

ASSESSING THE EFFECTS OF PUBLIC PROCUREMENT ON PRUDENT  
PUBLIC FINANCIAL MANAGEMENT IN GHANA.

By

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## **DECLARATION**

I hereby declare that this submission is my own work and that, to the best of my knowledge and belief, it contains no material previously published or written by another person nor material which to a substantial extent has been accepted for the award of any other degree or diploma at Kwame Nkrumah University of Science and Technology, Kumasi or any other educational institution, except where due acknowledgment is made in the thesis.

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## **ABSTRACT**

Public Procurement is an integral part of governments' fiscal policies aimed at achieving prudent public financial management through its intended effects (indicators). Concerns are that, procurement in its current state does not achieve its intended objective. It is for this reason the study is conducted to study the intended effects of public procurement on public financial management in Ghana. The objectives of the study are (1) to identify the intended effects of public procurement on prudent public financial management; (2) to identify the effects of implementation of Public Procurement on public financial management; and (3) to identify the challenges associated with procurement process that make it impossible to prudently manage public finance in Ghana. A quantitative research method was adopted for the study and with a sample size of 68, a total of 68 questionnaires were administered and 46 was retrieved indicating a response rate of 67.65%. Data collected was analysed with the SPSS and descriptive statistics was used. The major findings identified included transparency, planning and budgeting, controls, competition and procurement audit with prudent public financial management. Abuse of the procurement law was seen as an implementation effect of procurement. Mismatched annual procurement plans and budgets, political interference and bureaucracy are the challenges associated with procurement process. These findings imply a fundamental problem with the public procurement system that needs urgent attention. Effective Planning and budgeting, transparency and controls should be ensured. Anti-corruption measures should be enhanced and promoted in this direction.

**KEYWORDS:** Public; Procurement; Financial Management; Prudent; Ghana

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# CHAPTER ONE

## GENERAL INTRODUCTION

### 1.1 BACKGROUND TO THE STUDY

Financial resources all over the world have been insufficient in meeting the numerous developmental needs of countries. This, has been a contributory factor to underdevelopment with its attendant consequences in most countries in the world. According to (Scott and Julius, 2012), the attributable causes of this insufficiency have not only been limited to inadequate revenue mobilisation but rather also through wanton misapplication and corruption by the very people entrusted with the responsibility to protect the public purse. In their quest to ensuring that resources are available to meeting these developmental needs, efforts are being made by successive governments in diverse ways to ensure prudent Public Financial Management. Public Financial Management (PFM) refers to the set of laws, rules, systems and processes used by sovereign nations (and sub-national governments), to mobilise revenue, allocate public funds, undertake public spending, account for funds and audit results (Lawson, 2015). It is also said to relate to the way governments manage public resources (both revenue and expenditure) and the immediate and medium to-long-term impact of such resources on the economy or society (Andrews *et al.*, 2014). Available literature on public financial management suggest three (3) main objectives/ principles against which every sound PFM system can be assessed (Japan International Cooperation Agency, 2014) namely: aggregate fiscal discipline; strategic allocation of resources (allocation efficiency); and efficient service delivery. However, (Lawson, 2015) identified a 4<sup>th</sup> objective/ principle to public financial management as following due process, thus, being transparent, with information publicly accessible, and by applying democratic checks and balances to ensure accountability. Public financial management goes through six cycles including

(1) policy formulation (by political parties, academia/research bodies and civil society); (2) budget formulation; (3) budget approval (by political parties and the legislature); (4) budget execution (through internal audit and procurement); (5) accounting (Accountant General's Dept.); and (6) external audit - the legislature and civil society (Lawson, 2015).

Typical of governments' efforts to managing the public financial management include but not limited to Public Financial Management Reform Programme (PUFMARP) which spanned between 1997 and 2003 as well as the Government of Ghana's Short-and Medium-Term Action Plan (ST/MTAP) covering the period between 2006 and 2009. Again in May, 2009, the Ghana Integrated Financial Management Information System was launched to enhance public financial management through financial reporting, informed decision making, and reliable planning for national development (Asah, 2014).

It is important to note that, prior to these reforms, the function of acquiring goods, works and services by government was done virtually by everyone and anyhow without due regard to any well-established legal framework and laid down process and procedures. This bred and nurtured corruption which later became institutionalized and the canker was eating into the very fabric of the country's limited public funds with the attendant consequence of underdevelopment and deprivation. In this regard, successive Governments of Ghana in the last two decades have undertaken the two main Public Financial Management (PFM) reform agendas, thus, (i) the Public Financial Management Reform Programme (PUFMARP), from 1997 to 2003; and (ii) Government of Ghana's Short-and Medium-Term Action Plan (ST/MTAP) covering the period between 2006 and 2009 (Betley *et al.* (2012). The Public Financial Management Reform Programme (PUFMARP) was a 6-year multi-component Government of Ghana (GOG) programme to strengthen the PFM. The programme had 9

components including procurement being component 6. As an integral component of the programme, government in 1999 established Public Procurement Oversight Group to steer the design of a comprehensive public procurement reform programme. The Group drafted a public procurement bill in September 2002, and on 31 December 2003, the Public Procurement Act, was passed into law called, the Public Procurement Act 2003, (Act 663).

The object the Act is to harmonise public procurement processes in the public service to secure judicious, economic and efficient use of state resources and ensure that public procurement is fair, transparent and non-discriminatory, environmentally and socially sustainable manner (PPA, 2016) Procurement aside wages and salaries takes the largest portion of governments budgetary allocations, and its size in most developed economies stands at double-digit percentage points of GDP (Cernat and Kutlina-Dimitrova, 2015). In terms of economic importance worldwide, the size of government procurement spending as measured in the most recent Global Trade Analysis Project (GTAP) database varies from 6- 32% of GDP depending on the country (Kutlina-Dimitrova and Cernat, 2018). According to (A. L. Federica Saliola, Tania Ghossein, 2016), Public procurement accounts for around one-fifth of global gross domestic product (GDP). In the EU alone, government procurement including state-owned utilities reached €2.4 trillion or 19 % of EU GDP in 2011(Cernat and Kutlina-Dimitrova, 2015). In the UK for example, total government procurement expenditure was £284bn in 2017/18 (Davies *et al.*, 2018). Procurement in Ghana accounts for about 50% and 70% of government expenditure which represents 14% of the country's GDP and accounts for 24% of total imports (Sarfo, 2011). It accounts for over 50% of government's revenue and contribute about 17% to Ghana's GDP (Authority, 2013).

In view of the significant proportion of public funds that go into public procurement, it is functionally imperative to ensure that such funds are expended in a manner that will achieve value for money (VFM), one of the key principles of public procurement. Therefore, it would be prudent for a study to be conducted to ascertain whether or not public procurement has the propensity to help contribute to prudent public financial management in Ghana as envisaged.

## **1.2 PROBLEM STATEMENT**

Procurement is an integral part of the fiscal policies and Programmes of government formulated to achieve effective and efficient public financial management and national development. It has been over a decade and half since the adoption of public Procurement as a tool of prudent public financial management, and the subsequent promulgation of the Public Procurement Act, 2003, (Act 663). Over the years of its implementation, many concerns are being raised regarding its perceived inability to contribute in saving public funds. These concerns have been raised in view of the resent and persistent abuse by public officials, the procurement law for purposes of enriching themselves to the detriment of the people of Ghana and for national development. The unfortunate part is even that some of these individuals including procurement practitioners do not know that procurement is not only acquiring goods, works and services, but also, a very important tool for prudent public financial management. This puts the procurement regime in the country into a worrying situation. It is therefore against this background that the researcher wants to undertake this research to assess the effect of the Public Procurement to prudent public financial management in Ghana.

### **1.3 RESEARCH QUESTIONS**

The following questions are expected to be answered at the end of the study:

1. What has been the intended effect of Public Procurement on prudent public financial management?
2. To what extent does the implementation of Public Procurement affect public financial management?
3. Are there challenges associated with the procurement process which make it impossible to prudently manage public finances in Ghana?

### **1.4 AIM**

The main aim was to study the intended effects of Public Procurement on Prudent Public Financial Management in Ghana.

### **1.5 OBJECTIVES**

The objectives of the study were as follows:

1. To identify the intended effects of public procurement on prudent public financial management;
2. To identify the effects of implementation of Public Procurement on public financial management;
3. To identify the challenges associated with procurement process that make it impossible to prudently manage public finance in Ghana;

### **1.6 JUSTIFICATION FOR THE STUDY**

In the past, the function of acquiring goods, works and services by government was done virtually by everyone and anyhow without due regard to any law and laid down process and procedures. This bred and nurtured corruption which later became

institutionalized and the canker was eating into the very fabric of the country's limited public funds with the attendant consequence of underdevelopment and deprivation. In the quest to addressing this situation by government, public procurement system was adopted which led to the enactment and passing into law the Public Procurement Act, 2003 (Act 663) to regulate the country's procurement process. The law was subsequently amended by the Public Procurement Act, 2016 (Act 914).

The adoption of public procurement regime was part of government's commitment to prudently manage public finance in order to be able to meet the numerous developmental needs of the country. With this adoption and the subsequent passage of the procurement law, not much scientific and systematic enquiry have been undertaken to assess the extent to which public procurement actual affects public financial management in Ghana. In view of the forgoing, it has become very important that this kind of study is carried out to establish whether or not public procurement has a greater effect on prudent public financial management in Ghana as envisaged. Lastly, the study will produce a document that could be useful to other scholars intending to undertake research on the Public Procurement and public financial management.

## **1.7 SCOPE OF STUDY**

The research ideally would have covered the whole country, but owing to the substantial amount of money and time that would be required, the study was limited to some selected Ministries in the Greater Accra Region of Ghana.

## **1.8 ORGANISATION OF THE STUDY**

The study was organized into chapters of five. First chapter constituted background to the study which included introduction, problem statement, research questions and



objectives, justification, limitation and scope of the study. The literature review on public procurement and public financial management was dealt with in chapter two. Research approach and design, population, sample and sampling procedure, sources of data, data collection instruments and data analysis which form the methodology of this study was captured in chapter three. Chapter four was where the data collected was analysed while chapter five presented a summary of the findings, recommendations and the conclusion of the study.

## **1.9 METHODOLOGY**

Research methods are procedures and techniques used in attempting to discover what we want to know. In order to arrive at reliable conclusions about what we want to know, it is necessary to ensure that methods and techniques at arriving at the conclusions are themselves dependable, objective, systematic and unaffected by personal idiosyncrasies (Nassam, 2010). The possibility of the researcher influencing his findings with emotions, prejudice, personal, moral, religious and cultural inclinations is very high, hence the need to device the rules and procedures, which have been proven to be effective in minimizing these sources of error and a code of ethics to guide the investigator in his research activities (Nassam, 2010). Against this background, the researcher was guided by some number of techniques that helped him to undertake the study.

## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.1 INTRODUCTION**

This chapter sought to critically examine, summarise and review relevant literature relating to the effects of Public Procurement on Prudent Public Financial Management in Ghana. Basically, the chapter dwelled much on conceptual, theoretical and empirical review of literature as well as conceptual framework relating to public procurement. The outline of the chapter consists the overview of: (1) Conceptual framework of Public Procurement and Public Financial Management; Public Financial Management and Procurement Reforms in Ghana as well as (2) detailed examination of the effects of procurement on prudent public financial management; implementation effects of public procurement on prudent public financial management and challenges associated with procurement process that make it impossible to prudently manage public finance in Ghana. It also seeks to discuss any gaps that are identified with the previous studies in the subject area.

#### **2.2 CONCEPTUAL REVIEW**

##### **2.2.1 Conceptual review of public procurement**

The term “procurement” covers all aspects of the acquisition and delivery of goods or services, spanning the whole contract life cycle from identification of needs to the end of a service contract, or the end of the useful life and subsequent disposal of an asset (Ministry of Business, 2011). Accordingly, it again defined as the acquisition of goods, works or services at the best possible total cost of ownership— right price in the right quantity, right quality at the right time and in the right place for the direct benefit or use of the procurer (Public Procurement Authority, 2013).

It is also defined as acquisition of consumption or investment goods or services, from pencils, bed sheets and aspirin for hospitals, gasoline for government cars, the acquisition of car and truck fleets, equipment for schools and hospitals, machinery for force account use by government departments, other light or heavy equipment or real estate, to construction, advisory and other services (from the construction of a hydroelectric power station or expressway to the hiring of consultants for engineering, financial, legal or other advisory functions). It is the preparation, award and implementation/administration of contracts for goods, works and other services and thus covers not just the narrow selection of a contract partner by a purchasing body and the actual entering of a contract between the two, but the entire process from needs assessment through preparation, award and implementation/ administration of contracts for goods, works and other services such as consultant services of a technical, financial, legal or other nature (Transparency International, 2006).

Procurement is categorized into Goods, Works, Consulting and Non- Consulting Services (Technical Services):

- **Goods procurement:** A procurement category that includes commodities, raw material, machinery, equipment, vehicles, Plant, and related services such as transportation, insurance, installation, commissioning, training, and initial maintenance (World bank, 2017).
- **Works procurement:** A category of procurement that refers to construction, repair, rehabilitation, demolition, restoration, maintenance of civil work structures, and related services such as transportation, insurance, installation, commissioning, and training (World bank, 2017).

- **Consulting Services:** A range of services that are of an advisory or professional nature and are provided by Consultants. These Services typically involve providing expert or strategic advice e.g., management consultants, policy consultants or communications consultants. Advisory and project related Consulting Services include, for example: feasibility studies, project management, engineering services, finance and accounting services, training and development (World bank, 2017).
- **Non-consulting Services:** Non-consulting Services are normally bid and contracted on the basis of performance of measurable outputs, and for which performance standards can be clearly identified and consistently applied. Examples include: drilling, aerial photography, satellite imagery, mapping, and similar operations (World bank, 2017).

There are two approaches to procurement – traditional and strategic approaches. Whereas a traditional approach to procurement is to view it as an administrative function for buying goods, works or services, the strategic approach involves understanding the importance of the procurement to the agency in achieving its outcomes, sourcing suppliers and managing relationships to successfully deliver against public policy objectives and business needs, whilst delivering overall value for money (Ministry of Business, 2011). In order for public procurement to achieve its intended overall purpose, it is expected to be carried out under its guiding principles of competitiveness, fairness, effectiveness and efficiency, transparency, accountability ethical approach, professionalism and value for money.

### **2.2.2 Good public procurement**

Good public procurement according to Bozzay (2019) requires (1) regulatory framework that contains policies and procedures to guide the work of contracting authorities and helps ensure economy, efficiency, transparency, accountability and access to justice in public procurement; and (2) institutional structures, operational capacities and market conditions needed for the effective implementation of the regulatory framework.

### **2.2.3 Procurement reforms**

Many countries have undertaken procurement reforms to improve efficiency in public procurement (Andrews *et al.*, 2014). The areas of consideration for reforms included transparent bidding processes and competitive procurement (Andrews *et al.*, 2014). Public procurement reform objectives are usually described in terms of increased transparency, reduction of corruption, achieving value for money and professionalising the procurement function as a whole (Telgen *et al.* 2016). The Kenyan's procurement reforms took place between 2006 and 2011 as the fifth pillar of the country's public financial reform programme. Procurement in Kenya is said to have gone through a number of developments ranging from a system with no regulations in the 1960s, to a system regulated by Treasury Circulars in the 1970s, 1980s and 1990s (Public Procurement Oversight Authority, 2007), resulting in the passage of the Public Procurement and Disposal Act 2005 (JACKSON, 2014).

Ghana's procurement reforms have been carried out as an integral part of the wider Public Financial Management Reform Programme (PUFMARP) in the years between 1997 and 2003 (PPA, 2019). The PUFMARP became necessary following a series of External Reviews of the Public Financial Management System (ERPFM) that have been carried out in Ghana for purposes of providing Multi-Donor Budget Support (MDBS)

partners an up to date picture of how Ghana's budget is being spent and how public financial management systems in Ghana have been evolving (World Bank, 2010). The procurement reforms were undertaken with the view to improving the overall public financial management in the country. During the reform exercise, a number of challenges and inefficiencies inherent in the country's procurement system were identified. These include the absence of a comprehensive public procurement policy and the lack of a comprehensive legal regime to safeguard the integrity of the public procurement system. Others are the absence of a central body with the requisite capability, technical expertise and competence to develop a coherent public procurement policy (PPA, 2019).

In view of these challenges identified with the country's procurement system, it was considered prudent and desirable to enact a comprehensive public procurement law to eliminate such shortcomings and the organizational weaknesses (PPA, 2019). As result, government in 1999 established Public Procurement Oversight Group to come out with a detailed and well thought through public procurement reform programme. By September 2003, the team came out with a draft a public procurement bill that by 31<sup>st</sup> December 2003, became the Public Procurement Act 2003, (Act 663) which was recently amended in 2016 by the Public Procurement (Amendment) Act, 2016 (Act 914). Since the procurement reform formed part of the wider public financial management reforms, it is the expectation that when procurement is done well and in accordance with its intended objective to harmonise public procurement processes in the public service and to secure judicious, economic and efficient use of state resources and ensure that public procurement is fair, transparent and non-discriminatory, environmentally and socially sustainable manner, the country's overall public financial management system would be very sound. This is in view of the huge amount of budgetary allocation that government every spend on procuring goods, works and services.

## **2.3 CONCEPTUAL REVIEW OF PRUDENT PUBLIC FINANCIAL MANAGEMENT**

Public Financial Management (PFM) according to Lawson (2015) means set of laws, rules, systems and processes by which nations use to mobilise revenue, allocate funds through public spending, and accounting for the funds as well as auditing results. It is also said to relate to the way governments manage public resources (both revenue and expenditure) and the immediate and medium to-long-term impact of such resources on the economy or society (Andrews *et al.*, 2014). Public financial management deals with all aspects of expenditure and resource mobilization and management in the public sector, and usually commences with policy analysis and review through budget preparation to implementation, monitoring and evaluation. It is a vital part of sustainable development, good governance and government accountability (MoF, no date).

Revenue is rarely sufficient to meet public demands, thus for the delivery of goods, works and services. In this regard, public money must be managed carefully to ensure sustainability for the medium- and long-term period, and it is essential that robust public financial management systems are at all stages of the budget cycle – from formulation to execution, including procurement, financial management and control, and internal audit Bozzay (2019). Again, Bozzay (2019) suggests that a sound public financial management system must meet the following requirements:

- ✓ A strong and well-organised ministry of finance equipped with the necessary administrative capacity and supported by a legal framework that allows it to exercise its role.

- ✓ Cost-effective public internal financial control systems, incorporating financial management and control and internal audit, across the entire public administration.
- ✓ An independent and professional Supreme Audit Institution supported by a legal framework which allows for high-quality audits that impact on public sector functioning.

Available literature on public financial management suggest three (3) main objectives/ principles against which every sound PFM system can be assessed (Japan International Cooperation Agency, 2014) namely: aggregate fiscal discipline; strategic allocation of resources (allocation efficiency); and efficient service delivery. However, Lawson (2015) identified a 4<sup>th</sup> objective/ principle to public financial management as following due process, thus, being transparent, with information publicly accessible, and by applying democratic checks and balances to ensure accountability. Public financial management goes through six cycles including (1) policy formulation (by political parties academia/research bodies and civil society); (2) budget formulation; (3) budget approval (by political parties and the legislature); (4) budget execution (through internal audit and procurement); (5) accounting (Accountant General's Dept.); and (6) external audit - the legislature and civil society (Lawson, 2015). Figure 2.1 below illustrates the cycles.





**Figure 2.1: The PFM cycle and key actions involved**

Source: Lawson, 2015

It is believed that improving the effectiveness of a PFM system can result in widespread and long-lasting benefits, and may in turn help to reinforce wider societal shifts towards inclusive institutions, and thus towards stronger states, reduced poverty, greater gender equality and balanced growth (Lawson, 2015). Contrary to the views espoused by the conventional thinkers including (Lawson, 2015) who suggest that we should assess the functionality of PFM systems by asking about macroeconomic stability and allocative and operational efficiency, the non-conventional thinkers argue that such are only a product of the following four main dimensions that in their view are fundamental to public financial management (Andrews *et al.*, 2014):

**(i) Prudent fiscal decisions**

- Spending decisions are affordable (deficit, debt levels, debt payments are managed),
- Public debt is taken seriously (government knows what is owed, creditors are paid on time, debt payments are treated as a first (direct) charge),
- Deficits, debts, cash and obligations are at levels not threatening solvency or economic stability in the foreseeable future.

**(ii) Credible budgets**

- Comprehensive and regular budgets are formulated that give a binding expression to government public finance priorities and plans,
- Actual revenue policies and collection performance reflect proposals and forecasts,
- Actual spending reflects budgeted promises (in aggregate and in detailed allocations),

**(iii) Reliable and efficient resource flows and transactions**

- Cash is provided to spending agencies when agreed, in agreed amounts,
  - Salaries and services are procured when planned, at appropriate quality and price,
  - Contracts are paid on time; penalties are low or non-existent,
  - Financing is available to capital projects when agreed and in agreed amounts,
  - Corruption, nonperformance losses (with salaries, contracts, etc.) are minimal.
- are paid in a timely fashion; arrears are low or non-existent,
- Goods

**(iv) Institutionalized accountability**

- It is possible to track fund flows to service delivery units,
- Financial reports are comprehensive, timely, allow comparison between actual spending and budget decisions; are accessible by political representatives, citizens,

- There is an independent assurance (for instance, through audit) that funds are collected, managed and spent for intended purposes, in compliance with laws and regulations and with regard for value for money,
- Concerns raised by independent assurance exercises are transparently discussed by citizens' representatives and receive timely follow-up and redress by the executive.

### **2.3.1 Public financial management reforms**

Despite the important role public financial management plays in successful development of nations including Ghana, it appears that its main objectives have proven difficult to achieve by many countries implying that many Public financial management systems are not functional as one might hope (Andrews *et al.*, 2014). This has therefore resulted in the reforms to the Public financial management systems with a view to improve the functionality of the system. Public financial management reforms has been defined as purposeful changes to budget institutions aimed at improving their quality and outcomes (Andrews *et al.*, 2014).

Ghana's Public financial management reforms date back in the 1990s, and between 1993 and 1994, the Public Expenditure Reviews (PERs) were carried out which revealed poor institutional arrangements, ineffective legal frameworks and controls etc. (Adamtey, 2017). Government having identified these numerous disturbing issues through the PERs, launched the Public Financial Management Reform Program (PUFMARP) in July 1995 which aimed at addressing them. The PUFMARP became operational in 1997. It was a six-year multi component governmental programme with funding from development partners. The development partners included the World Bank, with co-financing provided by Department for International Development (DFID), the Canadian International Development Agency (CIDA), and the European Union (Adamtey, 2017).

The components included:

- i. Budget preparation – introduction of Medium-Term Expenditure Framework (MTEF);
- ii. BPEMS, an integrated financial management information system;
- iii. Cash management – introduction of a modern cash management system;
- iv. Aid and Debt Management – improving data on aid and debt management and the links with CAGD And BoG;
- v. Revenue management – introduction of VAT, unique Taxpayer Identification Number, IT system for tax assessment, collection and reporting, and strategy for managing customs data;
- vi. Procurement – formulation of national procurement code and development of mechanisms for compliance with code;
- vii. Auditing – development of national audit standards, specification of audit reports, and introduction of value-for-money audits;
- viii. Legal framework – review of legislative framework and development of revised financial rules and regulations for Parliamentary approval; and
- ix. Human resources development – training for staff in programme component areas.

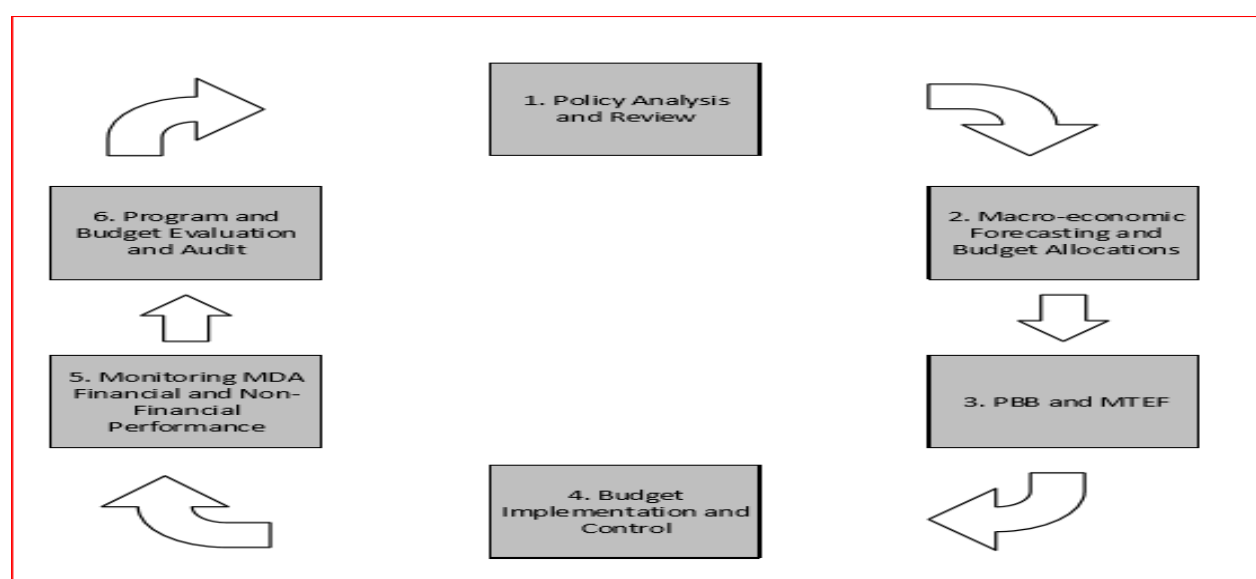
Again, between 2006 and 2009, the Ministry of Finance published its Short- and Medium-Term PFM Action Plan (ST/MTAP) as another form of public financial management reform agenda. Important point to note is the fact that, these reforms form part of the Ghana Poverty Reduction Strategy (GPRS) (Betley *et al.* 2012).

### **2.3.2 PFM legal framework in Ghana**

Ghana's public financial management finds its legal basis in the 1992 constitution and the various relevant acts that establish appropriate budget and accountability structures and reporting arrangements (MoF, no date). Some these legal frameworks include the

following: (1) the 1992 Republican Constitution; (2) the Public Financial Management Act, 2016 (Act 921); 3) the Public Procurement Act, 2003 (Act 663) as amended by the Public Procurement (Amendment) Act 2016, (Act 914); (3) the Internal Audit Agency Act 2003, (Act 658); and (4) the National Development Planning System Act, 1994 (Act 480) (MoF, no date).

Public financial management in Ghana goes through a cycle of 6 as follows: (1) Policy Analysis and Review; (2) Macro-economic Forecasting and Budget Allocations; (3) PBB and MTEF Approaches; (4) Budget Implementation and Control; (5) Monitoring MDA Financial and Non-Financial Performance; and (6) Program and Budget Evaluation and Audit. This is illustrated in the diagram below:



**Fig. 2.2: Ghana's Public Financial Management Cycle**

Source: MoF Budget Operations Manual

Having reviewed the various relevant literature, it does appear to me that the effects of public procurement on public financial management identified by the researchers were one sided, thus the positive outcomes of public procurement that have direct impact on public financial management and not necessarily, the intended and implementation

consequences of it. It is very imperative to note that the procurement regime intended to eliminate corruption in the procurement process, regulate expenditure and also instill discipline in public finances (Nortey *et al.* 2011). Assessing the effects of public procurement on public finance therefore, ought to be holistic and not partial. Thus, the intended effects (positive consequences of procurement on financial management) and the implementation effects (negative consequences on financial management) have to be identified and analysed to see how each of them impact on the overall public financial management system. In addition, it would be important to study and analyse procurement records of carefully selected procurement entities to establish whether sound financial management is ensured as intended by the public procurement regime.

In my view, and owing to the very nature and intent of public procurement, a study of this nature ought to establish certain indicators as some of the researchers have mentioned in their studies such as procurement planning and budgeting, transparency, equality and fairness, effective control systems etc. and ensure that at every procurement entity to be studied, these indicators are assessed from their procurement files. The result of this, in addition to opinions of the studied subjects through questionnaires administration or any other form of data collection will be very objective way to conclude whether or not public procurement has effects on public financial management. It is therefore against this background among others, that this study will be relevant to help address these gaps.

## **2.4 EMPIRICAL REVIEW**

### **2.4.1 The intended effects of public procurement on prudent public financial management**

According to PEFA (2016), a significant amount of public spending takes place through the public procurement system, and this requires that a well-functioning procurement system is put in place to ensure that money is used effectively in the acquisition of inputs for, and achieving value for money in, the delivery of programmes and services by a government. By so doing this, prudent management of public funds would be prudently managed. In their document entitled the “Public Expenditure and Financial Accountability (PEFA) framework for assessing public financial management”, PEFA (2016) identified transparency; planning and budgeting; open and competitive procurement process; monitoring of procurement results through audit among others as the indicators (intended effects) of public procurement that prudent public financial management can be measured with.

Public procurement (including public/private partnerships and concessions) is an integral part of an effective public administration and public financial management, as it is one of the key means by which public money is spent in order to provide public services (Bozzay, 2019). Transparency ensures that public procurement is undertaken in an open and transparent manner and it requires that, all qualified and interested parties are included in the procurement proceedings (Jada, 2017). Jada (2017) also noted in his study that prudent management of finance, a function of transparency and accountability in public procurement, is one of the most important factors that brings development especially in developing nations. According to him, the objective of transparency is achieved by ensuring that all procurement is duly communicated to members of the public, with clear guidelines on how the process will be conducted.

Transparency is ensuring the application of the same rules to all vendors of goods, works and services and publishing the rules which are intended to be the basis of procurement decisions (Sarfo, 2011). With the help of the procurement law, procurement entities are able to obtain value for money through competitive tendering that has prevented contractors/suppliers from exercising monopolistic power with its associated problems of charging exorbitant prices for contracts (Evans, 2014). Evans (2014) also posits that the public procurement through effective auditing, budgetary control, expenditure monitoring, cost effectiveness among others which are inherent in the Public Procurement law helped reduce government expenditure drastically in the sense that the Procurement Act has reduced wastage and leakage of resources, and that this is a positive effect the Public Procurement Act has on Public financial management. Nortey et al. (2011) posited that effective procurement planning prevents ad hoc procurements and ensure sanity and discipline in public financial management.

According to them, robust procurement plans provide valuable input for regulatory institutions such as the PPA to monitor public procurement activities being undertaken in the country to check on compliance and make available accurate statistics and information that could be used to inform government policies and programmes. They further stressed that, pragmatic procurement plans also help the private sector players, the supply side of the procurement process to receive timely payment for contracts executed and hence, busting in them the much-needed confidence in the procurement process. It was explained by them that, lack of planning, implementing and monitoring procurement actions often lead to a total failure of the entire procurement system which eventually leads to undue delays in delivery of goods, works and services, shortages and or excess stocks, poor quality products, and other associated problems. This makes



procurement to be perceived as nonperforming, cumbersome and cost consuming activity. The quality of public procurement has far reaching effects on a country's economy (Tania, 2018).

The goal of good procurement systems is to encourage competition between firms bidding for contracts and the only way competition can be encouraged is to ensure transparency and accessibility ( Tania, 2018). Tania (2018) maintains that transparency and accessibility will inform a larger number of firms of procurement opportunities, and also encourage productive firms to participate given the trust generated from an open process. This means that if there is transparency and competition which are both key principles of public procurement, there would be greater participation of firms which has several benefits. Some of such benefits are that firms will be forced to bring down prices while maintaining quality. This also goes a long way to reduce government expenditure, hence meeting the requirements of sound public financial management. Similarly, the propensity for the private business to grow is high and when this happens, level of government's revenue also goes up.

The flip side where public procurement can have dire consequences on the economy and by extension the financial management system is where there is poor quality public procurement system. According to Ohashi (2009) cited in Tania (2018), Poor public procurement systems characterized by a lack of transparency can be a channel through which corruption permeates throughout an economy. The lack of transparency and competition can allow public officials to use public procurement as a means of eliciting bribes. He maintains that when procurement is less transparent, government officials use discretion to decide which firms receive the contract, creating a breeding ground for corruption.

Poor public procurement systems have been found to be vulnerable to corruption Auriol *et al.* (2016) cited in Tania ( 2018). In addition, opaque public procurement systems can also set the tone for other transactions between the government and the private sector and promote inefficiencies. Thus, if a poor public procurement system signals lower costs of rent-seeking behavior, other arms of the government may also engage in rent-seeking activities Auriol *et al.* (2016) cited in Tania ( 2018).

#### **2.4.2 Implementation effects of public procurement on public financial management**

Contrary to the good intent of governments to use public procurement to achieve sound public financial management system, a number of other effects as a result of the implementation of the public procurement through the Public Procurement Act, 2003 (Act 663) as amended serving as a hindrance have also been identified. Ameyaw *et al.* (2014), in their study observed that there was persistent use of non-open and competitive procurement methods. Most of the methods that were used by procurement entities were Single Source (SS), Restricted Tendering (RT) and Request for Quotations (RFQs) and that, most of the Single Source procurements were not approved by the Public Procurement Authority as required by law. It appears that these entities are deliberately limiting competition by refusing to provide the competitors the opportunity in any bidding process.

It is noted that public procurement is the government activity most vulnerable to corruption and fraud following the colossal sums of public funds that go into it and the interest at stake (Saliola and Ghossein, 2016). Corruption in public procurement imposes very high costs on both the government and the civil society (Saliola and Ghossein, 2016). According to them when the tendering process is rigged because of corruption, competition cannot play its role of driving the prices down and the quality up. The

Consequence of this is that, the quality of infrastructure and public service declines, leading to an impairment to economic growth and development. They also posited that corruption in public procurement also leads to colossal losses of tax payer money in view of the fact that it raises the price paid by the administration for goods and services. Government procurement accounts for a substantial share of the world economy (typically 12-15% of GDP) and is highly vulnerable to corruption (Tran, 2011). The World Bank (2005) estimates the global volume of bribes in this sector to be about U.S.\$200 billion per year (Tran, 2011). Peter (2012) also asserted that inefficiency in procurement can result in corruption, theft and loss of property.

#### **2.4.3 Challenges associated with procurement process that make it impossible to prudently manage public finance in Ghana**

Despite all the reforms that have been undertaken by various economies to ensure that public procurement helps such economies to prudently manage their public finances, not much has been achieved. This is mainly due to a number of challenges associated with the implementation of public procurement. As a result, researches have been conducted to find out what are some of these challenges.

In the study conducted by Evans (2014), it was found that one of the challenges associated with the public procurement process that is said to be impeding government commitment to prudently manage public finance in Ghana is the procurement planning regime that does not align to the annual budget preparation. Although various procurement entities prepare their annual procurement plans and budgets, these two are generally not consolidated such that the procurement requirements of the entities which are well planned are incorporated into the national budget which is then presented to the legislature (parliament) for approval. After the approval, appropriation bill is then passed

to guarantee availability of funds. The trend is rather that, some procurement entities commence procurement proceedings in anticipation that releases will come for them to pay contractors, and in many of the cases these monies do not come yet commitments have already been made. The consequence of this is that payments are going to be delayed leading to supplier/ contractor agitations and in the event that this prolongs, the likelihood for government to suffer judgement debt is higher. All these dissipate public purse lost against prudent public financial management commitment. Evans (2014) also observed that there is too much of bureaucracy in public procurement and this according to his findings, is the main driver of delays in the entire procurement process spanning from planning through tendering to the award of contract and payment.

Jackson (2014) noted that most departments in Kenya do not follow their procurement plans due to the fact that the national government does not consider them. Not following procurement plans contributes little or nothing to expenditure control. They serve no purpose apart from fulfilling the provisions of PPDA, 2005 and PPDR, 2006 regulations. According to him, departments only begin procurement when the amount allocated for the project is credited to the project account. He observed that if there are delays in crediting the allocated funds to the project account, completion of the project will be delayed, leading to the increase in the cost of procurement due to inflation and interest.

This can further lead to loss of public funds through payment of judgement debts. This is because, in the event government is even unable to release funds for the project which was executed but was not planned and budgeted for, it can lead to suppliers/ contractors/ consultant's agitation which may eventually end up in law courts. Political interference is another great challenge associated with the procurement process ( Ameyaw *et al.* 2014). Ameyaw *et al.* (2014) noted that the political interference poses a challenge to the implementation process of public procurement and its reforms.

## **CHAPTER THREE**

### **RESEARCH METHODOLOGY**

#### **3.1 INTRODUCTION**

Research methods are procedures and techniques used in attempting to discover what we want to know. In order to arrive at reliable conclusions about what we want to know, it is necessary to ensure that methods and techniques at arriving at the conclusions are themselves dependable, objective, systematic and unaffected by personal idiosyncrasies (Nassam, 2010). The possibility of the researcher influencing his findings with emotions, prejudice, personal, moral, religious and cultural inclinations is very high, hence the need to device the rules and procedures, which have been proven to be effective in minimizing these sources of error and a code of ethics to guide the investigator in his research activities (Nassam, 2010). Against this background, the researcher shall be guided by some number of techniques as below so as to help him undertake the study:

#### **3.2 RESEARCH DESIGN**

A survey research design was employed in this study. A survey research entails collecting data to test hypotheses or to answer questions about people's opinions on an issue (Gay, 2012). This type of design was adopted because of its ability to easily help gather information about the study area from the target population.

##### **3.2.1 Research method**

A quantitative method of research was adopted to carry out this study. The adoption of this approach for the study was influenced by the problem of the study. The reason for the method was that, the researcher intended to, at the end of the study be able to compare his findings in terms of numbers to know how much intended effects of

procurement were really significant in relation to prudent public financial management in Ghana.

### **3.3 POPULATION OF THE STUDY**

A population in research is defined as all members of any well-defined class of people, events, or objects (Ary *et al.*, 2010). In other words, it refers to the larger group about which the generalization is made. Ary *et al.* (2010) makes a distinction between the population to which the researcher would ideally like to generalize study results, *the target population*, and the population from which the researcher can realistically select subjects, which is known as *the accessible population or available population*. Following Ary *et al.* (2010) explanation above, the researcher has defined the ideal Population for his study to include all procurement, finance and budget/planning officers in Ghana. Also, in view of the large size of the population which is geographically scattered, the study has been limited to the accessible population which included only procurement, finance and budget/planning officers in the Ministries in Greater Accra Region (Sampling Frame). The decision to limit the study to only the accessible population was influenced by the argument advanced by Ary *et al.* (2010) that in most studies, the chosen population is generally a realistic choice (i.e., the accessible population), not an ideal one (i.e., the target population).

#### **3.3.1 Sample size and its determination**

Gay (2012) asserts that quantitative researchers generally do not gather information from the entire population for their studies. This is because, in his view, it is rarely necessary and even more rarely feasible, especially if the population of interest is large or geographically scattered. He however advises that a sample should well be selected from the population so that result of the study can be generalisable to the entire

population from which it is drawn. According to him, a minimum sample size depends on the type of research involved and the following strategies have however, been recommended for sample size determination;

1. Use a census for small populations
2. Using published tables
3. Using sample size of a similar study
4. Using formulae to calculate a sample size

Of the above strategies, the researcher resulted to the use of the formula below to determine his sample size for the study. This formula was also used by Söylemez and Ahmed (2019) in determining a sample size for their study ‘The Role of New Economy Indicators on Banking Sector Performance in Ghana’ which was published in the Journal of Finance and Economics.

$$n = \frac{Z^2 \times \pi (1 - \pi)}{(p - \pi)^2}$$

where n = sample size needed

z = confidence level

$\pi$  = distribution/ standard deviation

p-  $\pi$  = margin of error or sampling error

The researcher chose 90% confidence level (corresponding z score = 1.645) with 10% margin of error/ confidence interval (.1) and a population distribution of 50% (.5) for the study. In plugging in the z-score, standard deviation and confidence interval into the equation, the sample size is therefore determined as follows:

$$n = \frac{1.645^2 \times .5 (1-.5)}{(.1)^2}$$

$$\begin{aligned}
&= \frac{2.706 \times 5 (.5)}{.01} \\
&= \frac{2.706 \times .25}{.01} \\
&= \frac{0.6765}{.01} \\
&= 67.65 \\
&= 68 \text{ to the nearest whole number}
\end{aligned}$$

This therefore gave the sample size for the study to be 68 respondents/ participants and out of this, 50% constituted procurement practitioners and professionals whereas 25 % each also constituted finance practitioners and budget/ planning officers.

The researcher was very confident that the sample size of 68 was adequate enough to be representative and generalisable to the entire population. This is because, in his book entitled, *Educational Research; Competencies and Analysis*, Gay (2012) postulates that some researchers cite a sample size of 30 as a guideline for correlational, causal-comparative, and true experimental research. This opinion is line with recommendations by many other researchers that a sample of 30 for any group could be deemed as representative (Ott and Longnecker, (2001) as cited by Kissi et al., 2019).

### **3.3.2 Sampling techniques**

A sample in a research study is a group of individuals, items, or events that represents the characteristics of the larger group from which the sample is drawn ( Gay, 2012) and sampling is the process of selecting a sample or a miniature of the population (Tagoe, 2009). Because of the cost and time envisaged to be incurred to study all members in the population, the researcher resulted to the use of sampling. This was based on the recommendations of many researchers including *Ary et al.* (2010) that, a well selected sample could be studied and the results can be generalised to the entire population.



In undertaking the sampling for the study, probability sampling technique *was* used, and the reason for the technique was to ensure that each and every unit was given an equal chance of being selected. It was also used because, according to Tagoe (2009), this technique is simple and gives every member of the population equal chance of being selected and at the same time eliminates selection biases that may occur in selecting respondents. The method was also intended to help the researcher to be able to generalise his findings to the entire population after the study.

The individuals in the study population were homogeneous in terms of their socio-demographic characteristics hence, the reason for adoption of simple random sampling method.

In using the simple random sampling, random numbers of 100 were created using a random number table (see table 1 below) and with this, 22 ministries were sampled out of the total of 34 Ministries in Ghana (Source of Ministries in Ghana- [www.gov.gh](http://www.gov.gh)). The following steps were followed to draw the sample:

- i. Numbers ranging between 001 and 034 were assigned to the 34 Ministries.
- ii. With eyes closed by the researcher, a number (**094**) in column 2 row 1 from left of the table was arbitrarily selected from the table of random numbers marking the starting point of the selection.
- iii. From the arbitrarily selected number to the right, any number whose last two digits fell within the sampled population (i.e. 22 ministries with assigned numbers between 001 to 034) was considered to be part of the sample. This was because, the total number of Ministries was 34 and any number beyond the 34 could not be said to be part of the sample.
- iv. The rest of the assigned numbers were then picked towards right until all the 22 Ministries were successfully drawn.

- v. The numbers randomly picked were then mapped to the ministries that they correspond to and all such ministries were considered to be part of the sample.

**Table 3.1. Random Numbers Table**

100 Random Numbers																								
050	094	017	045	009	043	015	023	074	051	046	034	069	064	007	049	097	000	029	058					
099	001	019	039	028	086	091	027	016	096	057	075	072	082	053	011	036	035	066	073					
079	062	010	040	025	095	060	065	004	059	068	014	055	081	056	022	077	041	047	005					
078	013	061	089	030	006	024	070	020	083	032	048	003	071	085	067	098	042	026	092					
100	087	012	054	008	037	088	044	033	093	038	052	080	018	090	002	031	084	076	021					
<p><b>Specs:</b> This table of 100 random numbers was produced according to the following specifications: Numbers were randomly selected from within the range of 0 to 100. Duplicate numbers were not allowed. This table was generated on 8/10/2019.</p> <p>Legend:</p> <ul style="list-style-type: none"> <li>• This represents the assigned numbers of the selected sample within the minimum sample size determined.</li> <li>• This represents the assigned numbers of others which could have been part of the selected sample but were beyond the minimum sample size</li> </ul>																								

Source: Author's Establishment, 2019

**Table 3.2. Ministries in Ghana**

Serial Number	Name of Ministry	Assigned Numbers	Assigned Numbers Sampled	Ministries Sampled
1	Ministry of Food and Agriculture	001	001	Ministry of Food and Agriculture
2	Ministry of Aviation	002	-	-
3	Ministry of Business Development	003	-	-
4	Ministry of Chieftaincy & Religious Affairs	004	004	Ministry of Chieftaincy & Religious Affairs
5	Ministry of <a href="#">Communications</a>	005	005	Ministry of <a href="#">Communications</a>
6	Ministry of <a href="#">Defence</a>	006	006	Ministry of <a href="#">Defence</a>
7	Ministry of <a href="#">Education</a>	007	007	Ministry of <a href="#">Education</a>
8	Ministry of <a href="#">Employment and Labour Relations</a>	008	-	-
9	Ministry of <a href="#">Energy</a>	009	009	Ministry of <a href="#">Energy</a>
10	Ministry of <a href="#">Environment, Science Technology and Innovation</a>	010	010	Ministry of <a href="#">Environment, Science Technology and Innovation</a>
11	Ministry of <a href="#">Finance</a>	011	011	Ministry of <a href="#">Finance</a>
12	Ministry of <a href="#">Fisheries and Aquaculture Development</a>	012	-	-
13	Ministry of <a href="#">Foreign Affairs</a> and Regional Integration	013	013	Ministry of <a href="#">Foreign Affairs</a> and Regional Integration
14	Ministry of <a href="#">Gender, Children and social protection</a>	014	014	Ministry of <a href="#">Gender, Children and social protection</a>
15	Ministry of <a href="#">Health</a>	015	015	Ministry of <a href="#">Health</a>
16	Ministry of <a href="#">Information</a>	016	016	Ministry of <a href="#">Information</a>
17	Ministry of Inner City & Zongo Development	017	017	Ministry of Inner City & Zongo Development
18	Ministry of <a href="#">Justice and Attorney General</a>	018	-	-
19	Ministry of <a href="#">Lands and Natural Resources</a>	019	019	Ministry of <a href="#">Lands and Natural Resources</a>
20	Ministry of <a href="#">Local Government and Rural Development</a>	020	-	-
21	Ministry of Monitoring & Evaluation	021	-	-
22	Ministry of National Security	022	022	Ministry of National

				Security
23	Ministry of Parliamentary Affairs	023	023	Ministry of Parliamentary Affairs
24	Ministry of <a href="#">Railways Development</a>	024	-	-
25	Ministry of Regional Re-Organisation & Development	025	025	Ministry of Regional Re-Organisation & Development
26	Ministry of <a href="#">Roads and Highways</a>	026	-	-
27	Ministry of Special Development Initiatives	027	027	Ministry of Special Development Initiatives
28	Ministry of <a href="#">the Interior</a>	028	028	Ministry of <a href="#">the Interior</a>
29	Ministry of <a href="#">Tourism, Arts &amp; Culture</a>	029	029	Ministry of <a href="#">Tourism, Arts &amp; Culture</a>
30	Ministry of <a href="#">Trade and Industry</a>	030	030	Ministry of <a href="#">Trade and Industry</a>
31	Ministry of <a href="#">Transport</a>	031	-	-
32	Ministry of Water Resource & Sanitation	032	-	-
33	Ministry of <a href="#">Works &amp; Housing</a>	033	-	-
34	Ministry of <a href="#">Youth and Sports</a>	034	034	Ministry of <a href="#">Youth and Sports</a>

*Source: Researcher's Illustration, 2019*

### 3.4 DATA COLLECTION

Researchers typically use paper-and-pencil methods, observations, or interviews to collect data. Observation and interviewing are used predominantly by qualitative researchers, whereas paper-and-pencil methods are favored by quantitative researchers (Gay, 2012). Document or artifact analysis is another means by which qualitative researchers collect data (Ary *et al.*, 2010). With the quantitative research method adopted for this study, the paper-and-pencil methods (questionnaires) mentioned above was used to collect data for the study. However, following that the researcher wanted to establish the intended effects of procurement on public financial management, and to further establish the veracity of the responses provided by the respondents, it was

deemed necessary for a selected procurement records to be subjected to physical verification.

#### **3.4.1 Primary and secondary information**

Both primary and secondary sources of data are being used for this study. The primary data was obtained directly from respondents through the administration of questionnaires and document analysis. The secondary information on the other hand was also obtained from books, internet, journal articles, newspapers, magazines and research reports among others.

#### **3.4.2 Questionnaire design**

The questionnaire was designed from the literature but was reviewed and critiqued by industry players and people in academia before it was finally distributed to the participants. In view of time constraints, the questionnaires were not piloted. The questionnaire design for the study was the self-administered delivery and collection type. This was deemed to be appropriate because of high level of literacy of the target population. All the target population were literate and as such, it was anticipated that they would be able to respond to the questions with little or no assistance.

The questionnaires consisted of mainly closed ended questions and the rationale for the adoption of mainly the closed - ended type was to help simplify analysis of the data collected. This was also born out of the limited time available for the study to be conducted. The design was in four sections; thus, Sections A, B, C and D. Section A was on the demographic data of respondents and Sections B, C, and D were modeled alongside with the objectives of the study. Under each of Sections B and C, respondents were asked to indicate the level of significance of each indicator (effect) of public procurement on prudent public financial management based on a Likert scale of 1 to 5

(where 1 = extremely low significance; 2 = very low significance; 3 = Moderate significance; 4 = Very significance; 5 = extremely significant). In Section D, respondents were also asked to indicate the level of significance each identified challenge associated with public procurement process impedes the drive to achieve public financial management system. This was also on a Likert scale of 1 to 5 (where 1 = extremely low significance; 2 = very low significance; 3 = Moderate significance; 4 = Very significance; 5 = extremely significant).

### **3.5 DATA ANALYSIS AND PRESENTATION**

A computer data analyses software, Statistical Package for Social Sciences (SPSS) was used to analyse the primary data. The software was used because, as asserted by Ary et al (2010), is the best known and most widely used statistical package for data analysis in educational research. According to him, surveys require less complex statistical analyses such as use of frequencies and percentages. The researcher employed both descriptive and inferential statistics during the data analysis. In view of this therefore, and following that this study was a survey type, only frequencies and percentages of the simple descriptive statistics were used in the analysis of the data. The descriptive statistics was to help the researcher to summarize or describe the data collected (Healy 1996; Mason and Lind 1993 cited in Tagoe 2009). The inferential on the other hand helped the researcher to generalize his findings with the sample studied over the entire population. The researcher during the analysis ensured that data collected were properly edited and coded before entry and analyzing them with the help of the SPSS software for data analysis.

### **3.6 ETHICAL CONSIDERATIONS**

Researchers have obligations both to their subjects and to their profession and strict adherence to ethical standards in conducting both qualitative and quantitative research is most important (Ary *et al.*, 2010). The research is expected to state how informed consent, confidentiality, right to privacy and other ethical issues are to be handled.

During the period of study, subjects' informed consent was sought verbally when they were approached. An introductory letter was also presented to them which clearly indicated the intent of the survey exercise. Questionnaires were administered to/ with those who consented to take part in the study voluntarily. Each and every participant or subject was also be assured of the confidentiality of any information he or she was to provide. The researcher respected the right of privacy of each subject by not arbitrarily intruding into their offices. The researcher also did not allow his personal idiosyncrasies to influence his conduct of the research, rather, he only allowed himself to be guided by his professional code of ethics.

## **CHAPTER FOUR**

### **DATA ANALYSIS AND PRESENTATION**

#### **4.1 INTRODUCTION**

This chapter presents the analysis of the data collected from the study field which is mainly primary in nature. The chapter is outlined in the order of the background of the respondents and the research objectives as follows:

- ✓ Background of Respondents
- ✓ Objective One: Intended effects of public procurement on prudent public financial management
- ✓ Objective Two: Implementation effects of public procurement on public financial management
- ✓ Objective Three: challenges associated with procurement process that make it impossible to prudently manage public finance in Ghana

##### **4.1.1 Survey responses**

In all, a total of 68 questionnaires representing the total sample size for the study was distributed among procurement and finance practitioners as well as budget/ planning officers across 22 ministries in the country that were randomly sampled. Out of this, 46 responses representing 67.65% of the total sample size were received. The response rate is reasonable as Richardson (2005) indicated that a response rate of 60% or more are both desirable for a research work. Analysis was based on the 46 responses received, and the computer data analyses software, Statistical Package for Social Sciences (SPSS) was used to analyse the primary data. The software was used because, as asserted by Ary *et al.* (2010), is the best known and most widely used statistical package for data analysis in educational research.



According to Ary *et al.* (2010), surveys do not require complex statistical analyses. He maintains that data analysis may simply consist of determining the frequencies and percentages of responses for the questions of the study. In view of this therefore, and following that this study is a survey type, only frequencies and percentages of the simple descriptive statistics have been used in the analysis of the data. The employment of the descriptive statistics, as postulated by Tagoe (2009 cited in Healy, 1996; and Mason and Lind, 1993) was to help the researcher to summarize or describe the data collected. It was also to enable the researcher to make comparisons as it is easier to compare in percentage terms than the usual numbers.

## **4.2 DESCRIPTIVE ANALYSIS OF DEMOGRAPHIC DATA**

This part of the analysis sought to elicit the basic demographic data such as the educational level and background of respondents, their professionalism, practical experience and knowledge in procurement, finance and budgeting or planning. This was necessary as it goes a long way to ensure that the right caliber of respondents were the ones administering the questionnaires. This was also to enhance the credibility of the findings of the study.

### **4.2.1 Background of respondents**

#### **4.2.2 Professional body of respondents**

Under this, respondents were asked of their areas of professionalism. This was asked in that the questions were expected to be answered in most by the professionals. As depicted in table 4.1, out of a total of 46 respondents, 16 representing 34.8% were members of Chartered Institute of procurement and Supply (CIPS). 17.4% of the respondents were members of either the Association of Chartered Accountants, UK or Institute of Chartered Accountants, Ghana. Also, 3 of the respondents representing 6.5%.

were members of the Chartered Institute of Transport and Logistics and 19 did not belong to any of the profession. This, representing 41.3% of the respondents.

**Table 4.1: Professional body of Respondent**

Professional body	Frequency	Percent (%)	Cumulative Percent (%)
CIPS	16	34.8	34.8
CILT	3	6.5	41.3
ACCA/ICA	8	17.4	58.7
Others	19	41.3	100.0
Total	46	100.0	

Source: Field Survey, 2019

#### **4.2.3 Category in the professional body respondent associated with**

The category of professional body respondents belonged to is represented in table 4.2 with 3 of them representing 6.5% were fellows. Out of the 46 respondents, 17 were professional members and this represented 37%. Again, only one of the respondents with a percentage value of 2.2% was a probational member. Interestingly, 25 of the respondents which is over 54% were neither fellows, professional members nor probational members. This lends credence to the perception in the public domain that procurement is not practiced by professionals. This is even evident in the recent publication by the Public Procurement Authority (PPA) bemoaning that procurement entities do not have functional and qualified staffed procurement units.

**Table 4.2: Category in the professional body respondent associated with**

Category	Frequency	Percent (%)	Cumulative Percent (%)
Fellow	3	6.5	6.5
Professional member	17	37.0	43.5
Probationer member	1	2.2	45.7
Others	25	54.4	100.0
Total	46	100.0	

Source: Field Survey, 2019

#### 4.2.4 Academic qualifications of respondents

As can be seen from table 4.3, 18 of the respondents representing 39.1% were master's holders who formed the majority. This was closely followed by 17-degree holders with a percentage value of 37%. Those with the Higher National Diploma numbered 5 and represented 10.9% of the total respondents whilst only 2 and 4 representing 4.3% and 4% possessed PhD and other qualifications respectively.

**Table 4.3: Academic Qualifications of Respondents**

Academic Qualifications	Frequency	Percent (%)	Cumulative Percent (%)
HND	5	10.9	10.9
BSc	17	37.0	47.8
MSc/MPhil	18	39.1	87.0
PhD	2	4.3	91.3
Others	4	8.7	100.0
Total	46	100.0	

Source: Field Survey, 2019

#### 4.2.5 Years of practical experience in the procurement practice

The statistics shown in table 4.4 suggest that majority of the respondents representing 41.3% had up to five years of practical experience in the procurement practice. This is explainable by the fact that, Procurement and Supply Chain Management class in the Ghana Civil Service was only created in October, 2013 as a replacement to the then Supply and Materials Management class. It can also be seen that 12 respondents representing 26.1% had 6-10 years' experience in procurement followed by 6 and 5 of the respondents representing 13% and 10.9% having 16-20 and 11-15 years of practical experience in procurement practice. 4 of them who represent 8.7% had over 20 years in the practice of procurement.

**Table 4.4: Respondents Years of Practical Experience in the Procurement Practice**

Years of Practical Experience	Frequency	Percent (%)	Cumulative Percent (%)
1-5yrs	19	41.3	41.3
6-10yrs	12	26.1	67.4
11-15yrs	5	10.9	78.3
16-20yrs	6	13.0	91.3
Over 20yrs	4	8.7	100.0
Total	46	100.0	

Source: Field Survey, 2019

#### **4.2.6 Respondents' knowledge on procurement, finance and budgeting/ planning proceedings**

Of the total number of 46 responses, 23 of them representing 50% indicated that they have high knowledge in procurement, finance and budgeting/planning proceedings. This was then followed by 21 responses representing 45.7% of the entire responses. Only 2 responses with a percentage value of 4.3% did not have knowledge in procurement, finance and budgeting/planning proceedings.

**Table 4.5: Respondents' knowledge on procurement, finance and budgeting/ planning proceedings**

Respondents' knowledge	Frequency	Percent (%)	Cumulative Percent (%)
Medium	21	45.7	45.7
High	23	50.0	95.7
No knowledge	2	4.3	100.0
Total	46	100.0	

Source: Field Survey, 2019

**OBJECTIVE ONE: TO IDENTIFY THE INTENDED EFFECTS OF PUBLIC  
PROCUREMENT ON PRUDENT PUBLIC FINANCIAL MANAGEMENT**

**4.3 TRANSPARENCY IN PUBLIC PROCUREMENT**

Respondents were asked to indicate to what extent transparency in public procurement affect public financial management. A number of transparency indicators were provided and respondents were to indicate how significant they were to affecting public financial management. These indicators are analysed below:

**4.3.1: Legal and regulatory framework for procurement to be made available to the public**

As a requirement for best practices, principles of a well-functioning system are to be stated in a well-defined and transparent legal framework that clearly establishes appropriate policy, procedures, accountability, and controls (PEFA, 2016). From table 4.5.1 below, it can be seen that 17 of the responses representing 37% indicated that legal and regulatory framework for procurement to be made available to the public was very and extremely significant in affecting public financial management. The table also shows that only 4 responses which represent 8.7% believed that making available to the public legal and regulatory framework for procurement has a low significance in affecting government's commitment to ensuring prudent public financial management. Also, 8 of the responses which is made up of 17.4% however believed that making it available is moderately significant to ensuring prudent public financial management.

**Table 4.6: Legal and regulatory framework for procurement to be made available to the public**

Level of Significance	Frequency	Percent (%)	Cumulative Percent (%)
very low significance	4	8.7	8.7
moderate significance	8	17.4	26.1
very significance	17	37.0	63.0
extremely low significant	17	37.0	100.0
Total	46	100.0	

Source: Field Survey, 2019

#### **4.3.2: Government procurement plans to be made available to the public**

Under this indicator, respondents were asked to indicate the level of significance publishing government's annual procurement plans has in affecting prudent public financial management. Of the 46 responses, 19 representing 41.3% indicated that it was very significant to publish government's procurement plans in the quest to ensuring sound financial management. Also, 16 of them who represented 34.8% believed that it *was* extremely significant for government to publish its annual procurement plans should it want to prudently manage public finance. 8 of the respondents who represented 17.4% held the view that publishing government's procurement plans is moderately significant towards the achievement of sound financial management whilst only 3 representing 6.5% of the total respondents indicated that it was of low or extremely low significance. This is therefore in line with regulatory and legal requirements in Ghana that procurement entities must prepare their annual procurement plans and submit the approved one to the Public Procurement Authority for publication (PPA, 2003). The world Bank also requires the Borrower to prepare project procurement plan which the Bank approves and publishes on the United Nations Development Business Online (World bank, 2017).

**Table 4.7: Government procurement plans to be made available to the public**

Level of Significance	Frequency	Percent (%)	Cumulative Percent (%)
extremely low significance	1	2.2	2.2
very low significance	2	4.3	6.5
Moderate significance	8	17.4	23.9
Very significance	19	41.3	65.2
extremely significant	16	34.8	100.0
Total	46	100.0	

Source: Field Survey, 2019

#### **4.3.3: Bidding opportunities to be made available to the public**

The researcher asked the respondents whether in their opinions making public bidding opportunities was significant in ensuring public financial management. Out of the total of 46 respondents, 24 of them representing 52.2% indicated that it was extremely significant to publish bidding opportunities. This supports the argument of Tanina (2018) who maintains that transparency and accessibility to procurement opportunities will inform a larger number of firms of procurement opportunities, and also encourage productive firms to participate given the trust generated from an open process. As shown by the statistics, more of the respondents were of the view that making procurement opportunities available to the public was significant in achieving prudent public financial management. This is further evident in only the 9 responses representing 19.6% of the total respondents who believed that it is either moderately or extremely low significant to make public procurement opportunities in an attempt to achieving financial management.

**Table 4.8: Bidding opportunities to be made available to the public**

Level of Significance	Frequency	Percent (%)	Cumulative Percent (%)
extremely low significance	1	2.2	2.2
Moderate significance	8	17.4	19.6
Very significance	13	28.3	47.8
extremely significant	24	52.2	100.0
Total	46	100.0	

Source: Field Survey, 2019

#### **4.3.4: Contract awards (purpose, contractor and value) to be made available to the public**

It was also the objective of the researcher to elicit from the respondents whether it was significant for contracts awarded by procurement entities to be made public if government wants to achieve prudent public financial management. 18 respondents who represented 39.1% of the total respondents of 46 held the view that this was extremely significant to do. Followed by this was 12 representing 26.1% who also believed that publishing contract awards is *a* very significant move to achieving prudent public financial management. Also, 9 out of the 46 representing 19.6% believed that it was rather moderately significant whilst 5 and 2 representing 10.9% and 4.3% respectively believing that it was rather either very low or extremely low significant.

**Table 4.9: Contract awards (purpose, contractor and value) to be made available to the public**

Level of Significance	Frequency	Percent (%)	Cumulative Percent (%)
extremely low significance	2	4.3	4.3
very low significance	5	10.9	15.2
Moderate significance	9	19.6	34.8
Very significance	12	26.1	60.9
extremely significant	18	39.1	100.0
Total	46	100.0	

Source: Field Survey, 2019

#### **4.3.5: Data on resolution of procurement complaints to be made available to the public**

The existence of a fair and transparent complaints mechanism bestows confidence in the procurement process because it increases the likelihood that the procurement will be carried out in a more impartial and transparent manner (A. L.-C. Federica Saliola, Tania Ghossein, 2016).



In this regard, the researcher tried to establish whether putting complaint mechanisms in place in the procurement process and making public data on resolution of procurement related complaints was a good step towards ensuring financial management. The analysis on the responses revealed that, out of the 46, 16 responses representing 34.8% held the view that it was extremely significant for data on procurement related complaints to be made public. 15 of them which also represented 62.6% rather believed that it was very significant. Also, 10 respondents representing 21.7% indicated that it was moderately significant whereas 4 and 1 representing 8.7% and 2.2% respectively held the view that this was either very low or extremely very low of significance.

**Table 4.10: Data on resolution of procurement complaints to be made available to the public**

Level of Significance	Frequency	Percent (%)	Cumulative Percent (%)
extremely low significance	1	2.2	2.2
very low significance	4	8.7	10.9
Moderate significance	10	21.7	32.6
Very significance	15	32.6	65.2
extremely significant	16	34.8	100.0
Total	46	100.0	

Source: Field Survey, 2019

#### **4.3.6 Annual procurement statistics to be made available to the public**

With this indicator, PEFA (2017) recommends that there should be public access to complete, reliable and timely procurement information, and that, public dissemination of information on procurement processes and their outcomes are also key elements of transparency. With this in mind the researcher sought opinions from the respondents to establish from them how significant this was with regard to achievement of prudent public financial management. As table 4.11 below indicates, 47% of the respondents held the view that making annual procurement statistics public is extremely significant in achieving public financial management. Also, 10 of the respondents representing 21.7%

felt that it is rather very significant while 9, representing 19.6% believed that it is moderately significant. 2 and 3 of them representing 4.3% and 6.5% respectively held the view that it is either having very low or extremely low significance.

**Table 4.11: Annual procurement statistics to be made available to the public**

Level of Significance	Frequency	Percent (%)	Cumulative Percent (%)
extremely low significance	2	4.3	4.3
very low significance	3	6.5	10.9
Moderate significance	9	19.6	30.4
Very significance	10	21.7	52.2
extremely significant	22	47.8	100.0
Total	46	100.0	

Source: Field Survey, 2019

## **PLANNING AND BUDGETING**

Under this, respondents' views were also sought on planning and budgeting. They were asked to indicate to what extent does planning and budgeting in public procurement affect public financial management. As such, a number of indicators of planning and budget were provided to enable respondents to indicate how significant they were to affecting public financial management. These indicators are presented below.

### **4.4.1 Effective and timely procurement planning and budgeting**

Section 21 of the Public Procurement Act, 2003 (Act 663) as amended requires that procurement plans are prepared to support activities and programmes. These plans when prepared help to avoid unplanned expenditure (Sarfo, 2011pro). Again, as has been argued on the issue of credibility of budgets in relation to prudent management of finance, Andrews *et al* (2014) maintains that a comprehensive and regular budget are to be formulated that give a binding expression to government public finance priorities and plans.

Against this background therefore, respondents were asked questions on the significance of procurement planning and budgeting in achieving prudent public financial management. It is interesting to note that 23 representing 50% of the 46 respondents overwhelmingly indicated that it was extremely significant to ensure effective and timely procurement planning and budgeting if government really wants to prudently manage public finance. 17 of them representing 37% also believed that it was very significant. It is noted that only 5 and 1 of the total respondents representing 10.9% and 2.2% respectively held that this was moderately and very low significant. Again, this supports the findings of Sarfo (2011) that suggested that 100% of procurement officials surveyed saw the significance of procurement planning and thus, prepare their procurement plans as stipulated by law.

**Table 4.12: Effective and timely procurement planning and budgeting**

Level of Significance	Frequency	Percent (%)	Cumulative Percent (%)
very low significance	1	2.2	2.2
Moderate significance	5	10.9	13.0
Very significance	17	37.0	50.0
extremely significant	23	50.0	100.0
Total	46	100.0	

Source: Field Survey, 2019

#### **4.4.2 Integration of procurement planning into annual budget preparation process**

In order to explore the views of respondents on whether or not it was significant for the integration of procurement planning into annual budget preparation process, a number of questions were asked of them and they proffered their opinions. According to the results, 27 representing 58.7% of the respondents responded that it was extremely significant. This was followed by 11 and 6 of them representing 23.9% and 13% respectively who also opined that it was very and moderately significant. As evident in table 4.13, only 1% of the respondents responded that it was very low and extremely low significant. The

findings are indeed, a clear manifestation of the fact that procurement plan that is consolidated with the national budget is the one that can lead to greater value for money. This particular finding is supported by the findings of Jackson (2014) which suggested that 60% of the respondents stated that procurement planning is an integral part of the annual budget preparation process. Again, Nortey et al. (2011) equally noted that, the procurement planning is an integral part of the annual budgeting process.

**Table 4.13: Integration of procurement planning into annual budget preparation process**

Level of Significance	Frequency	Percent (%)	Cumulative Percent (%)
extremely low significance	1	2.2	2.2
very low significance	1	2.2	4.3
Moderate significance	6	13.0	17.4
Very significance	11	23.9	41.3
extremely significant	27	58.7	100.0
Total	46	100.0	

Source: Field Survey, 2019

#### **4.4.3 Conducting market surveys to be abreast with prevailing prices for goods, works and services**

Conducting market survey by procurement entities is an important aspect of public procurement process as this helps them to be abreast with prevailing market prices and also makes easier the comparison of prices. With this indicator, the researcher wanted to know from the respondents how significance it was with regard to achievement of prudent public financial management. As clearly shown in table 4.6.3, 64% of the respondents were of the opinion that it was very much and extremely significant to undertake market surveys during procurement planning process. However, out of the total of 46 responses, 26.1% of them indicated that conducting market surveys was between moderately significance and very low significance. In overall, the findings suggest that it is imperative if prudent public financial management is to be ensured for

procurement entities to as part of procurement process conduct market surveys. Sarfo (2011) in a similar study found that 68 out of 70 procurement officers representing 97% indicated that they conduct market surveys to compare prices.

**Table 4.14 Conducting market surveys to be abreast with prevailing prices for goods, works and services**

Level of Significance	Frequency	Percent (%)	Cumulative Percent (%)
extremely low significance	1	2.2	2.2
very low significance	4	8.7	10.9
Moderate significance	7	15.2	26.1
Very significance	17	37.0	63.0
extremely significant	17	37.0	100.0
Total	46	100.0	

Source: Field Survey, 2019

#### **4.4.4 Procurement of goods, works/services within approved procurement plan and budget**

Procurement of goods, works and services outside approved procurement plan and budget amounts to mis procurement and this has the tendency of increasing government's liabilities as funds are usually not available to pay for these contracts. It can also lead to judgement debts because if government is unable to pay off these liabilities, the aggrieved suppliers, contractors or consultants can seek legal redress in court which can result in judgement debt and this can have overall impact on public finance. In view of the above, the researcher sought to find out from the respondents their views on this indicator and interesting to note is the fact that, 20 of them who represented 43.5% felt that it was extremely significant for goods, works and services to be procured from approved procurement plan and budget. Also, 16 out of the 46 representing 34.85 responded that it was very significant whiles 15.2% and 6.5% indicated that it was moderately significant and extremely significant.

**Table 4.15: Procurement of goods, works/services within approved procurement plan and budget**

Level of Significance	Frequency	Percent (%)	Cumulative Percent (%)
extremely low significance	3	6.5	6.5
Moderate significance	7	15.2	21.7
Very significance	16	34.8	56.5
extremely significant	20	43.5	100
Total	46	100	

Source: Field Survey, 2019

#### **4.4.5: Executing procurements within approved lead time periods**

The public procurement law requires that every procurement is executed in accordance with the approved plan and budgets. Inherent in the approved plans are lead time periods within which procurements are expected to be completed. Failure of this usually leads to cost overruns which eventually lead to expensive procurement. Against this background, the researcher decided to find out from the respondents their views. It was revealed that, out of 46 respondents, 18 representing 39.1% held the view that executing procurements within approved lead time periods was very and extremely significant in helping achieve sound public financial management. Those who saw this to be moderately significant was 8 and this represented 17.4% of the total respondents. Only 2.2% of the responses suggested it was extremely low or very low significant.

**Table 4.16: Executing procurements within approved lead time periods**

Level of Significance	Frequency	Percent (%)	Cumulative Percent (%)
extremely low significance	1	2.2	2.2
very low significance	1	2.2	4.3
Moderate significance	8	17.4	21.7
Very significance	18	39.1	60.9
extremely significant	18	39.1	100.0
Total	46	100.0	

Source: Field Survey, 2019

#### **4.4.6 Avoidance of cost overruns during implementation of annual procurement plan**

Cost overruns in procurement process increase the cost of procurement and defeat the very intent of procurement being a system that achieves value for money. This is because, funds that were allocated for the execution of a contract will not be able to fund that project due to increase of contract cost. In an attempt to establish the relevance of cost overruns in undermining government's drive to achieving sound financial management system, respondents were asked to indicate the level of significance that avoidance of cost overruns during implementation of procurement plan can help government to prudently manage public funds. Out of the total of 46 responses received, 19 responses that represented 41.3% were of the view that avoiding it was extremely important. Again, 20 of them representing 43.5% held the view that it was very significant. In fact, less than 10% of the responses received did not see the significance of avoiding cost overruns in the implementation of procurement plans.

**Table 4.17: Avoidance of cost overruns during implementation of annual procurement plan**

Level of Significance	Frequency	Percent (%)	Cumulative Percent (%)
extremely low significance	2	4.3	4.3
very low significance	1	2.2	6.5
Moderate significance	4	8.7	15.2
Very significance	20	43.5	58.7
extremely significant	19	41.3	100.0
Total	46	100.0	

Source: Field Survey, 2019

#### **4.5 EFFECTIVE CONTROL SYSTEM**

Control systems are there to ensure that set down laws, rules processes and procedures are followed in the quest to achieving a set target of an institution. Public procurement is no exception to this. It is expected to be executed in accordance with laws and processes

and procedures that meet best practices and standards. Against this background, a number of control indicators as presented below were provided to the respondents to indicate if they were significant or otherwise in helping to achieve prudent public financial management.

#### **4.5.1 Statutory audit of procurement activities of procurement entities**

In ensuring effective and efficient procurement system that delivers quality goods, works and services to support the successful rendering of services by government institutions, Sections 91 (1), (2) and (3) of the Public Procurement Act, (Act 663) as amended requires the Auditor-General to conduct annual audits of procurement activities of entities and to furnish copies of reports on the audits to the Board of the Public Procurement Authority upon request. This is one of the control mechanisms provided to make sure that laid down procedures are not circumvented.

This study solicited responses from the respondents to know if they share in the opinion that statutory audit of procurement process will help government to achieve its financial management targets. Out of a total of 46 respondents to the study, 25 representing 54.3% were of the view that it will in an extremely significant manner influence the commitments to having a solid and sound public financial management system. Also, another significant number of 16 with a percentage value of 34.8% believed that this was very significant. Only 10.9% of them opined that it was either moderately significant, very low or extremely low significant. This is supported by the observation made by Evans (2014) that public procurement through effective auditing, budgetary control, expenditure monitoring, cost effectiveness among others helped reduce government expenditure drastically as a result of elimination of wastage and leakage of resources, and that this is a positive effect the Public Procurement Act has on Public financial management.



**Table 4.18 Statutory audit of procurement activities of procurement entities**

Level of Significance	Frequency	Percent (%)	Cumulative Percent (%)
extremely low significance	1	2.2	2.2
very low significance	1	2.2	4.3
Moderate significance	3	6.5	10.9
Very significance	16	34.8	45.7
extremely significant	25	54.3	100.0
Total	46	100.0	

Source: Field Survey, 2019

#### **4.5.2 Enhanced laws, rules, systems and processes**

The statistics as depicted in table 4.19 below represent the responses received from the respondents to the study. When asked what is the significance level for there to be enhanced laws, rules, systems and procedures with regard to government's strives to ensuring prudent public financial management in Ghana, various responses were given. 26 of the respondents who represented 56.5% responded that it was extremely significant for laws, rules, systems and processes to be enhanced. As noted in the definition of public finance by Lawson (2015), public financial management encapsulates the set of laws, rules, systems and processes used by sovereign nations (and sub-national governments), to mobilise revenue, allocate public funds, undertake public spending, account for funds and audit results. Again, as noted regarding enhanced laws and regulations, Federica et al. (2016) noted that sound public procurement laws that promote transparency and reduce the opportunity for opaque decisions are an important weapon in the fight against procurement related corruption. According to them, failing to design laws and regulations that balance the diverging goals of various stakeholders would impair economic development in the single most important marketplace in developed and developing countries.

It is noted that 28.3% of the respondents also saw the need for the enhanced laws, rules, systems and processes to be put in place to ensure compliance. The remaining 7 respondents representing 15.2% were of the view that it is either moderately or extremely low significant.

**Table 4.19 Enhanced laws, rules, systems and processes**

Level of Significance	Frequency	Percent (%)	Cumulative Percent (%)
extremely low significance	2	4.3	4.3
Moderate significance	5	10.9	15.2
Very significance	13	28.3	43.5
extremely significant	26	56.5	100.0
Total	46	100.0	

Source: Field Survey, 2019

#### **4.5.3: Efficient and effective internal audit systems**

Owing to the very key role the internal audit plays in any organisation, the study sought to find out from the respondents whether this has any significance in the procurement process and if so, whether it can have any meaningful effect on prudent public financial management. With a total of 46 responses, 25 of it representing 54.3% responded that having efficient and effective internal audit system is extremely significant, and thus it is crucial in achieving sound public financial management system. Followed by this was 15 also representing 32.65% indicating that it was very significant. The remaining 6 of the respondents who represented 13% held the view that efficient and effective internal audit systems have moderate significance or even very low significance with respect to public financial management. Internal auditors serve as compliance enforcers in every formal organisation. They make sure that laid down process and procedures are followed by officers in discharge of mandates and any deviation thereof is pointed out. With the current arrangement in some civil service institutions, evaluation reports subject to approval by the head of entities are forwarded to the internal auditor for advice before the head approves. It is important to stress that if there is effective and efficient internal

audit system with the right caliber of staff, a lot of procurement related irregularities would be minimized if cannot be entirely stopped.

**Table 4.20: Efficient and effective internal audit systems**

Level of Significance	Frequency	Percent (%)	Cumulative Percent (%)
very low significance	2	4.3	4.3
Moderate significance	4	8.7	13.0
Very significance	15	32.6	45.7
extremely significant	25	54.3	100.0
Total	46	100.0	

Source: Field Survey, 2019

#### **4.5.4: Well constituted and effective Entity Tender and Central Tender Review Committees**

Another important control system that the Public Procurement law itself establishes is the tender and tender review committees. Section 20 of the Public Procurement (Amendment Act) 2016 (Act 914) requires every procurement entity to establish a tender committee which mandate among others include ensuring that at every stage of procurement, procedures prescribed in the Act have been followed. With this background, the study sought to inquire from the respondents their views on that. With the 46 responses, 56.5% held the view that it is extremely significant to have these committees in place to ensure public financial management system. Next to this was 15 of the respondents who represent 32.6% and was also of the opinion that it was very significant. Only five of them were in the ranges of moderately significance and very low and extremely low significance. It is also to note that these committees serve as checks on the evaluation panel who usually undertake evaluation exercise for procurement of goods, works and services. This is the reason why members of the tender committees cannot be part of the evaluation panel especially the entities of which they are members.

**Table 4.21: Well constituted and effective Entity Tender and Central Tender Review Committees**

Level of Significance	Frequency	Percent (%)	Cumulative Percent (%)
extremely low significance	1	2.2	2.2
very low significance	1	2.2	4.3
Moderate significance	3	6.5	10.9
Very significance	15	32.6	43.5
extremely significant	26	56.5	100.0
Total	46	100.0	

Source: Field Survey, 2019

## **OBJECTIVE TWO: IMPLEMENTATION EFFECTS OF PUBLIC PROCUREMENT ON PUBLIC FINANCIAL MANAGEMENT**

Under this section, the researcher sought responses from the respondents to establish whether there have been implementation effects of public procurement and how significantly if any affects the governments drive to achieve public financial management.

### **4.6 Abuse of Procurement Law**

This is one of the implementation effects of public procurement. With this, a number of indicators under it were presented to the respondents to indicate how significant they were to affecting sound public financial management.

#### **4.6.1 Increased procurement related corruption**

Table 4.22 shows respondents' opinion on how significant increased procurement related corruption affect public financial management. Out of a total of 46 responses received, 21 representing 45.7% viewed it to be extremely significant. 11 also representing 23.9% believed that it is both very and moderately significant whereas 1 and 2 who represented 2.2% and 4.3% respectively opined that increased procurement related corruption is very and extremely low significant with respect to financial management. Corruption in

public procurement imposes very high costs on both the government and the civil society (A. L.-C. Federica Saliola, Tania Ghossein, 2016). According to the Frederica et al. (2016), when the tendering process is rigged because of corruption, competition cannot play its role of driving the prices down and the quality up. The Consequence of this is that, the quality of infrastructure and public service declines, leading to an impairment to economic growth and development. They also posited that corruption in public procurement also leads to colossal losses of tax payer money in view of the fact that it raises the price paid by the administration for goods and services.

**Table 4.22: Increased procurement related corruption**

Level of Significance	Frequency	Percent (%)	Cumulative Percent (%)
extremely low significance	2	4.3	4.3
very low significance	1	2.2	6.5
Moderate significance	11	23.9	30.4
Very significance	11	23.9	54.3
extremely significant	21	45.7	100.0
Total	46	100.0	

Source: Field Survey, 2019

#### **4.6.2 Deliberate use of non-competitive procurement methods**

Findings on this indicator revealed that non-open and competitive procurement methods were prevalent. Illustrated in table 4.22 below, it is noted that out of a total of 46 responses received, 16 and 15 representing 34.8% and 32.6% respectively held the view that it was extremely and very significant in affecting commitments to ensuring sound public financial management. However, 13 of the responses which represented 28.3% believed that it was moderately significant whereas only 1 representing 2.2% did not see its significance in affecting public financial management.

**Table 4.23: Deliberate use of non-open and competitive procurement methods**

Level of Significance	Frequency	Percent (%)	Cumulative Percent (%)
extremely low significance	1	2.2	2.2
very low significance	1	2.2	4.3
Moderate significance	13	28.3	32.6
Very significance	15	32.6	65.2
extremely significant	16	34.8	100.0
Total	46	100.0	

Source: Field Survey, 2019

## **4.7 OPAQUE PROCUREMENT PROCESS**

### **4.7.1 Ineffective procurement - related complaint systems**

The statistics as shown in table 4.7.2, indicates that 16 of the responses representing 34.8% held the view that Ineffective procurement - related complaint systems do have effects on public financial management but its significance is moderate. Likewise, 15 representing 32.6% held that this was rather very significant. 11 out the total responses which represented 23.9% suggested that it is extremely significant. Also, 2 of them representing 4.3 maintained that ineffective procurement related complaint systems have a very low and extremely significance in this regard. These statistics indeed are in tandem with the measures championed to enhance the credibility of procurement entities with regard to their procurement process (World bank, 2017).

**Table 4.24: Ineffective procurement - related complaint systems**

Level of Significance	Frequency	Percent (%)	Cumulative Percent (%)
extremely low significance	2	4.3	4.3
very low significance	2	4.3	8.7
Moderate significance	16	34.8	43.5
Very significance	15	32.6	76.1
extremely significant	11	23.9	100.0
Total	46	100.0	

Source: Field Survey, 2019

#### 4.7.2 Non-publisisation of procurement opportunities

Table 4.23 clearly illustrates how responses on non-publisisation of procurement opportunities were astonishing. Findings revealed that 28.3% of the responses received suggested that the non-publisisation of procurement opportunities by procurement entities was extremely significant in affecting achievement of sound public financial management. Surprisingly, the same 28% of response also believed that it was rather moderately significant. However, 32.6% of the responses believed that it was very significant whiles about 12% did not see the significance.

**Table 4.25: Non-publisisation of procurement opportunities**

Level of Significance	Frequency	Percent (%)	Cumulative Percent (%)
extremely low significance	2	4.3	4.3
very low significance	3	6.5	10.9
Moderate significance	13	28.3	39.1
Very significance	15	32.6	71.7
extremely significant	13	28.3	100.0
Total	46	100.0	

Source: Field Survey, 2019

#### 4.7.3 Non-publisisation of procurement results

Table 4.26 shows responses regarding this indicator and how significant it was in affecting sound public financial management. Out of a total of 46 respondents, 30.4% of them were of the opinion that the non-publisisation of procurement results impact on

achievement of sound public financial management is extremely significant. Also, 32.6% responded that it was very significant whilst 26.1% held the view that it was moderately significant. About 12% did not see the significance of this in relation to prudent public financial management.

**Table 4.26: Non-publisisation of procurement results**

Level of Significance	Frequency	Percent (%)	Cumulative Percent (%)
extremely low significance	2	4.3	4.3
very low significance	3	6.5	10.9
Moderate significance	12	26.1	37.0
Very significance	15	32.6	69.6
extremely significant	14	30.4	100.0
Total	46	100.0	

Source: Field Survey, 2019

#### **4.8: Mis Procurement**

Mis procurement usually occurs where the Goods, Works or Consulting Services are not procured in accordance with established rules and procedures. An example of this is when a procurement is undertaken but was not planned and budgeted for.

##### **4.8.1: Procurement of goods, works and services not planned and budgeted for**

As shown in table 4.26, 34.8% of the respondents held the view that procurement that has been executed but has not been budgeted for has extremely significant effects on achievement of sound public financial management. Likewise, 26.1% of them believed that this practice is very significant in not helping the commitment to achieving sound financial management. Also, 28.3% indicated that it was rather moderately significant whilst 10.8% of them posited that it did not have much significance.



**Table 4.27: Procurement of goods, works and services not planned and budgeted for**

Level of Significance	Frequency	Percent (%)	Cumulative Percent (%)
extremely low significance	2	4.3	4.3
very low significance	3	6.5	10.9
Moderate significance	13	28.3	39.1
Very significance	12	26.1	65.2
extremely significant	16	34.8	100.0
Total	46	100.0	

Source: Field Survey, 2019

**OBJECTIVE THREE: TO IDENTIFY THE CHALLENGES ASSOCIATED  
WITH PROCUREMENT PROCESS THAT MAKE IT IMPOSSIBLE TO  
PRUDENTLY MANAGE PUBLIC FINANCE IN GHANA**

**4.9. Procurement planning regime that does not align to the annual budget preparation which usually does not guarantee availability of funds**

Here, respondents were asked to indicate how significant it was of a Procurement planning regime that does not align to the annual budget preparation which usually does not guarantee availability of funds on public finance. Out of the 46 responses, 17 of them representing 37% indicated that it was very significant and followed by it was 15 representing 32.6% who held that it was extremely significant. 12 of them who represented 26.1% however opined that it was moderately significant whereas only 2 with a percentage value of 4.3 believed that it was very low significant.

**Table 4.28 Procurement planning regime that does not align to the annual budget preparation which usually does not guarantee availability of funds**

Level of Significance	Frequency	Percent (%)	Cumulative Percent (%)
very low significance	2	4.3	4.3
Moderate significance	12	26.1	30.4
Very significance	17	37.0	67.4
extremely significant	15	32.6	100.0
Total	46	100.0	

Source: Field Survey, 2019

#### **4.9.1 Untimely release of funds by government for procurement activities**

Untimely release of funds by government for procurement activities has been identified as one of the key challenges associated with procurement process which impedes the commitments to achieving prudent public financial management. Owing to this, respondents' opinions were sought on how significance this was. Out of the 46, 21 representing 45.7% indicated that this was extremely significant in impeding achievement of public financial management. 17.4% of them held the view that it was moderately significant whiles 6.5% and 4.3% believed that it was very and extremely significant.

**Table 4.29 Untimely release of funds by government for procurement activities**

Level of Significance	Frequency	Percent (%)	Cumulative Percent (%)
extremely low significance	2	4.3	4.3
very low significance	3	6.5	10.9
Moderate significance	8	17.4	28.3
Very significance	12	26.1	54.3
extremely significant	21	45.7	100.0
Total	46	100.0	

Source: Field Survey, 2019

#### **4.9.2 Political/ official interference in procurement process**

In view of the perception that politicians and other public officials often interfere with procurement process resulting in corruption, high cost of contracts and poor-quality delivery of goods, works and services, the study sought to find out from respondents whether this was really a perception. As evident in table 4.30 below, a very substantial number of 26 representing 56.5% of the total respondents believed that political/ official interference in public procurement exist and this can extremely and significantly have effects on the government's overall objective of prudently managing public finance through public procurement. This is evident in the study conducted by Ameyaw et al. (2014) who noted that the political interference poses a challenge to the implementation process of public procurement and its reforms. The overall effect is that, only 4 respondents representing 8.7% of the total respondents held the view that political interference in procurement process has very low or extremely low significance on public financial management system.

**Table 4.30 Political/ official interference in procurement process**

Level of Significance	Frequency	Percent (%)	Cumulative Percent (%)
extremely low significance	1	2.2	2.2
very low significance	3	6.5	8.7
Moderate significance	7	15.2	23.9
Very significance	9	19.6	43.5
extremely significant	26	56.5	100.0
Total	46	100.0	

Source: Field Survey, 2019

#### **4.9.3 Too much bureaucracy in procurement**

It is also a generally held view that procurement is too bureaucratic. This is corroborated by Evans (2014) who observed that there is too much of bureaucracy in public procurement and this according to him, is the main driver of delays in the entire procurement process spanning from planning through tendering to the award of contract

and payment. This has also been evident by this study as a significant number of the respondents, thus 42 of the 46 respondents representing 91.35% believing that there is too much bureaucracy in public procurement and that, it can significantly affect the desire to manage public funds prudently. Important to note is the fact that, although scientifically it is proven that there is too much bureaucracy in public procurement process, this may rather help governments to achieve sound financial management system. This is because, good practice requires effective control systems to ensure compliance and effective discharge of mandates and in most cases, these control systems are tight and involves a lot of processes. It is these tight processes that are often construed to be bureaucratic.

**Table 4.31 Too much bureaucracy in procurement**

Level of Significance	Frequency	Percent (%)	Cumulative Percent (%)
extremely low significance	2	4.3	4.3
very low significance	2	4.3	8.7
Moderate significance	7	15.2	23.9
Very significance	16	34.8	58.7
extremely significant	19	41.3	100.0
Total	46	100.0	

Source: Field Survey, 2019

## **4.10 DISCUSSION OF RESULTS**

### **4.10.1. Introduction**

This section entails the discussion of the findings in relation to the relevant literature and real-life situations. As intimated in the preceding sections, the study assessed the effects of public procurement on prudent public financial management in Ghana. This was done with three objectives including (1) to identify the intended effects of public procurement on prudent public financial management; (2) to identify the implementation effects of public procurement on public financial management and (3) to identify the challenges

associated with public procurement process making it impossible to prudently manage public finance.

#### **4.10.2 Intended effects of public procurement on prudent public financial management**

##### **A: Transparency**

The findings suggest that transparency in procurement process is an important principle that when ensured can help achieve sound public financial management system. This is evident in the high percentage response rates obtained by each of the sub indicators of transparency. For instance, 74% of the respondents was of the view that there should be legal and regulatory framework for procurement and that this should be made available to the public. In the same vein, at least, 76.1% also responded that government procurement plans when made available to the public will go a long way to help achieve sound public financial management system. Again, 80% indicated that procurement entities should ensure that bidding opportunities should be made available to the public whilst 65.2% also responded that data on contract award should be published by procurement entities. The publication should include the purpose, contractor and the contract amount. As shown by the statistics, 67.4% of the total respondents indicated that data on resolution of procurement related complaints should always be published whereas those who held the view that annual procurement statistics should also be published represented 69.5%. It is worth noting that this finding goes to support the requirements as contained in the framework of PEFA (2016) which wants principles of a well-functioning system to be stated in a well-defined and transparent legal framework that clearly establishes appropriate policy, procedures, accountability, and controls. This also is in support of the assertion by Tanina (2018) that transparency and accessibility to

procurement opportunities will inform a larger number of firms of procurement opportunities, and also encourage productive firms to participate given the trust generated from an open process.

### **B: Timely and Effective Planning and Budgeting**

Indeed, planning and budgeting is a legal requirement as contained in Section 21 of the Public Procurement Act, 2003 (Act 663) as amended that requires all procurement entities to prepare procurement plans to support their approved programmes and activities. Also, as noted by Sarfo (2011) that preparation of procurement plans by procurement entities help to avoid unplanned expenditure and rather allows the entities to undertake their procurements within their budgetary allocations. On the issue of credibility of budgets in relation to prudent management of finance, Andrews et al (2014) advocates a comprehensive and regular budget to be formulated in order for there to be a binding expression to government public finance priorities and plans. It is therefore not surprising that a very significant number of the respondents representing 87% of the total respondents believed that at least it is very significant for there to be effective and timely procurement planning and budgeting whereas 82.6% also suggested that procurement planning should be integrated into the annual budget preparation process. 74% of them also suggested that before procurement plan is prepared, procurement officers should make sure they conduct market surveys to be abreast with the prevailing prices for goods, works and services.

### **C: Effective Control Systems**

- The results also established that effective controls should be enhanced by the state at all procurement entities. These controls include statutory procurement audits, enhanced laws, rules, systems and processes. It also includes a well constituted and effective tender

and tender review committees. Again, as the study found, 89.1% indicated that there should be statutory audit of procurement activities at every procurement entity. Also, 84.8% out of the total respondents indicated that there should be enhanced laws, rules, systems and process to ensure a very robust public financial management system. At least, 86.9% and 89.1% of the respondents respectively held the view that internal audit and tender and tender review committees should be well equipped at all procurement entities to be proactive and not reactive.

#### **4.10.3 Implementation effects of public procurement on public financial management**

##### **A: Procurement Related Corruption**

The result found that, 69.6% of the respondents believed that there is an increased incidence of procurement related corruption and that, this has a very significant effect on the government's commitment to achieving prudent public financial management. It is noted that public procurement is the government activity most vulnerable to corruption and fraud following the colossal sums of public funds that go into it and the interest at stake (A. L.-C. Federica Saliola, Tania Ghossein, 2016). Federica et al. further contends that this menace imposes very high costs on both the government and the civil society, and that, when the tendering process is rigged because of corruption, competition cannot play its role of driving the prices down and the quality up. This according to them, reduces the quality of infrastructure and public service, leading to an impairment to economic growth and development. They also posited that corruption in public procurement also leads to colossal losses of tax payer money as it raises the prices for goods and services. Tran (2011) also noted that government procurement accounts for a substantial share of the world economy which is between 12% and 15% of gross domestic product and is highly vulnerable to corruption. In the estimation of the World

Bank (2005), the global volume of bribes in procurement sector is about U.S.\$200 billion per year (Tran, 2011).

#### **B: Ineffective procurement related complaint systems**

Results showed that the country does not have effective procurement related complaint systems. As shown in table 4.7.3 above, 56.5% of the responses received suggested that the ineffective procurement related complaint systems have a very significant effect on public financial management. These systems are intended to enhance the credibility of procurement entities with regard to their procurement process (World bank, 2017).

#### **C: Non-publisisation of procurement opportunities**

Despite the fact that procurement entities are required by law to publish their procurement opportunities to ensure a competitive procurement environment, and to achieve better value for money, they usually prefer not to advertise. This is evident in the study by Ameyaw et al. (2014), that observed that there was persistent use of non-open and competitive procurement methods and that most of the methods that were used by procurement entities were Single Source (SS), Restricted Tendering (RT) and Request for Quotations (RFQs). Table 4.23 clearly illustrates how responses on non-publisisation of procurement opportunities were astonishing. The findings revealed that 28.3% of the responses received suggested that the non-publisisation of procurement opportunities by procurement entities was extremely significant in affecting sound public financial management. Interestingly, the same 28% of responses also believed that it was rather moderately significant. However, 32.6% of the responses believed that it was very significant while about 12% did not see the significance.

#### **D: Non-publisisation of procurement results**

Section 31 (1) of the Public Procurement Act, 2003 (Act 663) mandates procurement entities to publish procurement results on the website of the PPA. This is to ensure that



entities do not opaquely do procurements that do not ensure competition and value for money. The situation is rather different as this provision is hardly adhered to. Table 4.26 shows responses regarding this indicator and how significant it was in affecting sound public financial management. Out of a total of 46 respondents, 30.4% of them were of the opinion that the non-publisisation of procurement results impact on achievement of sound public financial management is extremely significant. Also, 32.6% responded that it was very significant whilst 26.1% held the view that it was moderately significant. About 12% did not see the significance of this in relation to prudent public financial management.

#### **E. Procurement of goods, works and services not planned and budgeted for**

As shown in table 4.26, 34.8% of the respondents held the view that procurement that has been executed but has not been budgeted for has extremely significant effects on achievement of sound public financial management. Likewise, 26.1% of them believed that this practice is very significant in not helping the commitment to achieving sound financial management.

Also, 28.3% indicated that it was rather moderately significant whilst 10.8% of them posited that it did not have much significance.

#### **4.10.4 Challenges associated with public procurement process making it impossible to prudently manage public finance**

##### **A: Mismatch procurement planning system and untimely release of funds by government for procurement activities**

Findings on challenges with procurement process was overwhelming. Of the total responses, 69.6% indicated that a Procurement planning regime that does not align to the annual budget preparation which usually does not guarantee availability of funds was a very significant challenge which impedes the drive towards achievement of sound public

financial management system. This is because, when the procurement plans are not prepared alongside the annual budget, the implications are that, funds would not be committed to the procurement activities on the plans and when the procurement entities proceed to procure such goods, works and services which were not budgeted for, payments become difficult with supplier/ contractor/ consultant agitations tendencies which when unable to be resolved can eventually lead to payment of judgement debts, hence depletion of public purse. This is even supported by the findings which suggest that 71.8% of the respondents believed that untimely release of funds by government for procurement activities was a big challenge associated with public procurement process.

**B: Political/ official interference and too much bureaucracy in procurement process**

The results also indicate that political interference in procurement process was another challenge that can seriously impede the commitment by government to ensure sound public financial management system. This is evident in the fact that, 76.1% of the respondents saw this to be at least very significant, a threat to the objectives of sound public financial management system. It is also reinforced by the assertion made by Ameyaw et al. (2014) that political interference is another great challenge associated with the procurement process. Ameyaw et al. (2014) also noted that the political interference poses a challenge to the implementation process of public procurement and its reforms. Too much bureaucracy was also established by the findings to be one challenge associated with procurement process. This opinion was expressed by 76.1% of the total respondents. Evans (2014) also found in his study that there is too much of bureaucracy in public procurement and this according to him, is the main driver of delays in the entire procurement process spanning from planning through tendering to the award of contract and payment.



## **CHAPTER FIVE**

### **SUMMARY OF FINDINGS, RECOMMENDATIONS AND CONCLUSION**

#### **5.1 INTRODUCTION**

This chapter seeks to summarize the major findings, draw conclusions and to make recommendations. This study was conducted with the main aim of assessing the effects of public procurement on prudent public financial management in Ghana. the specific objectives of the study included:

1. To identify the intended effects of public procurement on prudent public financial management;
2. To identify the effects of implementation of Public Procurement public financial management;
3. To identify the challenges associated with procurement process that make it impossible to prudently manage public finance in Ghana;
4. To make recommendations for possible improvement in the Public Procurement Act.

Relevant literature on the study was reviewed and this was extensively dealt with in chapter two. The research methodology for the study was also dealt with in chapter three whilst chapter four presented the analysis of the data collected.

#### **5.2 SUMMARY OF FINDINGS**

- A total number of sixty-eight (68) questionnaires were administered and forty-six (46) of them were retrieved from the targeted subjects of procurement, finance and budget/planning officers across the Ministries in Ghana. The 46 retrieved gave a response rate of 67.65%.

- 25 of the respondents which is over 54% were neither fellows, professional members nor probational members with 3 of them representing 6.5% being fellows. It was also found that out of the 46 respondents, 17 were professional members and this represented 37%. Again, only one of the respondents with a percentage value of 2.2% was a probational member.
- As can be seen from table 4.3, 18 of the respondents representing 39.1% were master's holders who formed the majority. This was closely followed by 17-degree holders with a percentage value of 37%. Those with the Higher National Diploma numbered 5 and represented 10.9% of the total respondents whilst only 2 and 4 representing 4.3% and 4% possessed PhD and other qualifications respectively.
- The statistics shown in table 4.3 of chapter four indicated that majority of the respondents representing 41.3% had up to five years of practical experience in the procurement practice and 23 of them representing 50% indicated had high knowledge in procurement finance and budgeting/planning proceedings.
- The findings suggest that transparency in procurement process is a very important principle that when ensured can help achieve sound public financial management system. This is evident in the high percentage response rates obtained by each of the sub indicators of transparency. For instance, 74% of the respondents was of the view that there should be legal and regulatory framework for procurement and this should be made available to the public. In the same vein, at least, 76.1% also responded that government procurement plans when made available to the public will go a long way to help achieve sound public financial management system. Again, 80% indicated that procurement entities should ensure that bidding opportunities should be made available to the public whilst 65.2% also responded that data on contract award should be published by procurement entities. The publication should include the

purpose, contractor and the contract amount. As shown by the statistics, 67.4% of the total respondents indicated that data on resolution of procurement related complaints should always be published whereas those who held the view that annual procurement statistics should also be published represented 69.5%.

- A very significant number that is 87% of the total respondents believed that at least it is very significant for there to be effective and timely procurement planning and budgeting. Of the total respondents, representing 82.6% opined that procurement planning should be integrated into the annual budget preparation process whilst 74% of them held the view that before procurement plan is prepared, procurement officers should make sure they conduct market surveys to be abreast with the prevailing prices for goods, works and services.
- It was found that at least 78.3% of the respondents responded that it is very significant that procurements are executed within the approved plan and budget and 78.2% also believed that procurements should be done within approved lead time periods.
- Out of a total of the respondents, about 89.1% indicated that there should be statutory audit of procurement activities at every procurement entity. Also, 84.8% out of the total respondents indicated that there should be enhanced laws, rules, systems and process to ensure that very robust public financial management system is achieved. On internal audit and tender and tender review committees, 86.9% and 89.1% respectively held the view that these should be put in place and they must be effective and efficient.
- On issue of procurement related corruption, 69.6% of the respondents believed that this has a very significant effect on the government's commitment to achieving prudent public financial management. 56.5% of the responses received also

suggested that the ineffective procurement related complaint systems have a very significant effect on public financial management. Thus, once, this is not addressed it will have a dire consequence on the financial management system.

- When the respondents were asked about their opinions on challenges associated with procurement process that make it impossible for prudently manage public finance, 69.6% of them were of the opinion that one of a Procurement planning regime that does not align to the annual budget preparation which usually does not guarantee availability of funds was a very significant challenge which impedes the drive towards achievement of sound public financial management system. It was also established that untimely release of funds by government for procurement activities was a big challenge. This was indicated by 71.8% of the respondents.
- On political/ official interference in procurement process, 76.1% indicated that this was another challenge that is closely associated with public procurement and that, it is threat to the objectives of sound public financial management system.
- Respondents also indicated as part of the challenges that procurement is characterized with too much bureaucracy. This opinion was expressed by 76.1% of the total respondents.

### **5.3 RECOMMENDATIONS**

- Transparency measures in procurement should be strengthened and the number one most important thing should be that there should be a very comprehensive legal and regulatory system. This is expected to regulate all stakeholders in the procurement process. The framework when is fully done should be published so that all including suppliers, contractors and consultants can have access to it. In addition, procurement entities must make sure that procurement plans, procurement opportunities, contract award notices, data on procurement complaints resolved as well as annual

procurement statistics be made public by way of publicising them.

- There should also be effective and timely planning and budgeting. The annual procurement planning should be integrated into the annual budget preparation process. Procurement entities should endeavour to ensure their procurements are done in accordance with the approved plans and budgets and this must be done also within the lead time periods. Market surveys must also be conducted by procurement practitioners in order to be abreast with the prevailing market prices since this can help them know competitive prices and vendors that are quoting either extremely high prices or abnormally low prices.
- Effective control systems should be put in place to ensure compliance.
- Open competition should be encouraged and as much as possible, discretionary powers of procurement officers or other public officials including politicians regarding who to invite for tender, evaluation of tenders and award of contracts should be minimised if cannot be stopped.

#### **5.4 RECOMMENDATION TO FUTURE RESEARCH**

Future research can be conducted on the assessing the success factors of prudent public financial management systems in Ghana through public procurement.

#### **5.5 RESEARCH LIMITATION**

Study of this nature required establishment of indicators as stated in chapter two earlier such as procurement planning and budgeting, transparency, equality and fairness, effective control systems etc. and to ensure that at every procurement entity to be studied, these indicators are assessed from their procurement files and with the result of this, in addition to opinions of the respondents through questionnaires administration or any other form of data collection a very objective conclusion can be made as to whether or not public procurement has effects on public financial management at least in those



entities studied. Although the study intended to be conducted in this way, the time and financial constraints did not permit the researcher to do so.

## **5.6 CONCLUSION**

The findings imply that there is a fundamental problem with the public procurement system that needs urgent attention.

Although there are some measures imbedded in the public procurement law to ensure procurement is conducted in line with best practices with the overall objective of achieving value for money, thus, sound financial management system, these measures seem not to be working. There is therefore the need to strengthen these measures such as the anti-corruption ones and punitive sanctions to punish all those who are found to be in contravention with the public procurement legal frameworks. It is very important also to significantly limit discretionary powers of procurement officers as well as political/public officials responsible for procurement.

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To whom it may concern

Dear Sir/Madam,

**INVITATION TO PARTICIPATE IN A RESEARCH INTO EFFECTS OF  
PUBLIC PROCUREMENT ON PRUDENT PUBLIC FINANCIAL  
MANAGEMENT IN GHANA**

I write to request your assistance as an experienced practitioner with substantial knowledge in procurement/ finance/ Budgeting to complete the attached questionnaire. Currently, I am undertaking a Master of Science (MSc) in the Department of Building Technology of the Kwame Nkrumah University of Science and Technology under the supervision of Dr. Ernest Kissi. This research is entitled “**Assessing the Effects of Public Procurement on prudent Public Financial Management in Ghana**”.

This research aims to study the intended effects of public procurement on prudent public financial management in Ghana. Hence, your expert knowledge and experience will be extremely useful for this research in establishing the effects of public procurement on prudent public financial management. *The definition of the identified success criteria can be found in page six (6).*

The questionnaire will take 10 to 15 minutes. All your responses will be treated with strict confidentiality and used only for academic purpose. Your views are valuable for the success of this research. After the research, we are willing to share a summary of the outcomes with practitioners in Ghana and anyone who shows interest. For any enquiries, please contact **Nassam, Sualisu Adam** {Tel.: **0242887675**; & email: [nsualisuadam@yahoo.com](mailto:nsualisuadam@yahoo.com) }.

Sincerely,

~~NSA~~

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Nassam, Sualisu Adam, MSc Student

Dr. Ernest Kissi, Supervisor

Department of Building Technology

The Kwame Nkrumah University of Science and Technology, Ghana

## APPENDICES

### ASSESSING THE EFFECTS OF PUBLIC PROCUREMENT ON PRUDENT PUBLIC FINANCIAL MANAGEMENT IN GHANA

#### Questionnaire Survey

##### Important Instructions:

1. Please duly fill this questionnaire with reference to your latest experience about public procurement and its intended effects on prudent public financial management.
2. Please answer the questions by ticking {such as “✓”} or checking {such as “☒”}.
3. Section C of the questionnaire involves writing of appropriate rate (Details in section D)
4. If you wish to have a copy of the report on research findings, please provide your email address:

Click or tap here to enter text.

##### Section A: Background of respondent

Q1. Please indicate the professional body you are associated with.

CIPS ☐; CILT ☐; ACCA/ACA ☐; Others ☐

Q2. Please indicate your category in the professional body you are associated with.

Fellow ☐; Professional member ☐; Probationer member ☐; Others ☐

Q3. Please indicate your academic qualifications.

HND ☐; BSc ☐; MSc/Mphil ☐; PhD ☐; Others ☐

Q4. Please indicate your years of practical experience in the procurement practice.

1-5yrs ☐; 6-10yrs ☐; 11-15yrs ☐; 16-20yrs ☐; Over  
20yrs ☐

Q5. Please rate your knowledge on procurement, finance and budgeting/ planning proceedings?

No knowledge ☐; Medium ☐; High ☐

### **Section B: Intended effects of public procurement**

**Question:** How significant are the following intended effects of public procurement in ensuring public financial management?

Please, rate the significance of each effect with respect to public financial management under which they are listed. **1 = extremely low significance; 2 = very low significance; 3 = Moderate significance; 4 = Very significance; 5 = extremely significant.**

No.	Intended effects of public procurement	Level of Significance
		Low <<<----->>>Extreme
<b>A</b>	<b>Transparency</b>	
1	Legal and regulatory framework for procurement to be made available to the public	<input type="checkbox"/> 1; <input type="checkbox"/> 2; <input type="checkbox"/> 3; <input type="checkbox"/> 4; <input type="checkbox"/> 5
2	Government procurement plans to be made available to the public	<input type="checkbox"/> 1; <input type="checkbox"/> 2; <input type="checkbox"/> 3; <input type="checkbox"/> 4; <input type="checkbox"/> 5
3	Bidding opportunities to be made available to the public	<input type="checkbox"/> 1; <input type="checkbox"/> 2; <input type="checkbox"/> 3; <input type="checkbox"/> 4; <input type="checkbox"/> 5
4	Contract awards (purpose, contractor and value) to be made available to the public	<input type="checkbox"/> 1; <input type="checkbox"/> 2; <input type="checkbox"/> 3; <input type="checkbox"/> 4; <input type="checkbox"/> 5
5	Data on resolution of procurement complaints to be made available to the public	<input type="checkbox"/> 1; <input type="checkbox"/> 2; <input type="checkbox"/> 3; <input type="checkbox"/> 4; <input type="checkbox"/> 5
6	Annual procurement statistics to be made available to the public	
<b>B</b>	<b>Planning and budgeting</b>	
1	Effective and timely procurement planning and budgeting	<input type="checkbox"/> 1; <input type="checkbox"/> 2; <input type="checkbox"/> 3; <input type="checkbox"/> 4; <input type="checkbox"/> 5
2	Integration of procurement planning into annual budget preparation process	<input type="checkbox"/> 1; <input type="checkbox"/> 2; <input type="checkbox"/> 3; <input type="checkbox"/> 4; <input type="checkbox"/> 5
3	Procurement of goods, works/services within approved procurement plan and budget	<input type="checkbox"/> 1; <input type="checkbox"/> 2; <input type="checkbox"/> 3; <input type="checkbox"/> 4; <input type="checkbox"/> 5
4	Conducting market surveys to be abreast with prevailing prices for goods, works and services	<input type="checkbox"/> 1; <input type="checkbox"/> 2; <input type="checkbox"/> 3; <input type="checkbox"/> 4; <input type="checkbox"/> 5
5	Avoidance of cost overruns during implementation of annual procurement plan	<input type="checkbox"/> 1; <input type="checkbox"/> 2; <input type="checkbox"/> 3; <input type="checkbox"/> 4; <input type="checkbox"/> 5
<b>C</b>	<b>Efficient and effective procurement process</b>	
1	Executing procurements within approved lead time periods	<input type="checkbox"/> 1; <input type="checkbox"/> 2; <input type="checkbox"/> 3; <input type="checkbox"/> 4; <input type="checkbox"/> 5
2	Avoiding waste in procurement process	<input type="checkbox"/> 1; <input type="checkbox"/> 2; <input type="checkbox"/> 3; <input type="checkbox"/> 4; <input type="checkbox"/> 5
3	Eliminating unnecessary cost in procurement process	<input type="checkbox"/> 1; <input type="checkbox"/> 2; <input type="checkbox"/> 3; <input type="checkbox"/> 4; <input type="checkbox"/> 5
<b>D</b>	<b>Equality and fairness in the public procurement process</b>	
1	Showing consideration and impartiality to suppliers, contractors and consultants with respect to procurement opportunity	<input type="checkbox"/> 1; <input type="checkbox"/> 2; <input type="checkbox"/> 3; <input type="checkbox"/> 4; <input type="checkbox"/> 5
2	Demonstrating equality in tender evaluations	<input type="checkbox"/> 1; <input type="checkbox"/> 2; <input type="checkbox"/> 3; <input type="checkbox"/> 4; <input type="checkbox"/> 5
<b>E</b>	<b>Effective Control system</b>	
1	Statutory audit of procurement activities of procurement entities	<input type="checkbox"/> 1; <input type="checkbox"/> 2; <input type="checkbox"/> 3; <input type="checkbox"/> 4; <input type="checkbox"/> 5
2	Enhanced laws, rules, systems and processes	<input type="checkbox"/> 1; <input type="checkbox"/> 2; <input type="checkbox"/> 3; <input type="checkbox"/> 4; <input type="checkbox"/> 5
3	Efficient and effective internal audit systems	<input type="checkbox"/> 1; <input type="checkbox"/> 2; <input type="checkbox"/> 3; <input type="checkbox"/> 4; <input type="checkbox"/> 5



4	Well constituted and effective Entity Tender and Central Tender Review Committees	<input type="checkbox"/> 1; <input type="checkbox"/> 2; <input type="checkbox"/> 3; <input type="checkbox"/> 4; <input type="checkbox"/> 5
<b>F</b>	<b>Open and Competitive procurement process</b>	
1	Publishing procurement opportunities	<input type="checkbox"/> 1; <input type="checkbox"/> 2; <input type="checkbox"/> 3; <input type="checkbox"/> 4; <input type="checkbox"/> 5
2	Publishing of procurement contracts	<input type="checkbox"/> 1; <input type="checkbox"/> 2; <input type="checkbox"/> 3; <input type="checkbox"/> 4; <input type="checkbox"/> 5
3	Ensure 80% or more of total value of contracts to be through open and competitive methods	<input type="checkbox"/> 1; <input type="checkbox"/> 2; <input type="checkbox"/> 3; <input type="checkbox"/> 4; <input type="checkbox"/> 5
<b>G</b>	<b>Monitoring of procurement results through audits</b>	
1	Availability of accurate and complete records of data on what has been procured for all procurement methods for goods, services and works	<input type="checkbox"/> 1; <input type="checkbox"/> 2; <input type="checkbox"/> 3; <input type="checkbox"/> 4; <input type="checkbox"/> 5
2	Availability of accurate and complete records of data on value of procurement for all procurement methods for goods, services and works	<input type="checkbox"/> 1; <input type="checkbox"/> 2; <input type="checkbox"/> 3; <input type="checkbox"/> 4; <input type="checkbox"/> 5
3	Availability of accurate and complete records of data on who has been awarded contracts for all procurement methods for goods, services and works	<input type="checkbox"/> 1; <input type="checkbox"/> 2; <input type="checkbox"/> 3; <input type="checkbox"/> 4; <input type="checkbox"/> 5

### **SECTION C: Implementation effects of public procurement**

**Question:** How **significant** are the following implementation effects of Public Procurement on public financial management in Ghana? Please, rate the significance of each effect with respect to the implementation effects category under which they are listed.

**1 = extremely low significance; 2 = very low significance; 3 = Moderate significance; 4 = Very significant; 5 = extremely significant.**

No.	Implementation effects of public procurement	Level of Significance
		Low <<<--- >>>Extreme
A	<b>Abuse of procurement law</b>	
1	Deliberate use of non-open and competitive procurement methods	<input type="checkbox"/> 1; <input type="checkbox"/> 2; <input type="checkbox"/> 3; <input type="checkbox"/> 4; <input type="checkbox"/> 5
2	Increased procurement related corruption	<input type="checkbox"/> 1; <input type="checkbox"/> 2; <input type="checkbox"/> 3; <input type="checkbox"/> 4; <input type="checkbox"/> 5
	<b>Opaque procurement processes</b>	
1	Non publication of procurement opportunities	<input type="checkbox"/> 1; <input type="checkbox"/> 2; <input type="checkbox"/> 3; <input type="checkbox"/> 4; <input type="checkbox"/> 5
2	Ineffective procurement - related complaint systems	<input type="checkbox"/> 1; <input type="checkbox"/> 2; <input type="checkbox"/> 3; <input type="checkbox"/> 4; <input type="checkbox"/> 5
3	Non publication of procurement results	<input type="checkbox"/> 1; <input type="checkbox"/> 2; <input type="checkbox"/> 3; <input type="checkbox"/> 4; <input type="checkbox"/> 5
B	<b>Mis procurement</b>	
1	Procurement of goods, works and services not planned and budgeted for	<input type="checkbox"/> 1; <input type="checkbox"/> 2; <input type="checkbox"/> 3; <input type="checkbox"/> 4; <input type="checkbox"/> 5
2	Procurement of goods, works and services outside the predetermined lead time periods	<input type="checkbox"/> 1; <input type="checkbox"/> 2; <input type="checkbox"/> 3; <input type="checkbox"/> 4; <input type="checkbox"/> 5
3	Incidence of cost overruns	<input type="checkbox"/> 1; <input type="checkbox"/> 2; <input type="checkbox"/> 3; <input type="checkbox"/> 4; <input type="checkbox"/> 5
4	Contract abrogation / terminations	<input type="checkbox"/> 1; <input type="checkbox"/> 2; <input type="checkbox"/> 3; <input type="checkbox"/> 4; <input type="checkbox"/> 5
C	<b>Please indicate other implementation effects and rate (if any)</b>	
1		<input type="checkbox"/> 1; <input type="checkbox"/> 2; <input type="checkbox"/> 3; <input type="checkbox"/> 4; <input type="checkbox"/> 5
2		<input type="checkbox"/> 1; <input type="checkbox"/> 2; <input type="checkbox"/> 3; <input type="checkbox"/> 4; <input type="checkbox"/> 5
3		<input type="checkbox"/> 1; <input type="checkbox"/> 2; <input type="checkbox"/> 3; <input type="checkbox"/> 4; <input type="checkbox"/> 5

**Section D: Challenges associated with procurement process that make it impossible to prudently manage public finance in Ghana**

**Question:** How significant are the following challenges associated with procurement process that make it impossible to prudently manage public finance in Ghana? Please, rate the significance of each challenge category under which they are listed.

**1 = extremely low significance; 2 = very low significance; 3 = Moderate significance; 4 = Very significant; 5 = extremely significant.**

No.	Challenges associated with procurement process	Level of Significance
		Low <<<----->>>Extreme
A	<b>Challenges associated with procurement process</b>	
1	Procurement planning regime that does not align to the annual budget preparation which usually does not guarantee availability of funds	<input type="checkbox"/> 1; <input type="checkbox"/> 2; <input type="checkbox"/> 3; <input type="checkbox"/> 4; <input type="checkbox"/> 5
2	Untimely release of funds by government for procurement activities	<input type="checkbox"/> 1; <input type="checkbox"/> 2; <input type="checkbox"/> 3; <input type="checkbox"/> 4; <input type="checkbox"/> 5
3	Difficulty in obtaining bid, performance, securities and mobilization of advance guarantees by service providers	<input type="checkbox"/> 1; <input type="checkbox"/> 2; <input type="checkbox"/> 3; <input type="checkbox"/> 4; <input type="checkbox"/> 5
3	Political/ official interference in procurement process	<input type="checkbox"/> 1; <input type="checkbox"/> 2; <input type="checkbox"/> 3; <input type="checkbox"/> 4; <input type="checkbox"/> 5
4	Too much bureaucracy in procurement	<input type="checkbox"/> 1; <input type="checkbox"/> 2; <input type="checkbox"/> 3; <input type="checkbox"/> 4; <input type="checkbox"/> 5
B	<b>Please indicate other challenges and rate (if any)</b>	
1		<input type="checkbox"/> 1; <input type="checkbox"/> 2; <input type="checkbox"/> 3; <input type="checkbox"/> 4; <input type="checkbox"/> 5
2		<input type="checkbox"/> 1; <input type="checkbox"/> 2; <input type="checkbox"/> 3; <input type="checkbox"/> 4; <input type="checkbox"/> 5
3		<input type="checkbox"/> 1; <input type="checkbox"/> 2; <input type="checkbox"/> 3; <input type="checkbox"/> 4; <input type="checkbox"/> 5
4		<input type="checkbox"/> 1; <input type="checkbox"/> 2; <input type="checkbox"/> 3; <input type="checkbox"/> 4; <input type="checkbox"/> 5
5		<input type="checkbox"/> 1; <input type="checkbox"/> 2; <input type="checkbox"/> 3; <input type="checkbox"/> 4; <input type="checkbox"/> 5
6		<input type="checkbox"/> 1; <input type="checkbox"/> 2; <input type="checkbox"/> 3; <input type="checkbox"/> 4; <input type="checkbox"/> 5

**--This is the end of the survey---Thank you for your time**

**Definition**

- **Transparency:** Same rules apply to all suppliers of goods, works and services and that these rules are publicised as the basis of procurement decisions prior to their use.
- **Planning and Budgeting:** Identifying, planning and prioritising the needs by each procurement entity and ensuring that this is fully integrated with applicable budget processes and circulars issued by the Public Procurement Authority and the budget preparation instructions of the Ministry of Finance.
- **Efficient and effective procurement process:** Undertaking procurement that achieves objectives in a timely manner with minimal resources.
- **Effective Control system:** Sound mechanisms put in place to ensure set of rules, laws, processes and procedures set to achieve intended purposes are duly complied with.
- **Equality and fairness in the public procurement process:** Showing consideration and impartiality at all stages of the procurement process, especially demonstrating equality in tender evaluations.
- **Competitiveness of procurement process:** Actively encouraging greater supplier participation in the tendering process through advertising, sourcing reviews, prequalification and transparent procedures.
- **Abuse of procurement law:** Inconsiderate application of public procurement law to achieve personal objectives while public good is being compromised.
- **Mis- procurement:** Where the Goods, Works or Consulting Services are not procured in accordance with established rules and procedures.
- **Opaque procurement processes:** Undertaking procurement in a shrouded manner.
- **Monitoring of procurement results:** Extent to which prudent monitoring and reporting systems are in place within government for ensuring value for money and for promoting fiduciary integrity.