). According to Owusu (2006), creating an effective

government unit that can facilitate national development is a challenge. Most African states, with the help of the IMF and the World Bank, since the 1980s have experienced several reforms of their public-sector financial- management programs (Antwi et al., 2008).

The NPM in developing countries has focused on budgeting control and efficiency of the government allocation priorities. The main aim of the NPM is to ensure that the government response to its citizens (Contech, 2016:35). The NPM aims to ensure that the PFM reform is properly functioning, which has led to the introduction of efficiency, effectiveness, accountability, and transparency in public finance management. Many efforts have led the African continent towards transformation and reforming of the management of their respective public sectors. These efforts were driven primarily by the fact that the state bureaucracies in Africa have underperformed and have been criticised as being too large and corrupt, and lacking in responsibility, and accountability (Hope, 2000:123).

Reforms in Public sectors financial management has been practised by the government of many African countries and their partners for almost a decade and yet public financial management have continued to be a problem in these countries (Owusu, 2012). According to Adamolekum (1999) from the period of the 1970s to the 1980s, African governments have experienced a decline in the performance and the motivation of civil servants; this has led to low levels of accounting and collection revenues for the respective governments (Adamolekum, 1999). Many countries such as Ghana, Tanzania, Uganda, and Malawi have introduced budgetary reforms such as the introduction of medium-term expenditure planning (Adamolekum, 1999). Andrews (2010) examined the progress of public finance management reform in Africa since its inception and it concluded that public financial management processes within the African countries has aid in improving the preparation of budgeting systems as a result of laws and process and much engaging by actor of the reforms implementation.

There has been some transformation in these countries to have well defined budgeting systems to ensure that allocation of resources is in line with agencies' objectives and activities and also to aid in improving the flow of public resources down to the local level (Foster et al, 2001:6). In most developing countries, to ensure enhancement in productivity, performance management was introduced in government institutions and ministries and, the practice of utilizing performance contracts was introduced within individual departments (Hope, 2000). In

Ghana, its civil service law distinguishes between the regulation function of the MOF and the executive function of public institutions as separate institutions. Much focus was placed on performance contracts, within the central finance ministry and its line ministries, and "between line ministries themselves and budget holders down to district level" (Dodoo, 1997).

According to Hope (2000:130), performance management is regarded as the process of getting results from individuals, teams, and the organization at large, within a given framework of planned goals, objectives, and standards. This allows for the setting out of targets with specified indicators to enable performances to be measured. The system of performance management is practiced in South Africa, Uganda, Ghana and recently in Botswana. To ensure effectiveness at the management level, public managers must be provided with the necessary tools and skills needed for developing public services effectively and efficiently. These tools include management structures and institutional mechanisms, which improve setting out target, result-oriented budgeting and implementation for better sector outcomes (Hope, 2000:131).

Levy and Kpundeh (2004:77) shown that NPM in developing countries embraces performance improvement programmes as an indicator for addressing problems within the MTEF, using self-appraisal instruments, beneficiary surveys, and diagnostic workshops. This was done through organising training for budget officials, free of charge. The control and accountability are the key indicators that keep reform moving in developing countries. This is to ensure transparency and reductions of corruption among public institutions. Traditional input control has not been consolidated in developing countries, despite its efforts to adopt outwardly oriented performance management (Levy & Kpundeh, 2004:77). This means that, in developing countries the NPM has not emphasized inputs of the reform, which lead to weakness in the performance management in implementing public finance reforms in most developing countries.

Performance-based budgeting can be defined as a budgeting system which ensures the improvement of efficiency and effectiveness of expenditure by the government in a way of linking institutional funding of public sector to the delivery of result (Robinson (2007). The performance budget is seen as the use of systematic performance information in the preparation of the budget by the government. The difference between the results budgeting, "performance budgeting" and the performance-based budgeting is that they all introduce

performance information within the preparation of the budgeting system (CABRI, 2013:4).

According to Robinson (2007:7), the main aim of the program budgeting is to the prioritization of spending by the government and improves the effectiveness and efficiency of the MOF in the preparation of the budgeting system. In a case study on public expenditure management by the Overseas Development Institute (ODI, 2003) which included Mali, Burkina Faso, Ghana, Uganda, and Tanzania, the researchers revealed that there is limited progress in the effective implementation of the PPBB system in these countries. In the early 1980s, many efforts were put in place in most countries in the sub-Saharan African region such as Ghana and Nigeria, to reform their public sector management. Those efforts have focused on the point that most institutions within Africa are underperforming; due to corruption, and the lack of accountability and a sense of responsibility (Hope, 2001:122). Every country needs well-structured public management in order to undertake programs and to collect revenue.

According to Hope (2001:122), within the context of sub-Saharan Africa, the lack of these public management endowments, such as accountability, transparency and the high level of corruption are the reasons why most public institutions are underperforming. These factors, which influence the introduction of the NPM reforms within the context of the sub-Saharan Africa region, namely Ghana and Nigeria, are associated with a governance crisis in most countries within the region. These factors were examined, in research papers (Hope, 1997, 2001; Hope & Chikulo, 2000; Amoako, 2000; Bangura, 1999). Hope (2001:123) posits that for the majority, poverty and economic stagnation still loom large. There is still on-going concern about balance of payments problems, the heavy burden of debt, and the size of public expenditure, relative to declining sources of public revenue.

### **3.5 New Public Management and Public finance reforms in Ghana**

This part of the research focuses on elements of the NPM, and the PFR's in controlling expenditure in Ghana. According to Oduro (2003) in Ghana, the budget system has not yet reached the performance oriented. This was because the effort invested in the reform implementation failed to correct a non-performance culture, and accountability within the public service. The aim of adopting the result-oriented budgeting system in Ghana was to ensure efficiency in the input-based yearly budgeting system by the MOF, thus, to focus on the purpose of the government system. The movement to PPBB is to ensure that there is a link

that exists between the output, outcomes and its input and to establish a framework for deciding on performance information within the budget preparation system in Ghana by the MOF (CABRI, 2013: 4).

According to Levy and Kpundeh (2004:74) Ghana has been practising the MTEF over a long period, it is seen as the most sophisticated method. This is because it as a component of the integration of the past budget and as such, has introduced elements of improvement in performance. In the other part of Ghana's public sector reform program, the main reason for introducing the MTEF was to aid in efficient allocation priorities of the government. However, the level of understanding amongst key players of the reform was inadequate, despite great efforts being put in place to train staff by utilizing the expertise of the MTEF. At the start of the implementation of the reforms, ministers and politicians were greatly concerned about winning the elections, thus they ended-up abandoning the fiscal discipline. The performance-based budgeting can be seen in a broader perspective as part of the performance management element of the NPM, which focuses on the outcomes which a government intends to achieve. In Ghana, the implementation of the MTEF was the first step to introduce the culture of performance management in the budget preparation system. The MTEF introduction in Ghana involved an activity-based budgeting thus non-salary administration, personnel emoluments and investment (Folscher, 20017:4).

In Ghana, the implementation of performance management in the budget system has not been effective as a result of the inability of linking the actual expenditure to the budget. This led to the introduction of the new standard chart of accounts (SCOA) in the budgeting system in 2011. This is because of the lack of credibility of the planning and the performance monitoring system leading to low performance results in the budgeting system (Folscher, 20017:4). In Ghana's PFM, performance management was implemented in 1997 to introduce the implementation of accountability, transparency, and results, in the PEM system. Concerning performance management, the cash-based accounting system was changed into an accrual-based cost accounting system. In addition, input-oriented budgets changed into performance budgeting; and compliance and financial audits were complemented by performance audits and evaluations (Oduro, 2003:1).

The main tenets for effective performance management are based on timeliness. For instance, there is the need for finance officers to prepare adequate timelines and important management

information. Research from the operating units of the MDA's in Ghana shows that financial regulations are not seriously followed and most of the departments do not even prepare financial returns (Oduro, 2003:1). This weakens the public expenditure of the country, because the country is then not able to control its expenditure and have effective PFM. According to Oduro (2003:1), setting out goals and targets established in their performance indicators must be met and followed at the right time. Deadlines should be the right path for institutions to follow in achieving their set goals. As illustrated above, it was viewed that, most MDAs do not meet their set targets as established in their performance culture in terms of PFM and PEM, leading to poor expenditure control by the MOF.

The main factor, which slows down the implementation of performance management within the budget system of Ghana, is the country's lack of commitment control in the budgeted expenditure. According to Oduro (2003), the separation of public institutions such as the NDPC and the MOF in playing the role between the planning and the execution of the budgeting system has been the main reason for the weakness in the program performance-based budgeting system in Ghana. The implementation of the MTEF has been weak as a result of inadequate leadership support and a "pervasive non-performance culture" was also seen as a factor influencing the progress of the performance management in the budgeting system (Oduro, 2003; Betley et al., 2012).

### **3.6 Summary**

This discussion was done to examine some theories and concepts for controlling public expenditure within PFM in developing countries particularly Ghana. Nevertheless, theories and concepts were reviewed on public sector reform, specifically on NPM, with elements of PFMR in both developing countries and in Ghana.

## **CHAPTER FOUR: RESEARCH METHODOLOGY**

### **4.1 Introduction**

This section of the research discusses the methodology employed in the research. That is, techniques employed in the research, the research design, the data analysis techniques employed, and the mode of data collection. Thus, it explains and outlines the tools and the method applied in analysing data gathering, regarding the above research question.

### **4.2 Research Methodology**

#### **4.2.1 Introduction**

The methodology can be defined as the steps used in conducting the research (Bryman & Bell, 2003). The research methodology is defined as a set of systematic steps or procedures used by a researcher in conducting a research project (Igwenagu, 2016). Kitchin and Tate (2000:135) define methodology as a set of procedures, steps, and rules that are employed in research to investigate a given phenomenon. They comprise a set of specific approaches to data collection as a function of the theories and the concepts employed in the research (Agyemang, 2009).

### **4.3 Research Design**

Research design is a planning device used in structuring the various procedures and components of the empirical research concerning the research question and theories. A good research design is a vital prerequisite for organising good research. This research design will make use of a qualitative approach to data collection and analysis. It aims to answer the research question, namely: why have public finance management reforms in Ghana failed to control public expenditure, by investigating the implementation of the MTEF by the MOF?

The MOF was selected as a case study for the project. Qualitative research answers the questions: How, what, and why. Zainal (2007:1) defined the term case study method as a study that allows the researcher to conduct a close examination of the data within a particular jurisdiction. According to Zainal (2007:1) a case study allows one to explore the research method to be used in investigating social phenomena by providing a detailed analysis of limited phenomena and the relationship that exists between them. Based on this, the researcher opted

for a case study approach to analyse his research question. The reasons why the researcher focused on the role of the MOF for his case study approach is that while there are other line ministries who have knowledge of expenditure control in the country; the MOF is the government institution in Ghana which is formally responsible for the allocation of government spending and which is also responsible for the preparation of state budgets in the country and for the use of the MTEF as an instrument to perform this role. The MOF also controls and accounts for expenditure by the MDAs. Using the MOF as the only case study the researcher will be able to acquire the necessary knowledge on PFM and PEM. It will also help me to understand the concern of PEM and the PFM in Ghana. Baxter and Jack (2008) stated that a qualitative case study improves the exploration of a given phenomenon, within the context of a variety of sourced data. It examines the main problems underlying the controls and accounts for expenditure by the MOF.

#### **4.4 Data Collection**

A letter for permission to conduct the research work was sent to the MOF on 23 November 2018, and the researcher was invited to conduct the research work from 15 December 2018 to 14 January 2019. The scope of the letter that the researcher wrote to the MOF can be found in the appendix of this research. During this period, the researcher was scheduled to conduct the interviews three times in each week when the officials were free. The researcher spent a month conducting the interviews with the officials in the department. To investigate the MOF's role in controlling expenditure through the implementation of the MTEF primary data was used to collect information through interviews; while the researcher also makes use of secondary data. Secondary sources of data can be defined as data collected or produced by other authors. This may be in the form of journal articles, related books and publications and government reports (Hanson et al., 2005).

Primary data was sourced from the MOF, through interviewing officials from the budget division of the ministry, by administering questionnaires on the implementation of the MTEF and the ministry role in controlling public expenditure. The secondary source of data, is data collected from other research that comprise research work from the MOF in Ghana, as an academic article was sourced from the MOF as a secondary source and also, the budget operations manual for the development of the national budget prepared by the MOF as a government publication, were sourced from the MOF web page.

#### **4.5 Key Informant Interviews**

The interview is a common and an accepted technique used in qualitative research. The interview focused on the specific research question to be administered (Blumberg et al., 2005). An interview allows researchers to access in- depth attitudes, structures, and beliefs held by individuals who are endowed with appropriate expertise (Creswell, 2003). A purposive sampling approach was used to obtain primary data about expenditure management reforms and tools from officials in the Budget Division in the MOF. The purposive sampling technique is a non-random technique that does not need underlying theories or a set number of informants (Tongoco, 2007:148). In this regard, the researcher used a purposive approach to target specific officials working in the budget division of the MOF who had working knowledge of the challenges of expenditure control. In sampling officials for an interview in the budget division of the MOF, the researcher was sent to the head unit of the budget division in the ministry by the Human Resources Manager after receiving the researcher's invitation to conduct the studies. The manager of the budget division had to communicate with senior officials from the division to explain the aim of the study to them, and they agreed to the researcher conducting at least two interviews a day, depending on how busy the officials would be.

The researcher had to inform the manager when he would be in the ministry, and that he would then phone the officials to find out how busy they were. Officials from the budget division of the MOF who were interviewed for this study carried out various responsibilities in expenditure management. Hence, the researcher would be able to gather the necessary information needed for this research. The data gathering instrument used in conducting the interviews comprised an interview guide. The interview guide was structured as open-ended. It comprised ten questions on the implementation of the MTEF and on the challenges that the division faced in controlling expenditure within the line ministries and other state institutions. A sample of the interview guide for the interview, which was administered to the officials from the budget division of the MOF, is added to the appendix of this research.

The officials who participated in the interviews included:

- 1) The head of fiscal decentralisation (Budget Division),
- 2) The chief superintendent (Budget Division),

- 3) The group head of budget monitoring and reporting (Budget Division),
- 4) The head of the budget unit (Budget Division),
- 5) The schedule officer (Budget Division),
- 6) The deputy unit head (Budget Division), and
- 7) The principal economics officer (Budget Division)

Interaction from the post interviews will provide for the authentication and the confirmation of the information solicited from respondents, as well as the correction of errors. In this regard, all copies of the interviews transcribed were sent to the interviewees (via email) to resolve and to check on any discrepancies. After the interview with the officials in the MOF, the researcher personally contacted some of the officials from the division, due to some errors and authentication that the researcher had captured during the interview at the MOF. The officials assisted me telephonically, and by using emails to address some of the discrepancies that the researcher encountered.

#### **4.6 Data Analysis Techniques**

The analysis of data was carried out by examining the themes that emerge from the responses of the interviews, and from the literature review. Guest (2012) pointed out that thematic analysis is the best form and it is a widely used method of analysis in qualitative research. A thematic analysis denotes certain levels of responses from a given set of data, which relates to the research question.

Braun and Clarke (2006) described how a thematic data analysis records patterns and examines and pinpoints themes in each set of data. A thematic analysis is a set of analyses used for encoding qualitative data (Boyatzis, 1998). Analysis of data from the interview can be transcribed and analysed using the Miles and Huberman framework. Miles and Huberman introduced this framework in 1994, which sought to find out the sequences and the regularities existing among social phenomena. As the study is based on social phenomena, thus the implementation of the MTEF by the MOF, the Miles and Huberman framework will assist in establishing the relationship between public finance management reform's and the control of expenditure in Ghana. Nevertheless, an analysis of data would be done using the two approaches of the framework.

According to the Miles Huberman Framework (1994), the first aspect will focus on data reduction. Data gathered from the interview was segmented, edited and summarised according to how the MTEF was implemented in Ghana by using a thematic memoing and defined coding for conceptualisation and explanation. This was done by finding out the common themes within the literature and from the data transcribed from the interviews. Data collected from the interviewees was transcribed. In the literature the following were the major constraints which influence the implementation of the MTEF by the MOF. These include; the coordination with other government institutions; the monitoring and evaluation capacity; the political environment; and the information management system. Also, weak planning and forecasting, weak commitment control, weak cash management system, lack of accountability and transparency was also raised in the literature as a major obstacle for controlling expenditure by the MOF.

#### **4.7 Ethical Considerations**

Ethics approval was granted by the Department of Political Studies at University of Cape Town (UCT) to undertake this research. Permission was also sought from the budget division of the MOF in Ghana to conduct interviews. Informed consent was obtained from all the respondents of the survey for them to be interviewed and to participate in one on one interview. For this purpose, the methods employed to derive the research findings were explained to the respondents. The respondents were assured that the information collected from interviews would be kept confidential, their anonymity in responding to the interview question and their right to refuse to take part in the study was explained to them.

#### **4.8 The Scope and the Limitation of the Study**

During the data collection period at the MOF in Ghana, the researcher encountered some challenges. Christmas fell during the time of the interview, and it was at the time when the ministry is supposed to present the budget for the coming year in parliament for approval, so most of the senior officials in the division were busy with meetings. This caused them to postpone the interviews scheduled with me until a later date. During his fieldwork at the ministry; the researcher planned to interview eight officials. The researcher completed seven out of eight interviews with the officials from the budget division of the MOF. Out of the eight officials, five allowed the researcher to conduct a face to face interview that was recorded. Three officials didn't like the idea of being audio recorded. One official was not

willing to allow the researcher to interview him. The researcher had to first explain to the official the purpose of his research to the MOF; before he could conduct the interview.

#### **4.9 Summary**

This project is a qualitative study, which utilised an explorative case study design method. Purposive sample techniques were used to determine the sample size of the study. The researcher interviewed eight key informants from the budget division of the MOF with direct knowledge of the expenditure planning process. Data was gathered using a semi-structured interview technique. The Miles and Huberman framework was used for the data analysis through using data reduction and conclusion methods.

## CHAPTER FIVE: FINDINGS AND DISCUSSION

### 5.1 Introduction

This chapter of the dissertation will discuss the findings of the study, on the research question: *have Public Finance Management reforms failed to control public expenditure in Ghana?* The researcher will investigate the MOF's role in implementing the MTEF. The discussion section will integrate the findings with the reviewed literature. Robert and Andrew (2005) stated that the implementation of the MTEF by the MOF has been faced with many challenges. Responses from the interviews with officials in the budget division of the MOF will be analysed and divided into three major themes. These themes will include:

- 1) The coordination among other institutions in government, and the planning and the forecasting of expenditure control;
- 2) The monitoring and the evaluation capacity, the information management system, and the cash management system; and
- 3) The political environment, and the commitment control.

These themes were derived from observations from the literature review about the MTEF in Ghana. The findings from the review and the interview will be presented in a way that will test how significant these themes are in explaining the role of the MOF in implementing the MTEF, and also the extent to which the MTEF has improved the ability of the MOF to control public expenditure.

#### **5.2.1 Theme 1: Coordination with other government institutions, and the planning and the forecasting of expenditure control**

Coordination with other government institutions refers to the degree of cooperation that exists within a group of institutions to achieve a common purpose. In previous studies, the literature pointed out that the MOF has been unable to implement the MTEF effectively within Ghana's public finance management system. This is because of weak coordination with other government institutions, such as the NDPC. In the 1990s the government of Ghana decided to separate the national planning function from the MOFEP to the NDPC, this was to ensure efficiency in the planning and the budgeting activities of the government. The literature

pointed out that the coordination between the MOF and the NDPC has been weak in implementing the MTEF. Tetey (2001) and Robert and Andrew (2005) stated that the weak coordination between the MOF and the NDPC in implementing the MTEF has to do with an institutional rivalry between them. Tetey (2001) pointed out that the existence of institutional rivalry between the MOF and the NDPC was a result of the government separating the national planning function from the then ministry of finance and economic planning (MOFEP), to be performed by the NDPC.

In an interview conducted in the budget division of the MOF, officials stated that the coordination with other institutions such as the MOF and the NDPC has been improved in implementing the MTEF. This was done via negotiation and a compromise being reached between the MOF and the NDPC, by an Act 480 of Parliament in Ghana that was to ensure cooperation between the MOF and the NDPC in allocating and planning activities of the government. Despite any single piece of legislation both the MOF and the NDPC have in more recent years arrived at an improved working relationship to ensure the effectiveness and the efficiency in the national development planning and budgeting activities of the government.

This point was illustrated by an interviewee:

*We do collaborate with other institutions in executing the budget. The NDPC draws up the national development plans and from this, the medium-term expenditure framework is also drawn; as well as that of line ministries, when budget ceilings are issued (Interview-1).*

In implementing the MTEF in Ghana, the MOF work closely with the NPDC and the line ministries in drawing up the budget. The NDPC ensures that national plans of government are sent to the MOF and based on that the MOF prepares the national budget and the budget ceilings are then sent to the parliament to seek for parliamentary approval. Through the implementation of the MTEF by the MOF, groups comprising a committee member from each of the various institutions such as the NDPC, the MDAs, the CAGD, the GRA and the Bank of Ghana comes together to discuss how the reform can be implemented before it is sent to Parliaments for approval.

According to an interviewee from the MOF:

*The NDPC plays a major role; in that, as per the constitution, the NDPC is responsible for coming up with the planning and the government policy framework that will determine government priorities (Interview-5).*

This established the fact that before the MTEF is executed by the MOF the constitution has already enabled institutions like the CAGD, NDPC among others, to engage in a discussion on how the MTEF should be implemented. This is to determine who performs the planning function. The coordination among these government institutions including the NDPC and the MOF has been improved through negotiation and compromises reached between both institutions. This was to resolve the conflict between the NDPC and the MOF.

An MOF interviewee explains:

*For the collaboration with other government institutions, it has improved very well. The NDPC who is the custodian of the plan, controller and general is government appointee and the various the MDA who are the implementing agencies or who are the spending units (Interview-6)*

This point explains that the coordination among government institutions in implementing the MTEF has been improved. The MTEF has two major components, namely the planning function and the budgeting allocation which are based on government priorities. The latter function was performed by the MOF and the NDPC performs the planning function.

The NDPC draws up the national plans for the MOF and based on the available funds from the GRA, and the Bank of Ghana, the MOF also draws up the budget according to the priorities of the government. Despite improved coordination in setting budgetary priorities at a macro level, there is misalignment between the specific priorities planned by the individual ministries and the broad national planning and budgeting priorities determined by the NDPC and the MOF. MDAs have planned expenditure that exceeds what is determined by the NDPC and MOF.

Another MOF interviewee explained that:

*When the MDA is doing their plan, they don't look at those resource envelopes that they have been determining. Sometimes it becomes a resource like a shopping list in determining outside the scope of the envelope when it comes to challenges because then you are setting a ceiling that is way below what the MDA estimates show and that is a weakness (Interview-7).*

This attests to the fact that planning and forecasting have been implemented inadequately by the MOF in controlling public expenditure. The NDPC approves the expenditure plans of the line ministries and based on this, the MOF allocates the funds to the line ministries, to carry out the expenditure plans for the calendar year. The officials pointed out that this failure has to do with a lack of expertise and lack of accurate information on expenditure patterns from the line ministries and the failure of MDAs to stick to agreed-upon budgeted expenditure. The MDAs then channels these resources towards different projects and programs instead of working on what has been allocated for them by the NDPC. Planning is regarded as a way of controlling an on-going project or activities to aid future returns. In implementing the MTEF and the controlling of expenditure, planning and forecasting have always been a problem for the MOF. The literature points out that the issues of poor expenditure control by the MOF are as a result of weak planning and forecasting which, in turn, has to do with poor internal planning activities within the MOF in allocating resources to the various line ministries.

Adzore (2005) stated that weak planning and forecasting is the main concern of the MOF in controlling public expenditure. Even though coordination among government institutions including the NDPC and the MOF has been improved, in a recent interview conducted in the MOF, officials pointed out that the MOF had failed to plan effectively in controlling its expenditure. In an interview conducted in the budget division of the MOF, officials pointed out that the issues of public expenditure control are because of weak planning and forecasting within the ministry. There is a lack of staff and resources by both the NDPC and the MOF in setting spending amounts and priorities.

An interviewee noted that:

*Weak planning process, weak budgeting process and then budget planning that will lead us to unbudgeted expenditure. From the planning to budget process then we land in unbudgeted expenditure and budget overruns (Interview - 4).*

This explains the fact that in implementing the MTEF, the weak planning and forecasting has to do with a lack of credible information regarding the patterns of expenditure reporting from the MDAs in preparing the budget. This results in the MDAs deviating from the plans of the MOF. The failure of the line ministries to present a realistic estimate of planned expenditure to the MOF that result in excessive budget overruns and unbudgeted expenditure in Ghana's public service.

An interviewee describes thus:

*We have issues with forecasting in terms of the budget ceilings, thus the MTEF that we provide to the MDA is for them to come up with their budget submission. This is because of the fiscal challenges that we must deal with when the MDAs expect Gh1000, and we only give them Gh500 but because they plan, they sometimes go ahead. And because we don't have very strong systems in place, we are unable to control the poor expenditure that we have (Interview-5).*

This explains the fact that expenditure control has been a challenge to the MOF because the MDAs do not stick to the budgeted expenditure ceiling that has been determined by the NDPC and the MOF. The MDAs are not able to look at the resources envelope of the ministry as a result of weak planning and forecasting by the ministry.

In a case whereby the MDAs submit their work plans to the NDPC for approval before the MOF can allocate resources to the MDAs, the NDPC is not able to work on the plans submitted by the MDAs due to lack of expertise by the NDPC, before submitting them to the MOF that affects the planned expenditure forecasting of the MOF. This implies that despite improved coordination between the NDPC and the MOF their lack of capacity fails to account for actual expenditure by MDAs, which results in a misalignment between actual MDAs spending and planned expenditure. However, the budget ceilings provided for and are given to the MDAs for them to then come up with their budget submissions have become a problem.

This is because when resources are allocated for the expenditure plan of the MOF, the MOF sometimes allocates few resources to the MDAs to carry out their expenditure plan. Officials from the budget division of the MOF attributed unplanned expenditure and unbudgeted expenditure to weak planning and forecasting by the MOF, based on the estimates of the MOF in devising the budgeted ceiling. The officials explain that the ministry

underestimates budgeting, which creates a challenge for the ministry in controlling public expenditure. There has been an attempt by the government of Ghana to improve the link that exists between the budgeting, the planning and the expenditure control, which has been undermined by inadequate monitoring, forecasting capacity and changing political priorities. This was done by ensuring that the NDPC and the MOF works closely together in implementing the budgeting system.

### **5.1.2 Theme 2: The monitoring and evaluation capacity, the Information Management System, and the Cash Management System**

Monitoring and evaluation are the act of putting in place measures to oversee the performance of activities. In implementing an effective MTEF, a well-structured monitoring and evaluation capacity system is required. Robert and Andrew (2005) stated that in implementing the MTEF and controlling the expenditure by the MOF, M&E has always been a concern for the ministry and the line ministries. Findings show that the M&E has long been a problem in the MOF in implementing the MTEF; even though recently, the government has declared that the ministry of monitoring and evaluation is henceforth to be responsible for the M&E. The MOF has been unable to implement the MTEF effectively as a result of lack of staff to monitor their internal works and the line ministries. On this note that the ministry of M&E was created by the government in 2017 to assist the MOF in monitoring the work of the various line ministries in implementing the MTEF. Despite the benefits enjoyed by the MOF from the new ministry in ensuring that the M&E within the MOF and the line ministries function as well; the MOF still struggle to implement the MTEF as a result of lack of staff to monitor the work of the line ministries. In an interview conducted in the MOF, officials stated that the M&E has been a concern by the ministry of finance in implementing the MTEF in Ghana. This has to do with tracking what resources are allocated to the various line ministries and what they are spent on.

According to Interviewee:

*The MOF has an issue with the monitoring and the evaluation capacity within the MDAs. This is because the MOF does not have officials to monitor MDAs programmes. For instance, the MOF is now embarking on a program-based budget. You need people to come up with key performance indicators to monitor the performance of the budget system (Interview-1).*

This explains the fact that skilled personnel who are supposed to supervise the work of the line ministries in implementing MTEF have not been adequate for the MOF. This affects the MOF's ability to scrutinize the credibility of information received from the various line ministries. The MOF's inability to effectively implement the MTEF is attributed to a lack of staff and expertise to monitor the activities of the line ministries and to provide credible feedback from the line ministries.

An interviewee describes and commented thus:

*The M&E within the MOF is frail, thus, to get figures from the various MDAs to be able to put the budget together has been a problem, and this affects the implementation of the budget. These leads to budget overruns and unbudgeted for expenditure. The MOF ensures that resources are allotted to the line ministries to implement the budget, but where there is a project hiding in the system, without the MOF being aware of it, due to weak M&E, it becomes difficult for the MOF to implement the budget this is due to poor planning and forecasting by the MOF (Interview-2).*

This attests to the fact that the M&E has been a concern for the MOF in soliciting accurate information and figures from the line ministries to implement the MTEF. In most cases, it's difficult for the ministry of finance to track down the projects and programs of the various line ministries because these projects and programs carried out by the line ministries are hiding from the MOF as a result of the weak M&E systems. This makes it difficult to know the programs and the projects that have been implemented by the MDAs via the allocation of resources to the MDAs.

An interviewee pointed out that:

*The MOF does not have an adequate M&E capacity to verify if line ministries are spending their budgets on agreed upon or planned activities (Interview-3).*

This explains that the M&E has been a concern for the MOF. This is because the MOF is unable to track whether the various line ministries work within the plan of the yearly budgeting preparation. In order to ensure that the MOF effectively monitors the works of the line

ministries, in 2017, the government introduces the ministry responsible for the M&E to assist the MOF to monitor the work of the line ministries in carrying out their expenditure plans.

According to interviewee:

*I think that a lack of an accounting process, monitoring and evaluation are part of the factors. Because, if you take the PFM circle, you will be able to identify some weakness in the PFM circle, starting from the planning to the budget preparation, budget implementation, accounting, evaluation, and even auditing and reporting. You will identify some weaknesses that lead to poor expenditure controls (Interview-4).*

This explains that there are difficulties within the PFM circle of the MOF, that start right from the planning of the budgeting system all the way to its implementation. These weaknesses in the M&E and the accounting process make it difficult for the MOF to track the budget processes of the various line ministries. An issue with the accounting process is a result of the poor interface of the Ghana Integrated Financial Management Information System (GIFIMIS) in capturing vital information into the budgeting system.

The information management system may be one of the ways to ensure the ability of the MOF to implement an effective MTEF. This has been a major concern in implementing the MTEF in Ghana; due to the existing ghost names on the payroll system. Concerning the ability of the ministry to implement the MTEF, the information management system of the MOF must be examined; to ensure efficiency and transparency in the payroll system and the allocation of resources by the ministry to the line ministries. The literature reveals that the inability of the MOF in implementing an effective MTEF is due to a lack of information management systems such as IT expert, and low network coverage. In an interview conducted in the budget division of the MOF officials revealed that in most of the government ministries that the collection of information has been an issue as the IT systems are not in a good standard.

An interviewee noted that:

*Not all the ministries have good IT systems, this has been a concern when collecting data (Interview-1).*

Concerning this, the MOF has been faced with a problem on data management, thus a poor IT

system, makes it difficult for the MOF to solicit the actual information needed to prepare the budget. The Ghana Integrated Financial Management Information System (GIFIMIS) is the part of the financial management reforms which is there to ensure an improvement in the fiscal discipline and to improve macro- economic stability. The CAGD works closely with the MOF via the accounting department of the MOF to improve the fiscal discipline of the MOF. In ensuring that proper accounting records are taken into consideration, the MOF must ensure that the GIFIMIS works closely with the implementing of the MTEF. The GIFIMIS has been a concern by MOF; because getting an interface to capture information on the MOF's information management system and that of the MDAs has been a problem. This affects the control of public expenditure by the MOF.

An interviewee indicated that:

*We have issues such as poor data management, thus the GIFIMIS and the lack of expertise to manage the information management system that will enable us to collect data from the controller, etc. (Interview-2).*

This alludes to the fact that the information management system has been a concern of the MOF as a result of the weak GIFIMIS and poor data management. This makes it difficult for the MOF to capture vital information needed onto the budgeting system. For instance, on the payroll side, the weak interface of the GIFIMIS makes it difficult to capture the information needed to monitor the existing workers on the system. The combined effect of poor M&E capacity and a weak information management system has negatively affected the MOF's management and disbursement of cash. An effective information system and an improved cash management system are needed, to ensure effective implementation of the MTEF. Robert (2003) stated that poor expenditure control by the MOF is attributed to weak cash management, because of the weak information management system and a weak M&E system.

In an interview conducted in the budget division of the MOF, an official explains that the failure of controlling public expenditure in the ministry is due to a weak cash management system. This is because the line ministries go above the ceilings that have been given to them and some even end up using public resources on unbudgeted expenditure.

An interviewee commented that:

*The inability to track expenditure patterns has been the biggest challenge, of course, our role as the Ministry of Finance (MOF) is to release funds to the various MDAs. The thing is that once we release the funds to the MDAs, the MOF should be able to track how the released funds are being utilized by the line ministries. In most cases, we don't. It is only at the end of the year that an auditor will come in and audit the various MDAs and if there are gaps then they are spotted (Interview-1).*

This explains that the ability of the MOF to control expenditure has been a concern, because in controlling expenditure in the line ministries; there has been a weak budget schedule and an absence of a M&E system to track expenditure patterns in the various line ministries. The issues are; how does one solicit adequate information on expenditure? And what are the resources released to the various line ministries being spent on? Are the MDAs using the resources on what has been stated in the budget or not? The officials revealed that the MOF will often specify that a certain amount of money should be used to purchase twenty computers. However, the line ministries will then end up using the amount of money allocated for twenty computers to purchase ten computers and use the remainder of the money for unbudgeted items. The failure to control expenditure in this way creates misappropriation of public funds, which affects cash management.

An interviewee explains that:

*The cash management system is weak, thus when the cash management that goes to influence the budget allotment is given to the MDAs, as the MOF what we do is that in every quarter we set what is called the budget ceiling within which the MDAs should spend and not go beyond that ceiling. In certain cases, you will see that the MDAs are spending way beyond the budget allocated to them by the MOF, without the MOF being aware of what they are spending the budget on. This affects the cash management system and eventually affects the expenditure control by the MOF (Interview-2).*

This attests to the fact that a weak cash management system occurs within line ministries. This is because the line ministries are not committed to the priorities that lie behind the resources allocated to them. In most cases, after the MDAs have presented the budget for the year and the MOF releases funds for the MDA's to execute the budget, the MDAs end up using the funds released for personal benefit. According of MOF official the term personal benefit has to do with re-allocation of funding for other illegitimate spending priorities that

were not initially planned, misappropriation for corruption, etc. The line ministries sometimes go beyond what has been stated in the budget without the MOF being aware of it. This affects the control of public expenditure by the MOF.

According to an interviewee:

*One of the issues that we have is a cash management system control; we use a budget allotment for the year expenditure program. The issues are if you don't have good cash management control there must be a setup for an effective budget allotment system. Not to exceed your budget that you have been allocated for a year; you must involve the manager; you have to be disciplined even if your spending officer is not disciplined (Interview-3).*

Officials interviewed stated that the information management system has been a concern for the MOF. This is because of poor data management, and a lack of staff to handle the GIFIMIS.' This explains that the allocation of resources to various line ministries has been a challenge for the MOF as a result of a weak expenditure framework within the ministry. This has to do with a lack of planning and fiscal discipline of the staff of the ministry when allocating resources. The lack of information management by the MOF is because of a lack of trained staff and the lack of an ICT system to handle the information management system in the Ministry.

### **5.1.3 Theme 3: Political environment and commitment control of expenditure control**

In Ghana, the control of public expenditure is both a political and a technical process. The political environment in Ghana has not been favourable towards implementing the MTEF. In Ghana, the political environment placed much emphasis on the implementation of the MTEF. The political environment in the implementation of the MTEF have encouraged key stakeholders including the NDPC, MOF, among others in designing and implementing the MTEF (Anipa et al, 1999). The political environment in the implementation of the MTEF in Ghana failed because at the initial period of implementing the MTEF, the actual spending of the government were not in match with the activities of the MTEF which was introduced in 1998.

Robert and Andrew (2005) suggested that the political will has been a challenge in

implementing the MTEF because of the major shift in the actual spending towards items, which have not been prioritized. In the findings, it was pointed out that the political environment in Ghana has been a concern in the implementation of the MTEF. This is because unstable political priorities undermine the implementation of the MTEF. In an interview conducted in the budget division of the MOF, officials explain that the political environment has adversely affected the ability of the MOF to implement the MTEF.

An interviewee explains that:

*There is political interference in the budgeting process, especially during budget implementation; the politicians will always have their way out no matter what. They will always implement their manifesto against the national government plan (Interview 1).*

This explains the fact that the political environment has not been effective in implementing the MTEF as politicians always make sure the budget is prepared based on their expenditure priorities or their manifesto and not in the direction of the national plans of the government.

An interviewee pointed out that:

*The priorities of the MTEF are changed or measured based on changes in the political environment (Interview- 2)*

This alludes to the fact that the government ensures that the MTEF is been prepared based on his priorities. Sometimes the government comes out with unrealistic manifesto and ensure that it's prepared against the budget of the MTEF, when this happens it affects the implementation of the METF.

According to interviewee:

*Lack of political will and commitment to plans and budgets due to political expending in government decisions (Interview-3).*

The MOF exerts some influence on the government. According the interviewee, the political expending in this context means the government prioritizes its spending during the election period as against the MTEF implementation. During the election period, the government comes up with ambitious plans and policies which are not in the direction of the MTEF, and expect the MOF to

implement its expenditure policies as against the MTEF in order to fulfill their promises this affects the MTEF implementation by the MOF.

An interviewee describes that:

*Sometimes, the environment doesn't help the implementation of the MTEF. This is because the civil service unions think that they can demand an increase in salaries and other benefits. Even if they deserve it and irrespective of whether they are supposed to have it, it will be more than the budget can carry because resources are limited. However, the whole country then suffers; it is not only the ministry of finance (MOF) who suffers. The MOF will be frustrated. It affects the implementation of the MTEF (Interview-5).*

This explains the fact that the civil service unions present their list of demands to the government, demanding increased salaries, other benefits and promotions, thereby putting pressure on the government to grant their petitions, which are normally assessed during an election year. This affects the budget because the government tries to find a way to grant their petitions.

An interviewee explains that:

*The political environment affects the budget in so many ways, not only in extending the spending. Also, the government can ask you to extend the budget if they want to, that is if the government have a target for the calendar year (Interview-6).*

This explains that there is an influence exerted by the government on estimates allocated by the MOF. Because the minister and other top management of the MOF are appointed by the government, they listen to the government and work in conformity with the government. Therefore, if the government decides to embark on a project, which is not within the calendar year of the MOF, the ministry must pay attention to the government's project and implement the expenditure decisions of the government.

The MOF works on allocated funding, which is based on the expenditure estimate from

MDAs to implement projects. This is because the expenditure planning of the MOF is based on how the budget has been prepared. So, if the expenditure plan has unexpectedly changed due to shifting government priorities, the MOF must look for money elsewhere to carry out its expenditure plans, which may lead to budget overruns. This affects the budget system and the implementation of the MTEF. Commitment control is seen as one of the major ways to control public expenditure by the MOF. The term commitment can be defined as an obligation to affect future payment, subject to fulfilling certain terms and condition.

This commitment control helps the MOF to establish its expenditure ceilings, based on the availability of funds. Commitment control cannot be separated from the reforms of public finance management in Ghana. This is because the realistic budget preparation by the MOF is supposed to be a prerequisite to having an effective and an efficient commitment control system. According to Radev and Khemain (2007), the commitment control should not be separated from the public finance management reform because the main aim of commitment control in the public finance management reform is that it an integral part of developing a framework for expenditure control, and also the control of accumulation of arrears of payment. This is because commitment control needs to be a coherent and comprehensive approach to improve the public finance management reform in several ways.

The commitment control and the political environment work hand in hand, as the MOF is based on the priorities of the government, to ensure the effective implementation of the budget. However, commitment control has long been a problem, which affects the MOF, because political leaders do not stick to planned expenditure priorities. Robert (2003), states that the MOF's biggest challenge in controlling expenditure is associated with weak commitment control. In an interview conducted in the budget division of the MOF, officials attributed weak commitment control by the MOF to over-committed expenditure and unbudgeted expenditure.

An interviewee commented that:

*We have a weak commitment control system because politicians are not committed to the priorities of spending patterns, which have been outlined in their manifesto during the election period and the imposition of new spending demands. This affects the expenditure control in the ministry (Interview-1).*

This explains that when proper commitment controls are not put in place at the budget implementation stage, it creates the problem of allocating resources where there is no priority attached. The government in power comes out with huge expenditure plans within their manifesto to be executed within a limited budget that is presented by the MOF. This creates a problem for the ministry because the ministry must be committed to looking for other sources of funding elsewhere to execute the government's manifesto. This affects the control of expenditure and the implementation of the MTEF within the ministry because it ends up creating arrears in the ministry and the government.

An interviewee from the ministry noted that:

*We have a weak commitment control system in place because of the MOF not been able to exert some influence on the MDAs, or not restrain MDAs from spending beyond the agreed budget envelopes. This is because the various line ministries are not committed to providing us with the actual information needed, in terms of what they have done with the funds released to them, which adversely affects the control of public expenditure (Interview-2).*

This attests to the fact that weak commitment control is attributed to the ministry's inability to secure the cooperation of the MDA in being transparent as to how they have spent budgeted funds. This is worsened by the MOFs weak information management system and the M&E's lack of capacity. The political environment has not been conducive in Ghana; making it difficult for the MOF to implement the MTEF. Although the political environment has been a concern in the implementation of the MTEF in Ghana, officials from the MOF have expressed concern about the political environment in implementing the MTEF in the ministry. The officials pointed out that the weak political environment in the implementation of the MTEF by the MOF is a result of interference by the government in the implementation of the MTEF. Officials from the MOF revealed that the ministry's inability to control expenditure is a result of weak commitment control at the political level, which adversely affects the medium-term expenditure planning by the MOF.

This is because the government does not normally commit to what has been specified in the budget. Instead, they focus on what is a priority for them; the deviation from which has

been budgeted for or on what the previous government had undertaken. The deviation from committed expenditure only happens during an election year. This because it is only time civil service union thinks they can force the government to grant their request, in some cases it happens on a regular basis during the term of an incumbent government. The civil service union sometimes comes up demanding an increment in their salaries and improvement in their condition of service. This speaks to the fact that the political environment affects the ability of the MOF to oversee and to manage planned commitments in controlling public expenditure and ensuring the effective allocation of resources is a result of discontinuity of the project set by the government.

## **5.2 Summary**

This chapter has reviewed the data collected from officials from the budget division of the MOF in Ghana. The chapter is grouped into three major themes to reflect on the research question and the objective. These centred on coordination with other government institutions, weak planning, and forecasting; the monitoring and evaluation capacity, the information management system, the cash management system; the political environment and the commitment control. In the findings it was revealed that the coordination between government institutions has been improved through negotiation and compromising between the NDPC and the MOF, to ensure efficiency in the implementation of the MTEF. The weak planning and forecasting were associated with unbudgeted and unplanned expenditure, which in turn, is based on the estimates that the MOF devised in the budgeted ceilings. However, the misalignments between the MDA planned and actual expenditure and MOF planned budgets and expenditure tracking because of inadequate forecasting, monitoring, and the changing of political priorities of the government in implementing the MTEF.

The weak M&E, information management system and cash management system regarding the lack of information management by the MOF has to do with inadequately qualified staff and the inability of the information management system to control expenditure information at the ministry. The cash management was attributed to the MOF being unable to track the expenditure patterns of its line ministries, because of the weak M&E, and the information management of the MOF. In the findings, the planning and the forecasting were revealed as undermines cash management systems i.e. when cash is to be released by the MOF to its line ministries and what the cash released to the line ministries is used for.

The political environment has not been conducive in implementing the MTEF, as there is interference from the government in the implementation of the MTEF by the MOF. The weak commitment control by the MOF has to do with the political environment. The government does not normally stick to the expenditure plans of the MOF. It focuses on its priorities, which mean deviating from the expenditure plan of the MOF and the plans of the previous government. This chapter investigated the factors influencing expenditure control by the MOF, and on issues inherent in implementing the MTEF by the MOF in Ghana's public service. The study revealed that the elements of new public management frameworks such as performance management etc. have not been effectively implemented by the MOF in implementing the MTEF. This has reflected on the shortcomings in the adoption of public finance management reform in Ghana.

## CHAPTER SIX: CONCLUSION

### 6.1 Introduction

This is the final chapter of the study and it summarises the major findings using the New Public Management conceptual framework. The chapter also identifies and discusses the main factors, which affect the implementation of the MTEF and the control of expenditure by the Ministry of Finance.

### 6.2 Discussion of findings

The study proposed a research question: *Why have public finance management reforms failed to control public expenditure in Ghana by investigating the role of the MOF in implementing the MTEF?* Despite having introduced various public finance management reforms, Ghana has still struggled to control its public expenditure. This is as a result of Ghana having issues with lack of capacity building and expertise, a lack of ownership and involvement by stakeholders in developing and designing budget and public expenditure management. Also, the MOF lacks an effective accounting process within its public finance management. The main aim of this research was to examine the factors that could be influencing the control of public expenditure in Ghana, by investigating the role of the MOF in implementing the MTEF. It was then revealed that examining the elements of these factors would allow for additional theoretical and explanatory insights to be drawn, concerning control of expenditure and the implementation of the MTEF by the MOF. The MTEF was seen as vital to public expenditure control in any given country. In the case of Ghana, the MTEF as a PFMR having been adopted by Ghana, still remains difficult to implement by the MOF. The literature identifies issues in Ghana led to the poor implementation of the MTEF by the MOF. The rest of this chapter will identify and discuss the *three themes* that were researched, based on the findings. These include:

- 1) The coordinating among government institutions, and the weak planning and forecasting of expenditure control;
- 2) The monitoring and the evaluation capacity, the information management system and the cash management system control; and
- 3) The political environment and the commitment control system

### **6.2.1 The coordinating among government institutions, and the weak planning and forecasting of expenditure control**

Despite the benefits derived from public finance management reforms in developed and developing countries, theories on public finance management reform in Africa and Ghana showed that the performance-based budgeting, program-based budgeting, and the efforts needed to introduce a greater fiscal discipline have been difficult to sustain in these countries. Findings revealed that these have still not been adequately taken root given the issues on planning and forecasting in the budget preparation in Ghana. In the findings, weak planning and forecasting by the MOF were attributed to the lack of staff and resources by both the MOF and the NDPC in setting expenditure priorities and spending amounts of the MOF. Despite the challenges of both the MOF and the NDPC in setting budget priorities at the macro level, the institutional cooperation among these institutions has been improved. This was as a result of the negotiation and a compromise that was reached by both the MOF and the NDPC by an Act 480 of parliament in Ghana to strengthen the allocation and the planning activities of the government. Ghana has put a lot of effort at the central level to promote a more performance and programme-based system of budgeting thus creating an NDPC, and creating a new M&E ministry, but this has not been matched in the actual expenditure behavior of MDSs, nor does it appear to have strengthened the ability of central agencies to control actual expenditure at the line ministries level. This has improved the alignment at a horizontal planning level but little vertical alignment and control at a line ministry level, where MDA expenditure deviates from priorities set at a central level.

### **6.2.2 The monitoring and the evaluation capacity, the information management system and the cash management system control**

The new public management theories on public finance management reforms in developing countries such as Ghana, Nigeria etc. revealed that the performance-based budgeting, program-based budgeting has been a concern in implementing the MTEF. The new public management aspect of public finance management reform is to ensure efficiency and effectiveness in the allocation of government spending. The performance-based budgeting is regarded as a part of NPM which emphasizes the outcome intended to be achieved by the government. The practice of performance-based budgeting in Ghana is to ensure that there is a relationship existing between the outcome, output and input in introducing performance information within the preparation of the budgeting system. The findings showed that these issues have still not been adequately taken root given the problem to a cash management

system, the financial management system, and the M&E system in the budgeting process in Ghana. The performance-oriented within the budgeting system in Ghana has been an issue because the efforts put in place in implementing the reform have failed to control the non-performance culture and accountability of the Ghanaian public service. The weak cash management is attributed to the fact that there has been a weak schedule and an absence of an M&E system to track expenditure patterns in the various line ministries. Also, staff in the ministry lacks fiscal discipline in allocating resources to the line ministries.

The information management system was attributed to the problem of data management in soliciting the needed information for preparing the budgeting system. Also, the lack of trained expertise's to handle the GIFMIS system to provide the ministry with the right information needed to implement the budgeting system is an issue. The weak M&E capacity was due to the lack of staff and expertise to monitor the internal works of the MOF and its line ministries. The MOF lacks sufficient staff to carry out an independent M&E system to ensure an improvement in the cash management system and the information management system. The lack of trained staff by the MOF to monitor its activities and planning is due to little support been given to its staff, little recognition or professional independence of staff in performing the monitoring function of the ministry.

### **6.2.3 The political environment, and the commitment control system**

The NPM framework ensures that there is efficiency, effectiveness, and accountability in implementing public finance management reforms in both developed and developing countries. The NPM was introduced in developing countries such as Ghana due to the inefficiency and ineffectiveness in its public sector. The fiscal discipline in Ghana has been problematic because of ineffectiveness in its public sector accounting system in allocation of its public resources. The findings revealed that these issues have still not effectively taken root given the problems with commitment control and the politicization of the budgeting process in Ghana. This is because the MOF has been unable to overcome its challenges in implementing the MTEF to control public expenditure, as a result of the lack of commitment by the government in controlling its spending. The government comes out with its plans which are not in line with what has been established in the MTEF, and sometimes the government does not stick to the expenditure plans of the MOF. It places much emphasis on its expenditure priorities, thus deviating from the MOF expenditure plans and the plans of the previous government.

The political environment has still been a problem because, during an election year, the government in power spends more than the amount budgeted for, thereby creating a problem for the ministry of finance. During election year, the Civil Service influences the government to respond to their requests or when during the incumbent government's reign, the Civil Service union demands an improvement in their service conditions, such as salaries and bonuses from the government. The inability of the MOF and the politicians to provide the necessary political support in implementing the MTEF, thus ensuring the control of expenditure, has been the reason behind the poor public finance management reform and the challenges of expenditure control in Ghana.

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**APPENDIX**

**APPENDIX ONE: Letter to the ministry of finance Ghana to conduct interview**

Michael Ekow Acheampong University of Cape Town Department of Political Studies  
Private Bag X3 · Rondebosch · 7701, Cape Town South Africa.

Telephone: +27 (0)639581981

Email: [ACHMIC003@myUCT.AC.ZA](mailto:ACHMIC003@myUCT.AC.ZA)

25<sup>th</sup> November 2018.

Ministry of Finance

Post Office Box 40

Accra-Ghana.

Email: info@ mof.gov.gh

Dear Sir/Madam,

**REQUEST FOR STUDIES IN THE MINISTRY**

I am Michael Ekow Acheampong, from the University of Cape Town, South Africa. Currently, I am reading a Master of Philosophy in public policy administration, in my first year. I am currently writing my thesis on the topic: Why Have Public Finance Management Reform's failed to control public expenditure in Ghana? I will seek to answer the question by investigating the MOF's role in implementing the MTEF, as part of my final thesis as a requirement and fulfillment of my degree in the university.

On this basis, I would like to embark on a study in your institution and also to embark on volunteer services in your institution to enable me to have a background concerning how to budget process takes place that is the distribution of expenditure is done from 25 November 2018 to 20 January 2019. Attached are a letter of recommendation from a supervisor and a sample of my proposal. Hoping my request will meet your consideration. Thank you.

Yours Faithfully,

.....

Michael Ekow Acheampong

**APPENDIX TWO: Interview guide on control of expenditure and the implementation of the MTEF by MOF**

**INTERVIEW GUIDE**



**UNIVERSITY OF CAPE TOWN  
FACULTY OF HUMANITIES, DEPARTMENT OF POLITICAL STUDIES  
CAPE TOWN, SOUTH AFRICA**

This is a research being undertaken by a student of the department of political studies of the University of Cape Town on **Public Finance Reform and the Challenges of Expenditure Control: Case Study of Ministry of Finance (MOF) in Ghana**. The information being sought in this interview is for academic purposes only and will be held confidential. The identity of participants will not be disclosed, and their privacy will be strictly observed. (Please read full consent language for verbal consent before conducting the survey).

**Please tick the appropriate answers where applicable.**

<b>A. RESPONDENT DETAILS/SOCIO-DEMOGRAPHIC DATA</b>					
<i>(for all respondents)</i>					
A.1	Verbal consent is given (check)	<input type="checkbox"/>	A.2	Time interview started	<input type="checkbox"/>
A.3	Questionnaire No.	<input type="checkbox"/>	A.4	Code	<input type="checkbox"/>

A6. Gender

a. Female

b. Male

A7. What is your highest educational attainment?

- a. None [ ]      b. Non- formal Educ. [ ]      c. Primary [ ]
- b. Middle/JSS [ ]      e. SSS/ „O“ Levels [ ]      f. Commerce/ vocational / technical [ ]
- g. Post Sec. / Nursing/ Polytechnic [ ]      h. University [ ]      i. other (specify)

.....

A8. What is your level of designation within the institution?

.....

**Section B**

**Fill the space provided**

1.      What factors contribute to poor expenditure control in Ghana’s public service?

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.....

2.      What constraints has the Ministry of Finance experienced in implementing the MTEF?

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3.      To what extent has following affected the ability of the ministry of finance to implement the MTEF: co-ordination with other institutions in government, monitoring and

evaluation capacity, information management?

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4. To what extent has the political environment in Ghana affected the ministry's ability to implement the MTEF.

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5. What challenges does the ministry of finance face in implementing the MTEF to control expenditure?

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6. Why is it important, what formal provisions are there to enable decentralization in the budget preparation?

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7. What formal roles and responsibilities does the ministry of finance perform in implementing the MTEF to control expenditure?

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8. Where and what account for the risk of misappropriation of funds in Ghana's expenditure control framework?

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9. What can you attribute the failure of poor expenditure control inside the ministry of finance to?

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10. What formal roles and responsibilities does the ministry of finance play in expenditure control?

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<b>B. INTERVIEWER DETAILS</b>	
Name of interviewer	
Time interview started	

**Thank you for participating in this survey.**

**APPENDIX THREE: Ethical clearance from the department of Political Studies,  
Humanities Faculty UCT**



**UNIVERSITY OF CAPE TOWN**

IYUNIVESITHI YASEKAPA • UNIVERSITEIT VAN KAAPSTAD

Department of Political Studies  
Room 5.33 · Leslie Social Science Building · Upper Campus  
University of Cape Town · Private Bag X3 · Rondebosch · 7701  
Cape Town · South Africa  
Telephone: +27 21 650 3381  
Fax: 021 650 3799  
Email: [hum-politics@uct.ac.za](mailto:hum-politics@uct.ac.za)

To: Dr Vinothan Naidoo

From: A/Prof Thiven Reddy

Subject: Ethics Clearance

Research: Public finance reforms and the problem of expenditure control: case study of ministry of finance and economic planning (mofep), Ghana.

Date: 20<sup>th</sup> November 2018

This letter confirms that the student researcher, Mr Acheampong's Ethics Project Title: Public finance reforms and the problem of expenditure control: case study of ministry of finance and economic planning (mofep), Ghana, has been approved by the Political Studies Ethics Committee on the 20<sup>th</sup> November 2018.

A handwritten signature in cursive script that reads 'Reddy'.

A/Prof Thiven Reddy  
Ethics Committee  
Department of Political Studies

"OUR MISSION is to be an outstanding teaching and research university,  
educating for life and addressing the challenges facing our society."