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Public Sector Financial Management Reforms in Developing Economies: Insights from Ghana

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Abstract Financial decentralization (FD) is key to bringing development closer to the citizenry. Therefore, there is a need to ensure the judicious use of funds mobilized by local authorities to bring about the desired level of development. To achieve this, governments of developing economies have to put measures in place to safeguard funds raised or provided to the public. One of such measures is the continuous reform of laws and regulations governing the mobilization and utilization of public funds. In Ghana, one of such Public Financial Management Reforms (PFMRs) is the Program Based Budgeting (PBB) which is aimed at ensuring the judicious utilization of public funds while meeting the demands of citizens. This study aimed at assessing the impact of PFMRs, with a special emphasis on fiscal decentralization in a selected Municipal Assembly in Ghana. The investigation used the mixed research method (quantitative and qualitative approaches) of data collection. Also, both primary and secondary data were used in this study. Primary data were collected through questionnaires and interviews, while secondary data were retrieved from the institution's financial records. The study results revealed that there exists a positive relationship between PFMRs and FD, and a strong linkage between PBB and Service delivery in Municipal Assemblies. However, the assessment of the impact of PBB on service delivery at the selected Municipal Assembly showed a moderate impact. The study also revealed an improvement in revenue mobilization and expenditure, while noticing that resource dependency remains a challenge at the selected Municipal Assembly. Further, the study identified non-adherence to budgetary allocations, poor budget monitoring, and control systems, and delays in the release of inter-governmental transfers as the challenges hampering the implementation of the PBB in Municipal Assemblies in developing economies (such as Ghana).

Keywords Financial Management, Public Sector, Revenue Mobilization, Fiscal Decentralization, Public Revenue, Developing Economies

1. Introduction

In most developing economies, the citizenry has high expectations in the delivery of infrastructural projects and programs by the local government. These high expectations of the citizenry have also gained momentum in the wake of the decentralization policy framework DPF) which identifies fiscal decentralization (FD) as an essential tool that allows a lower level of government to have adequate funding and financial management policies for efficient accountability for public service delivery. Fiscal decentralization is thought of as the transfer of financial responsibility from the central government to the lower levels of government or other spheres of government [1]. To ensure local governments function efficiently and are also productive and competitive, there is a need to have sufficient amounts of revenues mobilized locally, and the adequate transfer of funds from the central government and control over their expenditure [2]. Based on World Bank 2001 recommendations, Ghana as a developing economy has taken steps to shift from the centralized form of management of public finance to the decentralized system of financial management to allow citizens to actively part-take in decisions related to public revenue mobilization and local communities' development.

Despite the transfer of fiscal authority to the Metropolitan, Municipal, and District Assemblies (MMDAs), finance remains a challenge as most MMDAs are unable to meet their revenue projections, thus limiting their financial autonomy. This challenge makes some scholars believe that public financial management challenges can be linked to the unwillingness of some Ghanaian citizens to fulfill their tax obligations. The inability of MMDAs to capture and levy new revenue sources within their area of authority, narrow revenue bases due to local skimpy economic activities and weak public financial management (PFM) system as some of the major factors [3,4]. These factors, among others, hinder the ability of MMDAs to provide public goods and delivery services to citizens [5]. Therefore, to ensure that local or regional governments are productive and functioning efficiently, there is the need for these institutions to have sufficient amounts of revenues that are mobilized internally or adequately transferred from the central government as well as have control over their expenditure. Also, the fiscal autonomy of local governments does not only enable the developmental demands of citizens to be met but also aids in the reduction of poverty. It is, however, worthy to note, that fiscal sufficiency without prudent management of these funds would not yield the desired results of economic, developmental, and democratic growth [6].

In the view of Lawson [7], PFM is concerned with the processes, procedures, and laws governing the mobilization of revenue, its allocation, and expenditure together with reporting, accounting, and auditing of public spending by governments. According to Ghana's Ministry of Finance Report [8], the successful implementation of a PFM system includes; strategic planning of policies, preparation of a budget that aligns planned activities to available fiscal resources, execution of the budget by legal frameworks, monitoring and evaluation of budget execution to ensure frugal use of public funds. As noted from the requirements above, budgets play a crucial role in PFM. Further, Nyamia et al. [9] stated that no institution, whether state or privately owned, could efficiently and effectively manage its finances without a budget. This, therefore, affirms the need for public sector budgeting in Ghana as it sets the needed framework for public financial management by ensuring that budgetary allocations are not exceeded [10].

Though, an appreciable level of success has been attained with the implementation of PFM systems in Ghana, several shortcomings such as weak ownership of budget, insufficient control and monitoring systems, cumbersome budgeting approach, inadequate reliable and up-to-date database on available government resources. This has resulted in the call for periodic review and reform of PFM systems [11]. To address the issues identified with PFM systems implemented in Ghana over the years, the government of Ghana has put in place several Public Financial Management Reforms (PFMRs) to enhance the use of public funds by the central government and all other lower levels of government. These reforms date back to the 1980s which have evolved over the years with the focus areas such as; policy planning, budgeting approach, procurements, accounting, and auditing processes [12].

The pivotal role budgeting plays in Ghana's PFM system is what motivated the introduction of Activity Based Budgeting (ABB) as one of the earliest known Budget Reform in 1998 under the Public Financial Management Reform Program (PUFMRP). Another major goal of the 1998 PUFMRP was to strengthen fiscal decentralization in Ghana and bring a strong performance focus to Metropolitan, Municipal and District Assemblies (MMDAs) budgets by linking strategic goals to outputs and activities [13]. However, scrutiny of the budget process and systems identified massive limitations with the ABB procedures and systems. This came as a result of the lack of real strategic focus in MMDAs budgets with the limited linkage between resource allocation and policy priority. Hence, posing several years of incoherence and contradictions towards the full implementation and realization of a robust fiscal decentralization at the local level. As a result, in 2014, the Ministry of Finance in Ghana introduced Program Based Budgeting (PBB) to replace the ABB, to simplify the budget process, and to enable MMDAs to adopt more strategic means in managing their budget process and systems. To further prove public sector financial management reforms impact on fiscal decentralization in developing economies, this study will assess the impact of PFMR on fiscal decentralization at Ga East Municipal Assembly (GEMA) in the Greater Accra Region of Ghana; find the relationship between PFMR and fiscal decentralization among the MMDAs; find the relationship between PFMR (introduction of PBB) and service delivery by the GEMA; assess the impact of PFMR (introduction of PBB) on MMDAs revenue mobilization and expenditure framework of the GEMA, and identify and examine challenges associated with the implementation of the PBB. It is therefore against this background that this study is conducted on "*Public Sector Financial Management Reforms in Developing Economies: Insights from Ghana*" to help governments of developing economies to bring to their citizens the much-awaited developments in their communities.

2. Problem Statement

Over the years, governments in developing economies like that of Ghana have introduced many public sector reforms to ensure proper utilization of public funds [14]. However, a study by Nana Yaw et al. [15] revealed, despite the many reforms in Ghana's public sector, there are still many factors that affect its successful adoption and implementation. And if not managed well, they may ultimately cause the failure of the reforms due to the impact of those factors, particularly regarding the use of newly developed accounting repertoire. The introduction of various public financial sector reforms does not only help to ensure the delivery of quality services to the citizenry but also prompts accountability and transparency in the public sector [16]. In the case of Ghana, the introduction of the PBB in 2014 was a result of the implementation of PFMRs by the Governments of Ghana (GoG) to help deal with the shortfall of the ABB. Although, some successes have been achieved in public sector budgeting with the introduction of this budgeting approach. However, there are still some government Ministries, Department and Agencies (MDAs) in Ghana are faced with the challenge of untimely monitoring and evaluation of budget programs and projects, as well as unfavorable prevailing political and administrative cultural issues negatively affecting the implementation of the PBB [17]. In addition, Scott et al. [18] identified that unrealistic budgeting negatively influences service delivery in the public sector. Furthermore, the expectations of the public towards the delivery of public services by MMDAs coupled with the fact that MMDAs are bedeviled with the syndrome of insufficient funds due to inadequate internally generated funds (IGF) as well as the untimely release of Central Government transfers pose a challenge to MMDAs in the execution of their functions. Despite the reforms of PFM systems, which included a budgeting approach, the efficient implementation of fiscal decentralization remained a serious problem in many MMDAs [19]. Sadly, PFM systems in Ghana is found to be associated with weak budget formulation and implementation, lack of robust accounting, monitoring and control system in the public sector, inadequate quality and timely data on government resources along with outdated regulatory framework. In light of this, the limited resources available to the MMDAs must be put to judicious use to ensure sustainable development within their various jurisdiction.

Though some developed countries are faced with the challenge of implementing PFM practices, in the case of developing and poor countries, which are resource-constrained, the issue is huge [20]. Challenges such as the continuous leakage of a substantial amount of public financial resources have put a strain on the implementation of PFM and FD in Ghana. These leakages , according to Basheka et al. [21] are caused by a multiplicity of factors which include; weak monitoring systems, principal–agency problems, low citizenry participation, etc. The Auditor General of Ghana reported several financial misappropriations, which occur in the public sector. The report indicated that Ghana lost a whooping sum of GH₵ 5.84 billion due to financial misappropriation and malpractices by public sector officials. To mitigate the future occurrence of such huge financial loss to the state, the Auditor General of Ghana suggested to the government to consider decentralization of the PFM system in the country. This is believed will lead to improved fiscal discipline and transparency, as well as curb corruption. It is sad to mention that both elected leaders and public sector administrators who are supposed to be stewards of the public purse are found wanting when it comes to the issue of corruption and unproductive spending of public funds [22]. It is in line with these challenges identified in public financing and the limited number of studies conducted on public sector financial management reforms in developing economies, is what forms the basis for this study to be undertaken to address the knowledge gaps.

3. Review of Related Literature

Over the years, Ghana has emerged as one of the promoters of free political expression, civil liberties, and press freedom. This great achievement presents the country as an excellent example of relatively successful and good political governance actors in West Africa. To further deepen Ghana's public sector financial management reform, the government has implemented many measures to improve transparency and public/stakeholder participation in decision-making. Fobih [23] recounted, prior to the implementation of the new public management reforms, Ghana's public sector faced a number of major managerial and administrative challenges, including financial and project mismanagement, lack of transparency and accountability, public funds embezzlement due to widespread corruption among politicians and civil servants, inefficiency and ineffectiveness in the delivery of public services, to name a few. These issues dominated the Ministries, Departments, and Agencies (MDAs) as well as the local government structure and institutions, particularly the Local Councils, which were renamed Metropolitan, Municipal, and District Assemblies (MMDAs). Ghana began a public financial management (PFM) reform journey about two decades ago in order to improve aggregate budgetary discipline, strategic resource allocation, and efficient service delivery. The current wave of PFM reforms in Ghana started between 1997 and 1998 with the initiation of the Public Financial Management Reform Program (PUFMARP). The program's goal was to build an integrated budget and public expenditure management system, which was Ghana's first serious attempt at a more comprehensive approach to PFM reforms. It was designed to combine Ghana's budget preparation and implementation with financial accounting, reporting, and cash management for the first time. From the point of view of Ohemeng [24], the PUFMARP was also holistically designed to reform other PFM activities such as legal and regulatory framework, revenue management, procurement, auditing, aid and debt management, fiscal decentralization, as well as the development of integrated personnel and payroll database. A research by Appiah-Kubi [25] pointed out that the Public Financial Management Reform Program (PUFMARP) that was launched in July 1995 introduced a number of restructurings with the main objective to develop an integrated computerized financial management system that would assist in addressing issues of the weak fiscal framework. The PUFMARP was intended to bring about improvements in the activities of public institutions. One of such measures is the Ghana Integrated Financial Management Information System (GIFMIS) to facilitate the publishing of financial accounting reports promptly, thus enhancing transparency in the budget execution process [26]. Ghana's Financial Administrative Act No. 654 of 2003 and Financial Administration Regulation of 2004, L.I. 1802 offer the legal foundation on authority, while the Accounting Manual and Departmental Accounting Instructions provide operational guidelines. In Ghana, the Financial Administrative Regulations (FAR), 2004 (L.I. 1802, Part VII, 186 requires government accounts to be prepared using the Accrual basis of accounting [27]. Yet, transition from the Cash basis of accounting to the Accrual basis in accordance with FAR, 2004 has not been fully implemented [28]. The public financial management reform project seeks to accomplish improvement in budget management, financial control and reporting of the Government of Ghana with the aim of enhancing fiscal discipline, strategic allocation of resources and service delivery efficiency, through strengthened systems and procedures and targeted capacity building. The goal of the reform is to improve fiscal discipline and macro-economic stability. From the assertion of Lassou [29], a review conducted in the 1990s on PFM systems in Ghana revealed a number of weaknesses. These include weak budget formulation, preparation and lack of ownership by Metropolitan, Municipal and District Assemblies (MMDAs), weak expenditure monitoring and control, lack of robust accounting and monitoring system, inadequate flow of information between key players (Bank of Ghana, Ministry of Finance and Controller & Accountant-General's Department), lack of quality and timely data on Government resources, outmoded regulatory framework. This led to the introduction of the Public Financial Management Reform Program (PUFMARP) which aimed at improving these weaknesses [30]. PUFMARP consisted of a number of components including: Budge reforms, such as the MTEF, Accounting and Financial Reforms such as BPEMS, now GIFMIS, Payroll Reforms (IPPD), Fiscal Decentralization, Review of Financial laws (FAA, FAR, PPA, IAA, etc.). As posited by the World Bank report [1], the Government of Ghana (GoG) is committed to improving its fiscal management in order to enhance the integrity and effectiveness of expenditure management and performance reporting. Abdulai [32], expounds that the Government of Ghana has made significant progress in strengthening fiscal discipline and improving the efficiency of its public financial management (PFM) system in recent years. According to him, the MMDAs use the GIFMIS in preparation of their line ministries' budgets. As a result of this ICT-based system alongside the respective budget documentations such as the budget chatter, fiscal strategy document (FSD), as well as program-based budget (PBB) manuals, the quality and timeliness of budget preparation process of these line ministries has tremendously improved over the years. Following the usage of the GIFMIS in the formulation of their budgets, the line ministries go into the budget execution mode using the GIFMIS Financials. Having had Parliamentary approval of their respective allocations and the issuance of their warrants on the GIFMIS Financials, the MMDAs are able to process their expenditure on the system. The expenditure processes include, but are not limited to , the purchase requisition for expenditure initiation; the preparation of purchase orders when a supplier is selected; the issuance of stores receive advice when goods/services are supplied; the preparation of payment vouchers to aid in the payment of the supplier invoice; the running of cash requirements report to establish total bills due for payment; the running of the cash pooling report to establish total cash available on the bank accounts; effecting payments on the system through Electronic Funds Transfer (EFT) for 3rd party transactions and the use of system cheques for money required for internal payments. From the contribution of Amoah [33], the GIFMIS Project was created with the goal of accomplishing PFM activities deemed essential for enhancing the efficiency and integrity of government financial management functions via the use of ICT-based solutions. Ghana offers an example of the potential for digital payments to eliminate ghost workers, even if their application has been limited [34]. Despite the public sector financial reform measures undertaken by the government, there are quite some challenges that arise from those reforms that exhibit the effectiveness of fiscal decentralization. Oduro [35] stipulated PFM reforms in Ghana have faced some challenges for effective implementation, and reform outcomes have been insufficient to mediocre. These setbacks hinder the comprehensiveness of fundamental alignments in the PFM architecture. Sanda [36], hinted that other public monies, such as Internally Generated Funds (IGFs), Statutory Funds, Extra-Budgetary Funds, and Donor Funds, could not be covered by the GIFMIS component. Furthermore, GIFMIS deployment was not supported by a thorough PFM Reforms Strategy. Because of the lack of a comprehensive PFM Strategy and the GIFMIS' incapacity to cover all public funds as well as transactions of sub-national government entities, GIFMIS activities were rolled over into a new, but independent, initiative named the Public Financial Management Reforms Project

(PFMRP) which became effective in 2015. The PFMRP had a Project Development Objective (PDO) of improving the government of Ghana's budget management, financial control, and reporting, and it aimed to do so by building on the PFM systems and tools developed in the GIFMIS project. The PFMRP strategy seeks to maintain aggregate fiscal discipline and accountability, to allocate resources in accordance with the priorities of Ghana Government [37].

Theoretical Bottlenecks of PFM Implementation in Ghana

One major challenge of public sector reform in Ghana, as identified in the studies of Tetteh et al [38] arises as a result of Agency Theory (AT), which examines the impact of contractual behaviors between two parties: the principal (shareholders/stakeholders) and the agent (managers). Also, Kurial [39], in his study, summarizes the AT as a theory that emphasizes the totality of the relationship between shareholders and management. The agency theory serves as the framework for understanding the relationship between the stakeholders and employees (for instance MMDAs). Sometimes, the behaviors of MMDA staff members are disproportionately geared toward self-achievement, egocentricity and self-centeredness which must be checked. In Ghana, workers such as internal auditors are not employed by MMDAs, but work on behalf of the Government. This helps to ensure their independence in their dealings. The internal auditors are mandated to curb financial irregularities in Ghana’s public institutions, being guided by the internal audit agency act (Act 658) which was enacted in 2003 [40]. Concerning public institutions, principals (shareholders) are afforded more opportunities to access information under the control of agents (MMDAs). However, agents can offer the principal more information than needed. Abdullah et al. [41] also argued that two factors can influence the prominence of agency theory and these are; the inability of the two parties (managers and shareholders) to come to a consensus on issues such as organizational goals, and secondly, managers seeking their self-interest above that of the organization. This assertion was backed by Cheruiyota et al [42], in their study by stating that goal incongruence between agents and principals gives room for agents to adopt self-centered and opportunistic behaviors making them egocentric. This results in decisions being made in favor of managers to the detriment of shareholders who usually expect managers to act and make a decision in their interest. Also, Ghana’s bureaucratic factors are believed to impede the delivery of planning, execution and monitoring infrastructure at the Metropolitan Municipal and District Assemblies [43]. This has the proclivity of breeding agency problem in the institution. The agency problem produces a conflict of interest and increased organizational costs. The conflict of interest usually occurs when the agent has a vested interest (such as money, status, knowledge, relationships, or reputation) causing a bias in his actions, judgment, and or decision-making. Acheampong [44] reveals in Ghana, agency problem creates tension within the working environment of MMDAs. The person (agent or manager) picks out a personal gain over his duties to the employer (principal), or to an organization in which he is a stakeholder. The individual becomes unreliable or undependable because of a clash between personal (or self-serving) interests and professional duties (responsibilities). Also, Huu et al. [45] believe agency cost, managerial behavior, and ownership structure are also some of the factors that influence the AT. Nonetheless, Lanw [46] further identifies moral hazards and adverse selection as reasons that give rise to agency cost due to information asymmetry. Additionally, GyÖrgy [47] explains that with regards to the public sector, the agent exists to ensure that the needs and interests of the principal are met, as such the agent is created and supported by the principal, thereby granting the principal a supervisory role over the agent. Also, in cases where the agent is granted fiscal authority, the principal is to ensure adherence to the policy for the expenditure of the funds. The scenario presented above thus places the principal in an advantageous position and aids in minimizing information asymmetry. Congruently, managers have the moral and financial responsibility to act in the best interests of the parties they serve, specifically the principals (shareholders).

Conversely, despite the many reforms in Ghana, there are still many conditions that affect the success of those restructurings, especially regarding adoption and implementation. And that if not managed well, they may ultimately cause the failure of the reforms due to the impact of those factors, particularly regarding the use of newly developed accounting repertoire. This can also be traced to Stewardship Theory (ST) which stipulates that employees are fundamentally inspired to work towards achieving the goals and objectives of the company or organization or people they work for [48]. Relating the ST to public institutions, Novi et Al. [49] state that stewardship theory propagates that 'the government's motivation in managing resources is not based on individual goals but more of stewards, where the local governments align their goals and interests with the goals and interests of the citizens’. The stewardship theory postulates that these individuals are intrinsically motivated to work for the establishments assigned to accomplish the responsibilities or tasks entrusted in their care. The theory is intended to make public office holders accountable for their stewardship. More importantly, the Local Governance Act, 2016 (Act 936) signposts the fact that Ghana is committed to the implementation of core principles of governance such as inclusiveness and participation [50]. It wields the capacity of stakeholders to hold public officials in the MMDAs to account for their stewardship. It implies that, by this current arrangement of governance in Ghana, communities in the various districts have become stakeholders in the implantation, nurturing and strengthening of the MMDAs.

Officers are urged to accurately account for their stewardship over the public funds of Ghana. In order to offer improved stewardship and better accountability of public workers, MDAs or MMDAs, the accounts of the Consolidated Fund of Ghana must be prepared in compliance with the Financial Administration Act, 2003 (Act 654). This also leads to the local governments carrying out their mandate based on the commitment to the common interest of the community, rather than the individual interest of managers. Sadly, the reforms of PFM systems included a budgeting approach; the efficient implementation of fiscal decentralization remained a serious problem in many MMDAs [51]. The fact remains that most MMDAs lack resources to effectively deal with this problem. This challenge is linked to the Resource Dependency Theory (RDT). Fadare [52] also explained that according to the RDT, all organizations do depend on resources from their environment. Significantly, Ghanaian institutions rely on other administrations and actors for resources in their quest to survive and to improve upon organizational performance [53]. The foremost idea of resource dependency theory is that establishments must relate and interconnect with both other organizations and the external environment as they are dependent on them for sustenance and continuous existence in operation. However, managers are expected to play an array of responsibilities which encompasses safeguarding a connection between the public and the organization, as well as protecting the institution against apparent environmental threats. For most public sector organizations such as the MMDAs, the scarcity of resources usually impacts negatively on the efficacy of these organizations, which necessitates interactions between the Assemblies and other key actors in the public sector to raise funds for their operations [54]. Hatch [55] further explains that the District Assemblies' reliance on their environment is a result of the need to acquire resources required for service delivery. Though these organizational interactions and collaborations are beneficial to all parties involved, it could, however, lead to dependency if one party controls most of the resources required by the other organization, Fadare [56] averred. Thus, suppliers of resources can exert power over the organizations in demand of these resources. Consequently, the survival and success of local organizations are dependent on their ability to regulate the inflow of their needed resources. On the application of resource dependency theory, Kukah et al. [57] explicates that the ability of a Ghanaian business to fulfill its defined goals and objectives is enhanced by ensuring that it has adequate financial resources. MMDAs' fiscal sufficiency plays a critical role in translating their authority and competencies into developmental activities [58]. It is, therefore, safe to say that there exists a positive correlation between the growth of the MMDAs and the resources available.

Rudiments of PFM in Ghana

Understanding the PFM practices in Ghana is very crucial in this study. The PFM system in Ghana according to the Ministry of Finance Ghana ensures the planning and utilization of limited public funds by effectively managing government spending via the linking of strategic allocation of funds to prioritize activities while controlling and accounting for these expenditures. Figure 1 shows the four elements of PFM in Ghana.

The public sector of Ghana is faced with the pressure of balancing finite fiscal resources with increasing demands and expectations, bearing in mind the obligation to expense efficaciously the taxpayers' funds. It is therefore of utmost importance for the sector to find new and creative ways to raise funds to meet the rising demands of the populace [52][b]. In Ghana, the legal framework for PFM is based on the Constitution of Ghana and other relevant PFM Acts and Regulations such as the PFM Act 2016 (Act 921), Public Procurement Act 2003 (Act 663), but a few are aimed at providing guidelines, rules and procedures for PFM practices in Ghana [8][b]. The main objectives of the PFM Act 921 are meant to regulate financial management in the public sector by spelling out the responsibilities of the person (s) in charge of public funds, resources, assets, and liabilities as well as the mechanism for their management; providing a framework to support sound fiscal policy and management; making available the procedures and process for preparation, approval, and implementation of a transparent and credible budget; and ensuring proper accounting and auditing of public funds as well as catering for related matters. In the empirical study conducted by Asiedu et al. [59], the majority of employees in the Ghanaian public sector perceive the public financial management system as useful towards improving the organization's operational efficiency and effectiveness, while a minority were skeptical. Nevertheless, Ghana's progress in compliance with the PFM laws and implementation of the framework led the nation into developing its short and medium-term PFM Action Plan. Their roles and responsibilities have been spelled out in the various legal frameworks related to PFM in Ghana. However, Lawson [60] believes that the maintenance of aggregate fiscal discipline by ensuring the consistency of public funds is mobilized with expenditure targets, to prevent unsustainable levels of public debts, which is the core objective of PFM. In addition, Cangiano [61] affirmed this point by stating that the effective control of budget totals (revenue and expenditure) throughout the financial management cycle results in aggregate fiscal discipline.

Source; MoF, Budget Manual (2014)

Figure 1. The four elements of PFM in Ghana

Reform Measure through Fiscal Decentralization

The crucial role played by fiscal decentralization in development at the local level in Ghana cannot be over-emphasized. Government of Ghana has strengthened fiscal decentralization, which entails the central government and local governments sharing taxes and spending obligations. In other words, fiscal decentralization gives local governments significant revenue and expenditure autonomy, including the ability to impose taxes and user fees. Effective fiscal decentralization is expected to increase citizen participation in decision-making in the local sphere of governance, as well as make room for the provision of value for money on public services and goods that meet the expectation of the populace [62]. According to Osei [63], lawmakers in Ghana have lauded the positive influence of fiscal decentralization on development and democracy. However, a large percentage of MMDAs are usually unable to mobilize sufficient revenue to meet the demands of their citizens, resulting in over reliance on inter governmental transfers by most District Assemblies in Ghana [64]. This tends to impact negatively on service delivery as central transfers are mostly not received as scheduled, thus stalling the progress of development projects in most parts of the country. Despite MMDAs' relentless efforts to properly manage their finances, several factors hinder the achievement of the desired efficiency. Cheruiyot et al. [42][a] in their evaluation of the effect of public financial management practices on performance, highlighted the challenges faced by local authorities in the implementation of PFM. These challenges outlined in their study are similar to those faced by local governments in Ghana as identified by the [5 and 22][a]. Ghana capitalises its activities mainly through funds mobilized internally and inter-governmental transfers. Findings of their study identified issues like; low mobilization of revenue, unaccounted revenue, and expenditures over-spending and off-budget expenditures as some of the factors negatively influencing the PFM performance of local counties and hindering the delivery of efficient services rendered. A review of the above literature clearly showed that though public sector financial reforms in Ghana have had some successes, there are still much-needed efforts and control measures to be put in place in order to achieve the expected impacts on fiscal decentralization. It is in light of these that this study is conducted.

4. Methodology

Almalki [64] explains that the methods and approaches that are employed to address the specific objective of a study are very imperative in research. The core objective of this research is to review the impact of public sector financial management reforms on fiscal decentralization in Ghana. As a result, the Public Financial Management and Performance Measurement Framework by the Public Expenditure and Financial Accountability (PEFA) was employed in this study. In this study, an empirical examination of public sector financial management and the public sector reforms was conducted in Ghana, using Ga East Municipal Assembly as a case. The authors depended on both primary and secondary data in the research. For the primary data, the authors used structured and non-structured questionnaires to obtain data from the staff of Ga East Municipality, Ghana. However, relevant information on revenue targets and actuals formed the sources of our secondary data. For primary data, the study relied on closed-ended questionnaires as survey instruments to collect data on the impact of public sector financial management reforms on fiscal decentralization in Ghana. The questionnaires were divided into four categories. The first set of questions focused on the demographic profile of the respondents. The second group of questions gathered information about participants' knowledge of PFMRs. The subsequent series of questions gathered data on respondents' opinions toward fiscal discipline. The fourth section of the questionnaire elicits feedback from contributors on improvement service delivery through PFM. The collected data was then sorted out to obtain the necessary information on PFM reforms, fiscal discipline, service delivery, strategic planning, mobilization, public fund utilization, revenue targets and actuals. A total of seventy (70) pre-coded questionnaires were purposively disseminated to only respondents in the public service institutions of Ga East Municipality, Ghana who had copious knowledge about the investigation. Out of this figure, a total of 64 questionnaires were retrieved representing a 91.43% response rate. However, out of the 64 responses, 60 were usable since they were wholly and appropriately filled, yielding 85.71% of the distributed questionnaires. The authors did preliminary tests such as descriptive statistics, validity and reliability tests to check if the data collected was feasible for the study. The investigators also checked that the information was reasonable for the investigation, and not to conflict with the purpose of the research. The organized data was analyzed using the statistical package for the social sciences (SPSS) version 20. The experimental information received was used to draw inferences in this study.

5. Results and Discussions

5.1. Measuring Public Sector Financial Management Reforms Impact on Fiscal Decentralization in Developing Economies

i). Testing Respondents understanding PFMRs and knowledge of FD in Ghana

Analysis of data and findings based on the objectives of the study revealed the character of the respondent is shown in table 1. A total of 60 respondents, 55% males and 45% female. Also, 43.4% of respondents are between the ages of 36 and 45 years, with the level of tertiary education. To ascertain the impact of PFMRs on FD in the Ga East Municipal Assembly, respondents' knowledge of PFMRs in Ghana and the concept of FD were tested through two different sets of questionnaires. Furthermore, respondents were asked to identify if there exists a relationship between PFRMs and FD based on their initial responses. Table 2 shows respondents' knowledge of PFMRs. 75% of the respondents agreed to the explanation of PFMRs to mean reforms carried out by the GoG to enhance the planning, mobilization and utilization of public funds. While 25% explained PFMRs as changes made to existing PFM practices to improve fiscal di, discipline in Ghana's public sector. These responses are complementary and consistent with the findings of Nyamita et al [9][b] and also relate to Abdulai [32][b] findings on Ghana's PFMRs. Also, testing respondents' knowledge on FD in Ghana, about 83% said FD is the transfer of revenue mobilization and expenditure responsibilities from the central government to lower levels of government. While 17% of the respondents explained FD as the empowerment of local governments to generate revenue as well as spend these funds for developmental purposes. These findings can also be linked to studies by Dick-Sagoe [62][b] and Aygemang Duah et al. [2][b].

Table 1. Demographic Profile of Respondents

S/No.	DESIGNATION	NUMBER OF PERSONS		PERCENTAGE OF DISTRIBUTION (%)
		MALE	FEMALE	
1.	Heads of Departments of the Ga East Municipal Assembly	9	5	23.3
2.	Zonal Council Secretaries	2	0	3.3
3.	Assembly Members	11	3	23.3
4.	Unit Committee Members	10	6	26.7
5.	Religious/Opinion Leaders/ Traditional Leader	3	2	8.3
6.	NGOs/CSOs	5	4	15.0
TOTAL		**40**	**20**	**100**

Source: This Research Data

Table 2. Response on Knowledge on PFMRs

	Frequency	Percent	Valid Percent	Cumulative Percent
PFMRs are reforms made to enhance the planning, mobilization and utilization of public funds.	45	75.0	75.0	75.0
PFMRs are changes made to existing PFM practice in order to improve fiscal discipline	15	25.0	25.0	100.0
Total	60	100.0	100.0	

Source: This Research Data

ii). Relationship between PFMRs and FD

Table 3. Statistical Analysis of Relationship between PFMRs and FD

Mean	**1.0833**
Std. Error of Mean	.03598
Std. Deviation	.27872
Skewness	3.093
Std. Error of Skewness	.309
Kurtosis	7.826
Std. Error of Kurtosis	.608
Minimum	1.00
Maximum	2.00

Source:This Research Data

Table 4. Correlation between PFMRs and FD

		What is your knowledge of the PFMRs	What is your knowledge of FD
What is your knowledge of the PFMRs	Pearson Correlation	1	.155
	Sig. (2-tailed)		.237
	N	60	60
What is your knowledge of FD	Pearson Correlation	.155	1
	Sig. (2-tailed)	.237	
	N	60	60

Source: This Research Data

The relationship between PFMRs and FD was revealed by 92% of respondents agreeing that there exists a relationship between the two variables. This is shown in table 3 thus, a mean of 1.083 and an std. deviation of 0.279, indicating a positive existence of a linkage between PFMRs and FD. The result also shows a tailed asymmetric of the data with skewness and kurtosis of 3.093 and 7.826 respectively. There was also a Pearson correlation of 0.155, indicating a positive correlation between PFMRs and FD, as shown in table 4. The study further revealed that the efficacious mobilization and utilization of public funds by MMDAs must be guided by the various PFMRs implemented by the GoG to enhance public sector finance management. These findings are also affirmed in the study of Fedelino et al. [66], who postulated that the linkage between PFMRs and FD is due to the pivotal role PFMRs play in the actualization of expected benefits from the various forms of decentralization and cited managerial efficiency, transparency and accountability to all relevant stakeholders as very crucial. This is further proved by Ter-Minassian [67], who averred that the ability for local authorities to implement fiscal rules/policies mainly depends on their PFM systems.

iii). Relationship between PFMRs (PBB) and Service Delivery

The introduction of the PFMRs / PBB as stated earlier was to improve service delivery by linking planned activities to a pre-determined outcome. As one of this study's objectives, the researchers sought to know the relationship between PBB and service delivery and how its introduction has impacted service delivery in the Ga East Municipality in Ghana, taking into consideration the strategic planning of activities, and improvement and service delivery to citizens. This study showed that PBB has brought about improvement in service delivery (68% of respondents agreed), however, 32% of respondents disagree as shown in table 5. Also, there was a mean of 1.317 and a standard deviation of 0.469, which indicates that most respondents believe the introduction of PBB has brought about some level of improvement in service delivery at the GEMA. Furthermore, there was a skewness of 0.809, showing moderately skewed data and kurtosis of -1.394 to indicate a light tail with data located closer to the mean. These findings support the assertion that PBB has brought an improvement in the delivery of services to the populace, as shown in table 6, appendix I. Further, a correlation coefficient of 0.778 also points to a strong relationship between the PBB and service delivery. These findings are also consistent with the discovery of Scott and Enu-Kwesi [18][b]. That is, good budgeting practices have a direct impact on services delivered by MMDAs. Additionally, the findings of Kwarteng [52][b] showed a positive relationship between PBB and service delivery. These findings suggest that the implementation of PBB influences the quality of services delivered by GEMA. Also table 8, appendix I revealed a mean of 2.783 and a standard deviation of 0.640 as well as skewness of -0.980. It further shows moderately skewed data to the left and kurtosis of 1.682, indicating a cluster of data at the high end (heavily tailed). The results further indicate that the PBB has improved service delivery at GEMA.

Table 5. Frequency distribution of responses of improved services

	Frequency	Percent	Valid Percent	Cumulative Percent
Yes	41	68.3	68.3	68.3
No	19	31.7	31.7	100.0
Total	60	100.0	100.0	

Source: This Research Data

Table 6. Descriptive analysis of response on improved service delivery

	N	Minimum	Maximum	Mean	Std. Deviation	Skewness		Kurtosis	
	Statistic	Statistic	Statistic	Statistic	Statistic	Statistic	Std. Error	Statistic	Std. Error
Has there been any form of improvement in service delivery by the GEMA since the introduction of the PBB?	60	1.00	2.00	1.3167	.46910	.809	.309	-1.394	.608

Source: This Research Data

Table 7. Correlation between PBB and Service Delivery

		PBB	Improvement in service delivery
PBB	Pearson Correlation	1	.778**
	Sig. (2-tailed)		.000
	N	60	60
Improvement in service delivery	Pearson Correlation	.778**	1
	Sig. (2-tailed)	.000	
Source – Field Survey, Wongkyezeng 2020			

Source: This Research Data

Table 8. Descriptive analysis of parameters related to improved service delivery

	N	Minimum	Maximum	Mean	Std. Deviation	Variance	Skewness		Kurtosis	
	Statistic	Statistic	Statistic	Statistic	Statistic	Statistic	Statistic	Std. Error	Statistic	Std. Error
Strategic planning of programme & projects	60	1.00	4.00	2.8667	.70028	.490	-.729	.309	1.154	.608
Improve service Delivery to Assembly	60	1.00	4.00	2.7833	.64022	.410	-.980	.309	1.682	.608
Monitoring and Evaluation (M&E) of service delivery	60	1.00	3.00	2.2167	.84556	.715	-.436	.309	-1.470	.608
Citizenry engagement and feedback sessions	60	1.00	3.00	2.4167	.61868	.383	-.560	.309	-.561	.608

Source: This Research Data

Table 9. Revenue Targets and Actuals from 2017 to 2019

YEAR/FUND SOURCE	BUDGET (GH₵)	ACTUAL (GH₵)	VARIANCE (GH₵)	% PERFORMANCE
2017				
IGF	4,122,620.00	4,322,787.94	200,167.94	104.86
GRANTS	20,973,786.94	11,940,532.76	9,033,254.18	(56.93)
TOTAL	25,096,406.94	16,263,320.70	8,833,086.24	(64.80)
2018				
IGF	4,746,940.00	4,621,815.24	125,124.76	(97.36)
GRANTS	10,020,020.00	7,674,129.44	2,345,890.56	(76.59)
TOTAL	14,766,960.00	12,295,944.68	2,471,015.32	(83.27)
2019				
IGF	5,221,634.00	5,955,852.36	(734,218.36)	114.06
GRANTS	13,224,704.61	7,490,967.62	5,733,736.99	(56.64)
TOTAL	18,446,338.61	13,446,819.98	4,999,518.63	(72.90)

Source – GEMA Annual Financial Statements 2017-2019

Table 10. Statistics Results on Improvement in Revenue Generation

Mean	1.2333
Median	1.0000
Mode	1.00
Std. Deviation	.42652
Variance	.182
Skewness	1.294
Std. Error of Skewness	.309
Kurtosis	-.339
Std. Error of Kurtosis	.608
Minimum	1.00
Maximum	2.00

Source: This Research Data

iv). PBB and Revenue Mobilization

The study brought to light that PBB has a positive influence on revenue collection at GEMA. Data gathered showed that since the introduction of PBB in 2017, there has been a consistent increase in the amount of revenue mobilized annually. This finding is also affirmed in the Assembly's annual financial statements for 2017, 2018, and 2019, which reveals a significant increment in revenue mobilized as shown in table 9, appendix I. The percentile increment in revenue of 10% in 2017 to 6.4% in 2018 and 22.40% in 2019 is evidence that PBB has enabled GEMA to mobilize more revenue from 2017 to 2019. There was a mean of 1.233 and a standard deviation of 0.427 as shown in table 10, appendix I. This signifies an improvement in revenue generation at GEMA. The high skewness (1.294) of the data and kurtosis of -0.339 suggest light-tailed data than the normal distribution, pointing to the revelation that GEMA has had an increase in revenue generation since the introduction of PBB.

5.2. Discussions

The study shows the existence of a positive relationship between PFMRs and FD, as well as a positive correlation between PFMRs and FD. This existence of a linkage between the two variables is also found in the study of Ter-Minassian [67][b] , thus, PFMRs enable local authorities to effectively implement their fiscal authority. These findings also affirm the study of Kwarteng [52][c], which revealed a strong link between budgeting and service delivery. Also, the findings by Scott [18][c], further support this study's findings by stating that budgeting approaches directly impact services delivered. Additionally, study results showed that PBB has a moderate influence on strategic planning, as well as the delivery of public services and goods to citizens. These findings are in line with a study by Osei-Bimpeh [3][b], which indicates that the participation of citizens in decision-making enhances local authority transparency and accountability. This study further identified the delay and erratic transfer of funds from the central government to affect the Assembly's ability to deliver timely services to its citizens. This is affirmed in a study conducted by Ohemeng et al [11][b], and stated that the challenge with the implementation of the PBB at the various ministries in Ghana negatively affects budget performance.

6. Conclusions

Based on this study's findings, it can be concluded that public sector financial management reforms have positive impacts on fiscal decentralization in developing economies. This was revealed through a systematic analysis of this study's data, which brought to bear the existence of a positive correlation between PFMRs and FD. Also, the study concludes that a successful mobilization and effective utilization of public funds by MMDAs can be achieved through the implementation of PFMRs and FD. Also, PFMRs are an effective tool to help improve service delivery by linking planned activities to a pre-determined outcome. Additionally, good budgeting practices have a direct impact on services delivered by MMDAs. Furthermore, PFMRs have a positive influence on revenue collection and service delivery in developing economies.

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