

Public Procurement and Fiscal Discipline: An Evaluation of Ghana's Public Financial Management System

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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 currently does not achieve its intended objective. For this reason, the study examined 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 manage public finance in Ghana prudently. A quantitative research method was adopted for the study, and with a sample size of 68, 68 questionnaires were administered, and 46 were retrieved, indicating a response rate of 67.65%. Data collected was analysed with SPSS, and descriptive statistics were used. The significant 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 the procurement process. These findings imply that a fundamental problem with the public procurement system needs urgent attention. Effective planning, 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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1.0 INTRODUCTION

Financial resources worldwide have been insufficient in meeting the numerous developmental needs of countries. This has been a contributing factor to underdevelopment, with its attendant consequences in most countries in the world. According to (Scott & Julius, 2012), the attributable causes of this insufficiency have not only been limited to inadequate revenue mobilisation but also through wanton misapplication and corruption by the very people entrusted with the responsibility to protect the public purse. In their quest to ensure that resources are available to meet 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 suggests three (3) primary 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 fourth 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 policy formulation (by political parties, academia/research bodies and civil society); budget formulation; budget approval (by political parties and the legislature); budget execution (through internal audit and procurement); accounting (Accountant General's Dept.); and external audit - the legislature and civil society (Lawson, 2015).

Typical of governments' efforts to manage public financial management include, but are not limited to, the Public Financial Management Reform Programme (PFMARP), 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 the 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 institutionalised, 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 leading Public Financial Management (PFM) reform agendas, thus, the Public Financial Management Reform Programme (PFMARP), from 1997 to 2003; and 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 (PFMARP) was a 6-year multi-component Government of Ghana (GOG) programme to strengthen the PFM. The programme had nine components, including procurement, which was component 6. As an integral component of the programme, the government 1999 established the 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 Act aims to harmonise public procurement processes in the public service to secure the judicious, economic, and efficient use of state resources and ensure that public procurement is fair, transparent, non-discriminatory, and environmentally and socially sustainable (PPA, 2016). Aside from wages and salaries, procurement takes the most significant portion of governments' budgetary allocations. Its size in most developed economies is double-digit percentage points of GDP (Cernat & Kutlina-Dimitrova, 2015).

Regarding economic importance worldwide, the size of government procurement spending as measured in the most recent Global Trade Analysis Project (GTAP) database 9 varies from 6-32% of GDP depending on the country (Kutlina-Dimitrova & Cernat, 2018). According to (A. L. Federica Saliola, Tania Ghossein, 2016), Public procurement accounts for around one-fifth of global gross domestic product (GDP). Government procurement in the EU, including state-owned utilities, reached €2.4 trillion or 19 % of EU GDP in 2011 (Cernat & 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, representing 14% of the country's GDP and 24% of total imports (Sarfo, 2011). It accounts for over 50% of the government's revenue and contributes about 17% to Ghana's GDP (Authority, 2013).

Given 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 to conduct a study to ascertain whether or not public procurement has the propensity to contribute to prudent public financial management in Ghana as envisaged.

2.0 LITERATURE REVIEW

This sought to critically examine, summarise and review relevant literature on the effects of Public Procurement on Prudent Public Financial Management in Ghana. The chapter dwelt much on conceptual, theoretical, and empirical literature reviews and conceptual frameworks 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 manage public finance in Ghana prudently. It also seeks to discuss any gaps identified with the previous studies in the subject area.

2.1 Conceptual Review

2.1.1 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 valuable life and subsequent disposal of an asset (Ministry of Business, 2011). Accordingly, it is again defined as the acquisition of goods, works or services at the best possible total cost of ownership, right price in the correct 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 categorised into Goods, Works, Consulting and Non-Consulting Services (Technical Services):

- **Goods procurement:** A procurement category that includes commodities, raw materials, 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 provide expert or strategic advice, e.g., management, policy, or communications consultants. Advisory and project-related consulting services include, for example, feasibility studies, project management, engineering services, finance and accounting services, and training and development (World Bank, 2017).
- **Non-consulting Services:** Non-consulting Services are typically bid and contracted based on the performance of measurable outputs, 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. 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). 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.

2.1.2 Good public procurement

According to Bozzay (2019), good public procurement requires (1) a 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.

2.1.3 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 as increased transparency, reduced corruption, achieving value for money and professionalising the procurement function (Telgen *et al.*, 2016). The Kenyan 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 several 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 integral to the wider Public Financial Management Reform Programme (PFMARF) between 1997 and 2003 (PPA, 2019). The PUFMARF became necessary following a series of External Reviews of the Public Financial Management System (ERPFM) in Ghana to provide Multi-Donor Budget Support (MDBS). Partners have 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 to improve the overall public financial management in the country. Several

challenges and inefficiencies in the country's procurement system were identified during the reform exercise. 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).

Given 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 organisational weaknesses (PPA, 2019). As a result, in 1999, the government established the Public Procurement Oversight Group to develop a detailed and well-thought-through public procurement reform programme. By September 2003, the team came out with a draft of a public procurement bill that, by 31st 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 broader public financial management reforms, it is the expectation that when procurement is done well and by 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 given the government's vast budgetary allocation for procuring goods, works, and services.

2.2 Conceptual Review of Prudent Public Financial Management

Public Financial Management (PFM), according to Lawson (2015), is a set of laws, rules, systems, and processes by which nations mobilise revenue, allocate funds through public spending, and account for the funds and 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 mobilisation and management in the public sector, and usually commences with policy analysis and review through budget preparation to implementation, monitoring and evaluation. It is vital to sustainable development, good governance and government accountability (Mof, no date).

Revenue is rarely sufficient to meet public demands, thus, for delivering goods, works and services. In this regard, public money must be managed carefully to ensure sustainability for the medium- and long-term period, and robust public financial management systems must be 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 that allows for high-quality audits that impact public sector functioning.

Available literature on public financial management suggests three (3) primary 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 fourth 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. It may help reinforce broader 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):

Prudent fiscal decisions

- Spending decisions are affordable (deficit, debt levels, and 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 that do not threaten solvency or economic stability in the foreseeable future.

Credible budgets

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

Reliable and efficient resource flows and transactions

- Cash is provided to spending agencies when agreed, in agreed-upon amounts,
- Salaries and services are procured when planned, at an 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-upon amounts,
- Corruption, nonperformance losses (with salaries, contracts, etc.) are minimal. Are paid in a timely fashion; arrears are low or non-existent.

Institutionalised 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, and are accessible to 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,
- Citizens' representatives transparently discuss concerns raised by independent assurance exercises and receive timely follow-up and redress from the executive.

2.2.1 Public financial management reforms

Despite the important role public financial management plays in the successful development of nations, including Ghana, it appears that its primary 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 to improve the system's functionality. Public financial management reforms have been defined as purposeful changes to budget institutions to improve their quality and outcomes (Andrews *et al.*, 2014).

Ghana's Public financial management reforms date back to the 1990s. 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). Having identified these disturbing issues through the PERS, the government launched the Public Financial Management Reform Program (PFMARF) in July 1995 to address them. The PFMARF 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 the Department for International Development (DFID), the Canadian International Development Agency (CIDA), and the European Union (Adamtey, 2017).

The components included:

- Budget preparation – introduction of Medium-Term Expenditure Framework (MTEF);
- BPEMS, an integrated financial management information system;
- Cash management – introduction of a modern cash management system;
- Aid and Debt Management – improving data on aid and debt management and the link with CAGD and Bog;
- Revenue management – introduction of VAT, unique Taxpayer Identification Number, IT system for tax assessment, collection, and reporting, and strategy for managing customs data;
- Procurement – formulation of national procurement code and development of mechanisms for compliance with the code;
- Auditing – development of national audit standards, specification of audit reports, and introduction of value-for-money audits;
- Legal framework – review of legislative framework and development of revised financial rules and regulations for Parliamentary approval; and
- 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. An important point to note is that these reforms form part of the Ghana Poverty Reduction Strategy (GPRS) (Betley *et al.*, 2012).

2.2.2 PFM legal framework in Ghana

Ghana's public financial management finds its legal basis in the 1992 constitution and the various relevant acts establishing appropriate budget, accountability structures, and reporting arrangements (Mof, no date). Some of 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:

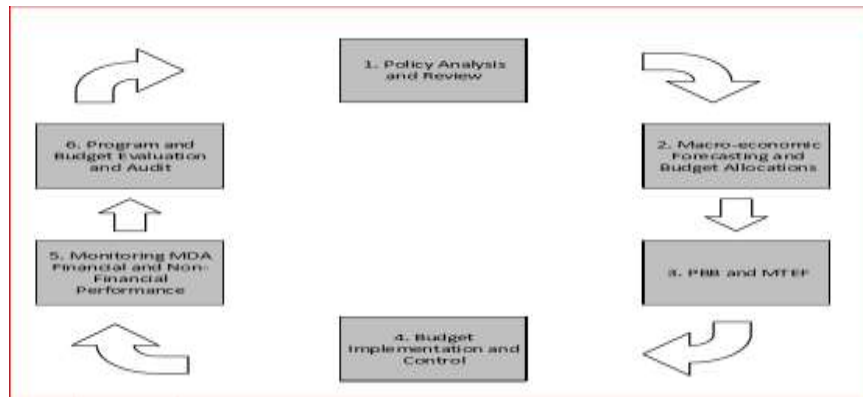


Fig. 2.2: Ghana's Public Financial Management Cycle
Source: Mof Budget Operations Manual

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 a direct impact on public financial management and not necessarily the intended and implemented outcomes. Consequences of it. It is imperative to note that the procurement regime is intended to eliminate corruption in the procurement process, regulate expenditure and instil discipline in public finances (Nortey *et al.*, 2011). Therefore, assessing public procurement's effects on public finance should 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) must be identified and analysed to see how each impacts 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 specific 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 questionnaire administration or any other form of data collection, will be a very objective way to conclude whether public procurement affects public financial management. It is therefore against this background, among others, that this study will be relevant to help address these gaps.

2.3 Empirical Review

2.3.2 *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 doing so, 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 ways public money is spent to provide public services (Bozzay, 2019). Transparency ensures that public procurement is undertaken openly and transparently, 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 bring development, especially in developing nations. According to him, 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 ensures the application of the same rules to all vendors of goods, works, and services and publishes the rules intended to be the basis of procurement decisions (Sarfo, 2011). With the help of the procurement law, procurement entities can obtain value for money through competitive tendering, which has prevented contractors/suppliers from exercising monopolistic power due to the associated problems of charging exorbitant contract prices (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 ensures 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, boosting their confidence in the procurement process. They explained that a lack of planning, implementing and monitoring procurement actions often leads to a total failure of the entire procurement system, which eventually leads to undue delays in the delivery of goods, works and services, shortages and or excess stocks, poor quality products, and other associated problems.

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

The goal of sound 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 many firms of procurement opportunities and 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. One such benefit is that firms will be forced to reduce prices while maintaining quality. This also goes a long way in reducing government expenditure, hence meeting the requirements of sound public financial management. Similarly, the propensity for the private business to grow is high; when this happens, the government's revenue also increases.

The flip side, where public procurement can have dire consequences on the economy and, by extension, the financial management system, is where there is a poor quality public procurement system. According to Ohashi (2009), cited in Tania (2018), Poor public procurement systems characterised by a lack of transparency can be a channel through which corruption permeates an economy. The lack of transparency and competition can allow public officials to use public procurement to elicit 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 are 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 rent-seeking behaviour costs, other government arms may also engage in rent-seeking activities, Auriol *et al.* (2016) cited in Tania (2018).

2.3.2 Implementation effects of public procurement on public financial management

Contrary to the good intent of governments to use public procurement to achieve a sound public financial management system, several 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. In their study, Ameyaw *et al.* (2014) observed 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 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 & Ghossein, 2016). Corruption in public procurement imposes very high costs on the government and civil society (Saliola & Ghossein, 2016). According to them, when the tendering process is rigged because of corruption, competition cannot play its role of driving prices down and quality up. The consequence of this is that the quality of infrastructure and public services declines, leading to an impairment of economic growth and development. They also posited that corruption in public procurement leads to colossal losses of taxpayer money, because 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 annually (Tran, 2011). Peter (2012) also asserted that inefficiency in procurement can result in corruption, theft and loss of property.

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

Despite all the reforms that various economies have undertaken to ensure that public procurement helps such economies to manage their public finances prudently, not much has been achieved. This is mainly due to several challenges associated with implementing public procurement. As a result, research has been conducted to discover 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 manage public finance in Ghana prudently is the procurement planning regime that does not align with 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, the appropriation bill is passed to guarantee the availability of funds. The trend is that some procurement entities commence procurement proceedings in anticipation that releases will come for them to pay contractors. In many cases, these monies do not come, yet commitments have already been made. This consequence is delayed payment, leading to supplier/ contractor agitation. If this continues, the likelihood of the government suffering judgment debt will be higher. All these dissipate the public purse against prudent public financial management commitment. Evans (2014) also observed that there is too much bureaucracy in public procurement, and this, according to his findings, is the primary 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 because 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 an increase in the cost of procurement due to inflation and interest.

This can further lead to loss of public funds through payment of judgment debts. This is because, if the government cannot release funds for the project that was executed but was not planned and budgeted for, it can lead to suppliers/ contractors/consultants' agitation, which may eventually end up in the law courts. Political interference is another significant 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.

3.0 RESEARCH METHODOLOGY

Research methods are procedures and techniques 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 the methods and techniques used to arrive at the conclusions are 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 minimising 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 several techniques as follows to help him undertake the study:

3.1 Research Design

This study employed a survey research design. Survey research entails collecting data to test hypotheses or to answer questions about people's opinions on an issue (Gay, 2012). This design was adopted because it efficiently helped gather information about the study area from the target population.

3.1.1 Research method

A quantitative method of research was adopted to carry out this study. Adopting this approach for the study was influenced by the study's problem. 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 significant the intended effects of procurement were on prudent public financial management in Ghana.

3.2 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 generalisation is made. Ary *et al.* (2010) distinguish between the population to which the researcher would ideally like to generalise 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 the explanation given by Ary *et al.* (2010), the researcher has defined the ideal population for his study to include all procurement, finance, and budget/planning officers in Ghana. Also, given 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 the 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).

3.2.1 Sample size and its determination

Gay (2012) asserts that quantitative researchers generally do not gather information from the entire study population. 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 be well selected from the population so that the study's results can be generalised 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: Use a census for small populations, using published tables, using the sample size of a similar study and using formulae to calculate a sample size.

Of the above strategies, the researcher used the formula below to determine the study's sample size.

3.2.2 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 resorted 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 could be generalised to the entire population. In undertaking the sampling for the study, a probability sampling technique *was* used, and the reason for the technique was to ensure that every unit

was given an equal chance of being selected. It was also used because, according to Tagoe (2009), this technique is straightforward and gives every member of the population an equal chance of being selected, while eliminating selection biases that may occur in selecting respondents. The method was also intended to help the researcher generalise his findings to the entire population after the study. The individuals in the study population were homogeneous regarding their socio-demographic characteristics, so a simple random sampling method was adopted. Using simple random sampling, random numbers 100 were created using a random number table (see table 1 below); with this, 22 ministries were sampled out of the total of 34 Ministries in Ghana (Source of Ministries in Ghana- www.gov.gh).

3.3 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 favoured by quantitative researchers (Gay, 2012). Document or artefact analysis is another way 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 were used to collect data. However, following that, the researcher wanted to establish the intended effects of procurement on public financial management, and to establish further the veracity of the responses provided by the respondents, it was deemed necessary for selected procurement records to be subjected to physical verification.

3.3.1 Primary and secondary information

This study uses both primary and secondary sources of data. 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, the Internet, journal articles, newspapers, magazines, and research reports, among others.

3.3.2 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. Given time constraints, the questionnaires were not piloted. The questionnaire design for the study was a self-administered delivery and collection type. This was deemed to be appropriate because of the high level of literacy of the target population. All the target population were literate; as such, it was anticipated that they would be able to respond to the questions with little or no assistance. The questionnaires consisted mainly of closed-ended questions, and the rationale for the adoption of mainly the closed-ended type was to help simplify the analysis of the data collected. This was also born out of the limited time available for the study. The design was in four sections; thus, Sections A, B, C, and D. Section A was based on the respondents' demographic data, and Sections B, C, and D were modelled alongside the study's objectives. 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 the public procurement process impedes the drive to achieve the 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 significant; 5 = extremely significant).

3.4 Data Analysis and Presentation

A computer data analysis 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), it 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 using frequencies and percentages. The researcher employed both descriptive and inferential statistics during the data analysis. Given this, and following that this study was a survey type, only frequencies and percentages of the simple descriptive statistics were used to analyse the data. The descriptive statistics were used to help the researcher summarise or describe the data collected (Healy, 1996; Mason and Lind, 1993, cited in Tagoe, 2009). On the other hand, the inferential helped the researcher generalise his findings from the sample studied to the entire population. The researcher, during the analysis, ensured that the data collected were properly edited and coded before entry and analysed with the help of the SPSS software for data analysis.

3.5 Ethical Considerations

Researchers have obligations to their subjects and profession; strict adherence to ethical standards in conducting 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 handled. During the study, subjects' informed consent was sought verbally when approached. An introductory letter was also presented to them, indicating the survey exercise's intent. Questionnaires were administered to/those who consented to participate in the study voluntarily. Every participant or subject was also assured of the confidentiality of any information he or she was to provide. The researcher respected each subject's right to privacy by not arbitrarily intruding into their offices. The researcher also did not allow his idiosyncrasies to influence his conduct of the research; instead, he only allowed himself to be guided by his professional code of ethics.

4.0 DATA ANALYSIS AND PRESENTATION

This presents the analysis of the data collected from the study field, which is mainly primary. 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 and Objective Three: challenges associated with procurement process that make it impossible to manage public finance in Ghana. prudently

In all, 68 questionnaires representing the total sample size for the study were distributed among procurement and finance practitioners and budget/ planning officers across 22 ministries in the country that were randomly sampled. Out of this, 46 responses were received, representing 67.65% of the total sample size. The response rate is reasonable, as Richardson (2005) indicated that a 60% or more response rate is desirable for research work. Analysis was based on the 46 responses received, and the computer data analysis 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), it 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 consist of determining the frequencies and percentages of responses for the questions of the study. Given this, and following that this study is a survey type, only frequencies and ratios of the simple descriptive statistics have been used to analyse the data. The employment of descriptive statistics, as postulated by Tagoe (2009, cited in Healy, 1996; and Mason and Lind, 1993), was to help the researcher to summarise or describe the data collected. It also enabled the researcher to make comparisons, as it is easier to compare in percentage terms than in the usual numbers.

4.1 Descriptive Analysis Of Demographic Data

This part of the analysis sought to elicit basic demographic data such as respondents' educational level and background, professionalism, practical experience, and knowledge in procurement, finance, budgeting or planning. This was necessary to ensure that the right calibre of respondents were administering the questionnaires and to enhance the credibility of the study's findings.

Under this, respondents were asked about their areas of professionalism. This was asked because the questions were expected to be answered mostly by the professionals. As depicted in Table 4.1, out of 46 respondents, 16, representing 34.8%, were members of the Chartered Institute of Procurement and Supply (CIPS). 17.4% of the respondents were members of the Association of Chartered Accountants, UK or the Institute of Chartered Accountants, Ghana. Also, three respondents, representing 6.5%, were members of the Chartered Institute of Transport and Logistics, and 19 did not belong to any profession, representing 41.3% of the respondents.

Professionals lead the category of professional body respondents. 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. As seen from Table 4.3, 18 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 a PhD and other qualifications, respectively.

The statistics show that most respondents, representing 41.3%, had up to five years of practical experience in the procurement practice. This is explainable because the Procurement and Supply Chain Management class in the Ghana Civil Service was only created in October 2013 to replace 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 respondents representing 13% and 10.9% having 16-20 and 11-15 years of practical experience in procurement practice. 4 of them, representing 8.7%, had over 20 years in procurement practice.

4.2 Respondents' knowledge of procurement, finance and budgeting/ planning proceedings

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

4.3 To Identify the Intended Effects of Public Procurement on Prudent Public Financial Management

Transparency in Public Procurement: Respondents were asked to indicate how much openness in public procurement affects public financial management. Several transparency indicators were provided, and respondents were asked to indicate how significantly they affected 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 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 the legal and regulatory framework for procurement to be made available to the public was very significant in affecting public financial management. The table also shows that only four responses, representing 8.7%, believed that creating a legal and regulatory framework for procurement available to the public has a low significance in affecting the government's commitment to ensuring prudent public financial management. Also, 8 of the responses, which comprise 17.4%, believed that making it available is moderately significant to ensuring prudent public financial management.

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 that publishing the government's annual procurement plans has in affecting prudent public financial management. Of the 46 responses, 19, representing 41.3%, indicated that publishing the government's procurement plans to ensure sound financial management was very significant. Also, 16 of them, representing 34.8%, believed that it was highly significant for the government to publish its annual procurement plans if it wanted to manage public finance prudently. 8 of the respondents who represented 17.4% believed that publishing the government's procurement plans is moderately significant towards achieving 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, which require procurement entities to prepare their annual procurement plans and submit the approved ones to the Public Procurement Authority for publication (PPA, 2003). The World Bank also requires the Borrower to prepare a project procurement plan, which the Bank approves and publishes on the United Nations Development Business Online (World Bank, 2017).

4.3.3 Bidding opportunities to be made available to the public

The researcher asked the respondents whether, in their opinion, making public bidding opportunities was significant in ensuring public financial management. Of the 46 respondents, 24, representing 52.2%, indicated that it was essential 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 procurement opportunities and encourage productive firms to participate, given the trust generated from an open process. As shown by the statistics, more respondents believed that making procurement opportunities available to the public was significant in achieving prudent public financial management. This is evident in only the nine responses representing 19.6% of the total respondents who believed it is either moderately or extremely low significant to make public procurement opportunities to achieve financial management.

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 the government wants to achieve prudent public financial management. 18 respondents, who represented 39.1% of the total respondents of 46, believed this was highly significant. This was 12, representing 26.1%, who also believed that publishing contract awards is essential to achieving prudent public financial management. Also, 9 out of the 46, representing 19.6%, thought it was moderately significant, whilst 5 and 2, representing 10.9% and 4.3% respectively, believed it was either very low or extremely low significant.

Data on resolving procurement complaints is 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 more impartially and transparently (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 resolving procurement-related complaints was a good step towards ensuring financial management. The analysis of the responses revealed that, out of the 46, 16 responses representing 34.8% believed that it was highly significant for data on procurement-related complaints to be made public. 15 of them, who also represented 62.6%, believed it was very substantial. Also, 10 respondents representing 21.7% indicated that it was moderately significant, whereas 4 and 1 respondents, representing 8.7% and 2.2% respectively, believed that this was either very low or extremely low in significance.

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 is also a key element of transparency.

With this in mind, the researcher sought opinions from the respondents to establish how significant this was regarding the achievement of prudent public financial management. As Table 4.11 below indicates, 47% of the respondents believed that publicising annual procurement statistics is highly significant in achieving public financial management. Also, 10 of the respondents representing 21.7% felt that it is instead very significant, while 9, representing 19.6%, believed that it is moderately substantial. 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.

4.4 Planning and Budgeting

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

Effective and timely procurement planning and budgeting

Section 21 of the Public Procurement Act, 2003 (Act 663) requires that procurement plans be prepared to support activities and programmes. When prepared, these plans help avoid unplanned expenditures (Sarfo, 2011). Again, as has been argued on the issue of budget credibility about prudent finance management, Andrews et al. (2014) maintain that a comprehensive and regular budget is to be formulated that gives a binding expression to the government's public finance priorities and plans.

Against this background, respondents were asked questions on the significance of procurement planning and budgeting in achieving prudent public financial management. Interestingly, 23, representing 50% of the 46 respondents, overwhelmingly indicated that ensuring effective and timely procurement planning and budgeting was extremely significant if the government wants to manage public finance prudently. 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), who suggested that 100% of procurement officials surveyed saw the significance of procurement planning and thus prepared their procurement plans as stipulated by law.

Integration of procurement planning into the 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 the annual budget preparation process, several 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 highly significant. This was followed by 11 and 6, 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 a 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 Jackson's (2014) findings, 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) noted that procurement planning is integral to the annual budgeting process.

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

Conducting market surveys by procurement entities is an important aspect of the public procurement process, as this helps them to be abreast with prevailing market prices and makes it easier to compare prices. With this indicator, the researcher wanted to know from the respondents how significant it was regarding achieving prudent public financial management. As clearly shown in Table 4.6.3, 64% of the respondents believed that it was very significant to

undertake market surveys during the procurement planning process. However, out of the 46 responses, 26.1% indicated that conducting market surveys was between moderately significant and very low significance. Overall, the findings suggest that it is imperative for prudent public financial management to ensure that procurement entities conduct market surveys as part of the procurement process. 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.

Procurement of goods, works/or services within the approved procurement plan and budget

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

Executing procurements within approved lead periods

The public procurement law requires the approved plan and budgets to execute every procurement. Inherent in the approved plans are lead periods within which procurements are expected to be completed. Failure to do this usually leads to cost overruns, eventually leading to expensive procurement. Against this background, the researcher determined the respondents' views. It was revealed that, out of 46 respondents, 18, representing 39.1%, believed executing procurements within approved lead periods was significant in helping achieve sound public financial management. Those who saw this as moderately significant were 8, representing 17.4% of the total respondents. Only 2.2% of the responses suggested it was extremely low or very low significant.

Avoidance of cost overruns during the implementation of the annual procurement plan

Cost overruns in the 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 allocated for the execution of a contract will not be able to fund that project due to an increase in contract cost. In an attempt to establish the relevance of cost overruns in undermining the government's drive to achieve a sound financial management system, respondents were asked to indicate the level of significance that avoidance of cost overruns during the implementation of the procurement plan can help the government to prudently manage public funds. Out of the total of 46 responses received, 19 responses, which represented 41.3%, believed avoiding it was extremely important. Again, 20, representing 43.5%, believed it was very significant. Less than 10% of the responses received did not see the significance of avoiding cost overruns in implementing procurement plans.

4.5 Effective Control System

Control systems are there to ensure that laws, rules, processes, and procedures are followed to achieve a set target for an institution. Public procurement is no exception to this. It is expected to be executed according to laws, processes, and procedures that meet best practices and standards. Against this background, several 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.

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 ensure that the procedures that are laid down are not circumvented.

This study solicited responses from the respondents to know if they agree that a statutory audit of the procurement process will help the government achieve its financial management targets. Out of 46 respondents to the study, 25, representing 54.3%, believed that it would significantly influence the commitment 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.

Enhanced laws, rules, systems and processes

The statistics in Table 4.19 below represent the responses received from the respondents to the study. When asked what the significance level is for enhanced laws, rules, systems and procedures regarding the government's efforts to ensure prudent public financial management in Ghana, various responses were given. 26 respondents, who represented 56.5%, responded that it was highly 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 most important marketplace in developed and developing countries. It is noted that 28.3% of the respondents also saw the need for enhanced laws, rules, systems, and processes to ensure compliance. The remaining 7 respondents, representing 15.2%, were of the view that it is either moderately or extremely low significant.

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 which represent 54.3%, responded that having an efficient and effective internal audit system is highly significant, and thus it is crucial in achieving a sound public financial management system. This was followed by 15, representing 32.65%, indicating it was very significant. The remaining 6 of the respondents, who represented 13%, believed that efficient and effective internal audit systems have moderate or even very low significance with respect to public financial management. Internal auditors serve as compliance enforcers in every formal organisation. They ensure that officers follow laid-down processes and procedures in discharging their mandates, and any deviation is pointed out. With the current arrangement in some civil service institutions, evaluation reports subject to approval by the head of the entities are forwarded to the internal auditor for advice before the head approves. It is important to stress that if there is an effective and efficient internal audit system with the right

calibre of staff, many procurement-related irregularities would be minimised, if not entirely stopped.

Well-constituted and effective Entity Tender and Central Tender Review Committees

Another important control system that the Public Procurement law 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 includes ensuring that procedures prescribed in the Act have been followed at every stage of procurement. With this background, the study sought to ask respondents their views. Of the 46 responses, 56.5% believed having these committees to ensure the public financial management system is highly significant. Next to this were 15 respondents, who represented 32.6% and believed that it was very significant. Only five were in the ranges of moderately significant, very low, and extremely low significance. Notably, these committees serve as checks on the evaluation panel, which usually undertakes evaluation exercises for procuring 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.

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, they affect the government's drive to achieve public financial management.

Abuse of Procurement Law

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

Increased procurement-related corruption

Table 4.22 shows respondents' opinion on how significant increased procurement-related corruption affect public financial management. Out of 46 responses received, 21, representing 45.7%, viewed it as highly 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 low significant with respect to financial management. Corruption in public procurement imposes very high costs on both the government and civil society (A. L.-C. Federica Saliola, Tania Ghossein, 2016). According to Federica et al. (2016), when the tendering process is rigged because of corruption, competition cannot play its role of driving prices down and the quality up. The Consequence is that the quality of infrastructure and public service declines, leading to an impairment of economic growth and development. They also posited that corruption in public procurement leads to colossal losses of taxpayer money, in view of the fact that it raises the price paid by the administration for goods and services.

4.6 Discussion Of Results

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 manage public finance prudently.

Intended effects of public procurement on prudent public financial management

The findings suggest that transparency in the procurement process is an important principle that, when ensured, can help achieve a 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 believed that there should be a legal and regulatory framework for procurement and that this should be made available to the public. Similarly, at least 76.1% also responded that government procurement plans, when made available to the public, will go a long way to help achieve a sound public financial management system. Again, 80% indicated that procurement entities should ensure that bidding opportunities are made available to the public, whilst 65.2% also responded that procurement entities should publish data on contract awards. The publication should include the purpose, the contractor and the contract amount. As shown by the statistics, 67.4% of the respondents indicated that data on resolving procurement-related complaints should continuously be published. In contrast, those who believed annual procurement statistics should also be published represented 69.5%. It is worth noting that this finding supports the requirements 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 is also in support of the assertion by Tanina (2018) that transparency and accessibility to procurement opportunities will inform a larger number of procurement opportunities and encourage productive firms to participate, given the trust generated from an open process.

Indeed, planning and budgeting are legal requirements as amended in Section 21 of the Public Procurement Act, 2003 (Act 663), which requires all procurement entities to prepare procurement plans to support their approved programmes and activities. Also, as noted by Sarfo (2011), the preparation of procurement plans by procurement entities helps avoid unplanned expenditure and allows them to undertake their procurements within their budgetary allocations. Regarding the credibility of budgets in the prudent management of finance, Andrews et al. (2014) advocate that a comprehensive and regular budget be formulated for a binding expression of 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% also suggested that before a procurement plan is prepared, procurement officers should ensure they conduct market surveys to be abreast with the prevailing prices for goods, works and services.

The results also established that the state should enhance adequate controls at all procurement entities. These controls include statutory procurement audits, enhanced laws, rules, systems and processes. It also includes well-constituted and effective tender and tender review committees. Again, as the study found, 89.1% indicated that every procurement entity should have a statutory audit of procurement activities. Also, 84.8% of the respondents indicated that there should be enhanced laws, rules, systems and processes to ensure a robust public financial management system. At least 86.9% and 89.1% of the respondents, respectively, believed that internal audit and tender and tender review committees should be well equipped at all procurement entities to be proactive and not reactive.

The result found that 69.6% of the respondents believed that there is an increased incidence of procurement-related corruption and that this significantly affects 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). Frederica et al. further contend that this menace imposes very high costs on both the government and civil society and that, when the tendering process is rigged because of corruption, competition cannot play its role in driving prices down and quality up. According to them, this reduces the quality of infrastructure and public service, leading to an impairment of economic growth and development. They also posited that corruption in public procurement leads to colossal losses of taxpayer 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. According to the World Bank (2005) estimation, the global volume of bribes in the procurement sector is about U.S. \$ 200 billion per year (Tran, 2011).

The 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 suggested that the ineffective procurement-related complaint systems significantly affect public financial management. These systems are intended to enhance the credibility of procurement entities regarding their procurement process (World Bank, 2017).

Even though procurement entities are legally required to publish their procurement opportunities to ensure a competitive procurement environment and achieve better value for money, they usually prefer not to advertise. This is evident in the study by Ameyaw et al. (2014), which 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-publicisation of procurement opportunities were astonishing. The findings revealed that 28.3% of the responses suggested that procurement entities' non-publicisation of procurement opportunities significantly affected sound public financial management. Interestingly, the same 28% of responses also believed that it was rather moderately significant. However, 32.6% of the respondents believed it was very significant, while about 12% did not see the significance.

Section 31 (1) of the Public Procurement Act, 2003 (Act 663) mandates procurement entities to publish procurement results on the PPA website. This ensures that entities do not procure in an opaque manner that does not ensure competition and value for money. The situation is somewhat different, as this provision is hardly adhered to. Table 4.26 shows responses regarding this indicator and its significance in affecting sound public financial management. Of 46 respondents, 30.4% thought that the non-publicisation of procurement results impacts the achievement of sound public financial management, which is highly significant. Also, 32.6% responded that it was very significant, whilst 26.1% believed it was moderately significant. About 12% did not see the significance of this in prudent public financial management.

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 achieving sound public financial management. Likewise, 26.1% believed this practice is significant in not helping the commitment to achieving sound financial management.

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

Challenges associated with the public procurement process make it impossible to prudently.

Findings on challenges with the procurement process were overwhelming. Of the total responses, 69.6% indicated that a Procurement planning regime that does not align with the annual budget preparation, which usually does not guarantee availability of funds, was a significant challenge that impedes the drive towards achieving a 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 in the plans. When the procurement entities proceed to procure such goods, works and services which were not budgeted for, payments become difficult with supplier/ contractor/ consultant agitation tendencies, which, when unable to be resolved, can eventually lead to payment of judgment debts, hence depletion of the public purse. This is even supported by the findings, which suggest that 71.8% of the respondents believed that the untimely release of funds by the government for procurement activities was a big challenge associated with the public procurement process.

The results also indicate that political interference in the procurement process was another challenge that could seriously impede the government's commitment to ensure a 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 a 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. The findings also established that too much bureaucracy is a challenge associated with the procurement process. This opinion was expressed by 76.1% of the total respondents. Evans (2014) also found in his study that public procurement has too much bureaucracy. According to him, this is the primary driver of delays in the entire procurement process, from planning through tendering to awarding a contract and payment.

5.0 CONCLUSION

This chapter seeks to summarise the significant findings, draw conclusions, and make recommendations. This study was conducted to assess the effects of public procurement on prudent public financial management in Ghana. the specific objectives of the study included: To identify the intended effects of public procurement on prudent public financial management; to identify the effects of implementation of Public Procurement public financial management; To identify the challenges associated with procurement process that make it impossible to manage public finance in Ghana prudently; To make recommendations for possible improvement in the Public Procurement Act. Relevant literature on the study was reviewed and extensively dealt with in Chapter 2. The research methodology for the study was also dealt with in chapter three, whilst chapter four presented the analysis of the data collected.

5.1 Summary of Findings

A total of sixty-eight (68) questionnaires were administered, and forty-six (46) 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, over 54%, were neither fellows, professional members, nor probational members, with 3 of them representing 6.5% as fellows. It was also found that out of the 46 respondents, 17 were professional members, representing 37%. Again, only one of the respondents, with a percentage value of 2.2%, was a probationary member. As seen from Table 4.3, 18 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 a PhD and other qualifications, respectively. The statistics shown in Table 4.3 of Chapter four indicated that the 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 they had high knowledge in procurement finance and budgeting/planning proceedings.

The findings suggest that transparency in the procurement process is a fundamental principle that, when ensured, can help achieve a 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 believed there should be a legal and regulatory framework for procurement, which should be made available to the public. Similarly, at least 76.1% also responded that government procurement plans, when made available to the public, will go a long way to help achieve a sound public financial management system. Again, 80% indicated that procurement entities should ensure that bidding opportunities are made available to the public, whilst 65.2% also responded that procurement entities should publish data on contract awards. The publication should include the purpose, the contractor and the contract amount. As shown by the statistics, 67.4% of the total respondents indicated that data on the resolution of procurement-related complaints should continuously be published, whereas those who held the view that annual procurement statistics should also be published represented 69.5%.

A very significant number, 87% of the total respondents, believed that 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 a 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. 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 the respondents, about 89.1% indicated that every procurement entity should have a statutory audit of procurement activities. Also, 84.8% of the respondents indicated that there should be enhanced laws, rules, systems and processes to achieve a very robust public financial management system. On internal audit and tender and tender review committees, 86.9% and 89.1% respectively believed that these should be put in place and must be effective and efficient.

On the 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, the financial management system will have dire consequences if not addressed. 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 thought 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 the government's untimely release of funds for procurement activities was a big challenge. This was indicated by 71.8% of the respondents. On political/official interference in the procurement process, 76.1% indicated that this was another challenge that is closely associated with public procurement and that it is a threat to the objectives of a sound public financial management system. Respondents also indicated that, as part of the challenges, procurement is characterised by too much bureaucracy. This opinion was expressed by 76.1% of the total respondents.

5.2 Recommendations

Transparency measures in procurement should be strengthened, and the number one most important thing is that there should be a very comprehensive legal and regulatory system. This is expected to regulate all stakeholders in the procurement process. When the framework is complete, it should be published so all suppliers, contractors, and consultants can access it. In addition, procurement entities must make sure that procurement plans, procurement opportunities, contract award notices, data on procurement complaints resolved, and annual procurement statistics are made public by 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 also be done within the lead periods. Procurement practitioners must also conduct market surveys to be abreast with the prevailing market prices, since this can help them know competitive prices and vendors quoting either extremely high 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 they cannot be stopped.

5.2 Conclusion

The findings imply that there is a fundamental problem with the public procurement system that needs urgent attention. Although some measures are embedded in the public procurement law to ensure procurement is conducted in line with best practices, with the overall objective of achieving value for money and a sound financial management system, these measures seem not to be working. There is a need to strengthen these measures, such as anti-corruption ones and punitive sanctions, to punish all those found to be in contravention of the legal frameworks for public procurement. It is also essential to significantly limit the discretionary powers of procurement officers and political/ public officials responsible for procurement.

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