World Academy of Science, Engineering and Technology
International Journal of Economics and Management Engineering
Vol:16, No:6, 2022

Government of Ghana's Budget: Its Functions, Coverage, Classification, and Integration with Chart of Accounts

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***Abstract*—**Government budgets are the primary instruments for formulating and implementing a country's fiscal policy objectives, development priorities, and the overall socio-economic aspirations of its people. Thus, in this paper, the author examined the Government of Ghana's budgets with respect to their functions, coverage, classifications, and integration with the country's chart of accounts. The author did so by amalgamating the research findings of extant literature with (a) the operational and procedural guidelines underpinning the formulation and execution of the government's budgets; (b) the recommendations made by various development partners and thinktanks on reforming the country's budgeting processes and procedures; and (c) the lessons Ghana could learn from the budget reform efforts of other countries. By way of research findings, the paper showed that the Government of Ghana's budgets in terms of function are both eclectic and multidimensional. On coverage, the paper showed that the country's budgets duly cover the revenues and expenditures of the general government (i.e., both the central and sub-national governments). Finally, on classifications, the paper noted with delight the Government of Ghana's effort in providing classificatory codes to both its national development agenda and such international development goals as the AU's Agenda 2063 and the UN's Sustainable Development Goals. However, the paper found some significant lapses that require a complete overhaul and structuring on the integrations of its budget classifications with its chart of accounts. Thus, the paper concluded with a detailed examination of the challenges confronting the country's current chart of accounts and recommendations for addressing them.

***Keywords*—**Budget, budgetary transactions, budgetary governance, Chart of Accounts, classification, composition, coverage, Public Financial Management.

I. Introduction

GOOD budgetary governance requires a country's annual and multi-year budgets to duly reflect the budgetary transactions of 'all entities that materially affect the fiscal policies of governments' [1]. In addition to requiring such comprehensive institutional coverage, good budgetary governance also requires the proper classification of budgetary transactions. Thus, the institution of a sound budget classification system is necessary for several reasons. The first reason is that a budget classification system is essential for aiding the executive in formulating and analyzing policy and the day-to-day execution and administration of their budget [2]. The second is that when correctly classified, budgetary transactions ensure that the executive arm of government accord with the country's financial regulations and the authorizations granted to it by the legislative or parliamentary arm of government [2]. The third is that proper classification of budgetary transactions allows those transactions to be transparently and coherently accounted for by capturing accurate accounting records, a comprehensive and faithful presentation of those records and the generation of free and fair accounting and fiscal reports [3]. The fourth is that a robust classification system enables government units to appropriately and adequately track their budgetary transactions throughout the entire public financial management (PFM) cycle of budget formulation, execution, accounting, external audit and legislative scrutiny [4]. The fifth is that proper coding and classification of each budgetary transaction is necessary to produce effective budget execution reports and attain adequate budgetary controls [3].

Closely related to the coverage and classification of budgetary transactions is the composition of those transactions. At its highest level, the term composition refers to categorizing a government's transactions into their respective components of revenues, expenditures, and financing (i.e., debt). In this respect, PFM literature is littered with such consequential terms as revenue composition, expenditure composition and debt composition. The concepts of budget coverage, classification, and composition form the bedrock for developing and implementing a country's chart of accounts (COA). A government could only have a well-functioning PFM system if a sound and effective COA underpins that system. Therefore, in the budgetary governance of a country's PFM system is the need for the proper integration of its budgeting and accounting systems. At the nerve center of such an integration is the country's COA. The COA is the tool that enables government units to render effective accounting and fiscal reporting on their stewardship [5].

All public sector budgets intend to ensure the strategic allocation of the scarce financial resources of the state in accordance with the policies and priorities of governments [6]. The intent is also to ensure that those resources are allocated to achieve aggregate fiscal discipline and efficient public service delivery [6]. To ensure that the executive accords with all these intents of government budgets, the legislature is required to vote or enact into law the executive budget

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proposal before their execution [7], [8]. To aid the legislature in its authorization processes, the executive arm of government is expected to submit all the requisite budget documentation to the legislature. These budget documents must provide the necessary information required for the legislative review, scrutiny, and approval of the executive's budget proposal into an enacted budget [4]. The information contained in those set of budget documents should give the legislature 'a complete picture of the central government's fiscal forecasts, budget proposals, and outturn of the current and previous fiscal year's and the accompanying multi-year budgets' [4].

This paper aims to bring scholarly and practical perspectives of the Government of Ghana's annual and multi-year budgets to the readers' attention. The paper did so with respect to their definition and purposes, coverage, classification, composition, COA, and documentation. To this end, the first main section is this very introduction which provides an overview of the budgetary governance issues considered in the rest of the other sections. The second section of the paper considered the definitions of government's budgets and their roles as a tool for implementing government policies, management, accounting, and reporting. In the third section, the Government of Ghana's budget coverage was examined with respect to the structuring of the entities in the public services of Ghana imbued with the powers of implementing the fiscal and other economic related functions of government. The fourth and fifth sections of the paper considered the current state of Ghana's budget classification system and the soundness of the country's classificatory and coding systems of its public sector budget. In its sixth section, the paper assessed the extent to which the country's budget coverage, classification, and composition are integrated with its COA. Finally, in the seventh section, the paper concluded with a summary of the lessons that could be learned from strengths and weaknesses in the budgeting and budgetary processes of the government of Ghana.

II. The Government of Ghana's Budget: A Tool for Policy Implementation, Management, Accounting and Reporting

Ghana's 2016 Public Financial Management Act in section 102 defined the word 'budget' as 'the Government plan of revenue and expenditure for a financial year' [9]. The definition is akin to the one put forward by Rene Stourm 100 years ago. Stourm, a 20th-century budget theorist, writing in 1917, sought to correct a wrongly assigned definition of the word budget in the 1862 French Public Accounting Law [10]. In his redefinition, Stourm noted that a public budget 'is a document containing a preliminary approved plan of public revenues and expenditures' [10]. In coming to this definition, Stourm was preoccupied with tracing the origins of the word 'budget'. In his search for the word's origin, Stourm noted that the philological background of the word was English. According to him, as at the 11th year of the French Republic, no public document in France alluded to the word 'budget'. The use of the word in France began in the early nineteenth century [10]. Thus, the word 'budget' is said to have originated from the middle-aged English word, '*budjet*', meaning the king's purse [11]. Notwithstanding the English origin of the word, in France and continental Europe as a whole, the word was usually attributed to an old French word, '*bougette*', which meant a 'little bag' or a 'purse in which money was kept' [12].

A budget, being a public purse or a bag, meant that in Britain and most other Commonwealth countries like Ghana, it is 'the leather bag in which the Chancellor of the Exchequer [or the Minister for Finance] used to carry to the legislature the statement of government needs and sources' of funding those needs [12]. However, in its modern-day usage, the word now refers to a coordinated and quantified work-plan of government for future periods. In other words, budgeting is the process by which governments plan their future activities or actions. Planning, it must be noted, 'is the design of the desired future and of effective ways of bringing it about' [13]. In designing the desired future for their citizenry, governments prepare budgets that guide their stewardship for the forthcoming fiscal or financial year. For a government, the budgeting processes, its cycle and governance are at the heart of the political, economic and social discourse that informs its 'public policy [making] and the development prospects of the country' [11]. In other words, the budget is 'the financial mirror of society's economic and social choices'; for this reason, it is 'at the very center of the country's governance structure' [11]. Given its central role in any given society, a budget is a legal tool by which 'the government is expected to fulfil the roles and respect the limitations decided by society' [11]. In a nutshell, the budget provides the means by which the government determine 'who gets what, when, and how' [14]. Thus, government budgets serve multiple purposes, the first of which reflects the government's policy priorities and the country's intended socio-economic objectives. The second is the efficiency of the government in its generation and administration of tax and non-tax revenues. The third is the strategic allocation of those revenues to the programmes and sub-programs of government. The fourth is to provide a means by which those expenditures are effectively and efficiently managed and controlled. The fifth is serving as the means for assessing whether the objectives of those programs or sub-programs are delivered as intended.

Ghana's budget operational manual (BOM) distilled the functions the country's public sector budget serves at each phase of the budget cycle: formulation, approval, implementation, monitoring, evaluating, and reporting. At the budget formulation phase, the budget functions include, first, the use of the budget as a means of fleshing out the strategic policies and priorities of the government as detailed in the country's National Medium-Term Development Policy Framework (NMTDPF). The second function of the budget, at the formulation phase, is to enable central government agencies – Ministries, Departments, and Agencies (MDAs); as well as the sub-national government agencies – Metropolitan, Municipal and District Assemblies (MMDAs) – to 'align their Medium-Term Development Plans (MTDPs) with national priorities in the NMTDPF' [15]. The third function of the budget, at the formulation phase, is to serve as a means of aligning government policies at both the national and sub-national levels. The budget by this third function is, in effect, a policy tool by which MDAs and MMDAs develop their 'programs, activities and performance indicator targets that are accurately costed and aligned with Ghana's Medium Term Expenditure Framework (MTEF)' [15]. At the budget approval phase, the main function of the budget is to enable Ghana's Parliament (i.e., the country's legislature) to scrutinize, revise and approve the budget of central government agencies (i.e., MDAs). At the sub-national government level, the budget affords the local assemblies the opportunity of reviewing, revising, and approving the spending plans of MMDAs [15]. At the budget implementation phase, the budget changes from being a policy tool to 'a practical management tool that guides MDAs and MMDAs on achieving program and activity performance indicator targets' [15]. At the monitoring, evaluating, and reporting phase, the budget changes from being a policy and management tool to an accounting and reporting tool used to render an account of government stewardship at both the national and sub-national levels. Thus, Ghana's BOM asserted that the budget at this phase enables the Government of Ghana 'to determine how well or not so well MTDPs and the budgets of MDAs and MMDAs are allocated to achieve their sector development objectives' [15]. On reporting, Ghana's BOM further asserted that the budget as accounting and fiscal reporting tool 'helps managers, practitioners and other stakeholders determine what was achieved and lessons learned' [15]. In concluding its enumeration of Ghana's budget functions, the BOM noted that 'if done correctly, reporting also instils a sense of accountability and transparency on how the Government of Ghana spends limited resources to deliver essential public services' [15].

From the definitions and functions of governments' budgets enumerated so far, it will not be out of place to agree with Khan and Hildreth that public sector budgets are by nature 'eclectic' and by purpose 'multidimensional' [16]. The eclectic nature of public sector budgets lies in the fact that 'there is no consensus as to what public budgeting actually is' – is it 'a political, economic or social process'? [17]. A public sector budget is by purpose multidimensional because it is in part a political, economic, accounting, and administrative document [18]. The budget is a political document because it reflects the government's desire to 'allocate the scarce resources' of the country in a way that reflects the 'multiple, conflicting and competing interests' of each section of the society [18]. Thus, as a political document, the budget represents the government's policy intentions and the resources the government allocates to those intentions. The budget is 'an economic and fiscal document' because it 'serves as the primary instrument for evaluating a jurisdiction's redistribution of income, stimulating its economic growth and development, promoting full employment, combating inflation, and maintaining economic stability' [18]. The budget is 'an accounting document' because it 'provides a ceiling on government spending and makes it legally binding for it to live within the allocated funds' [18]. The budget is 'a managerial and administrative document' because it 'specifies the ways and means by which public services are provided, and it establishes criteria by which they are monitored, measured, and evaluated' [18]. Therefore, a public sector budget is a tool for policy implementation, management, accounting, and reporting.

III. The Government of Ghana's Budget: Its Coverage and Integration with National and International Development Goals

A public sector budget could be sub-divided into two different aspects in terms of coverage. The first is concerned with ensuring that the constituents of the three main fiscal policy aggregates – revenues, expenditures, and debt/financing – are fully impounded in the budget. In this regard, coverage intends to ensure that public budgets comply with such fundamental budgeting principles as budget unity, universality, and completeness [7]. The second is concerned with capturing those fiscal policy aggregates to reflect the levels of governments – national and subnational – to which they relate. The need to ensure comprehensive coverage of all fiscal policy aggregates at all levels of government is defeated where a large proportion of government's resources are channeled through extrabudgetary funds. Although such extrabudgetary funds may not necessarily be illegal, they tend to make governments' budgets less transparent and prone to opening the public funds to misuse and corruption.

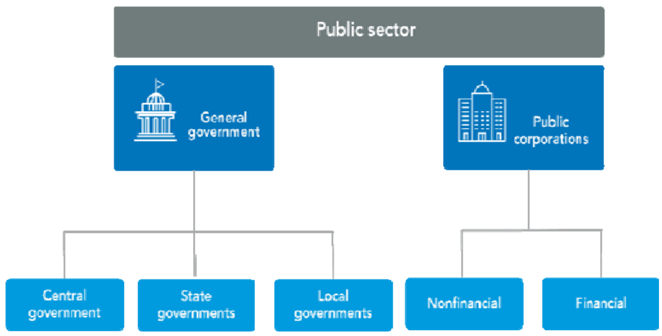

Fig. 1 The Public Sector and Its Main Components [19]

In this paper, the first aspect of coverage – coverage of fiscal policy aggregates – is considered in the budget classification section. However, the second aspect of coverage – institutional coverage – is considered in detail in this section of the paper. In this respect, the preparation, execution, accounting and reporting of the government's budget and fiscal stewardship requires the institutional coverage of the country to be clearly delineated. To this end, institutions in the public sector are generally categorized into three main subsectors – central government, subnational government, and public corporations [19]. The aggregation of the first two subsectors – central and subnational governments – results in the general government. This, in effect, means that the public sector could further be classified as comprising of the general government and public corporations. The IMF's Government Finance Statistics Manual [GFSM] 2014 succinctly illustrates these divisions and sub-divisions of the public sector through a diagrammatic illustration, as shown in Fig. 1.

The general government comprises public sector institutions that fulfil the government's primary or basic functions [19]. The GFSM 2014 further desegregates the general government institutions into central, state, and local governments. The central government comprises various institutions, clothed with authority to impose taxes. In exchange for the taxes collected, the central government and its institutions have the political and administrative responsibilities for providing services that ensure public safety, such as 'national defence [and] the maintenance of law and order' [19]. The central government and its institutions are also responsible for ensuring cordial, harmonious, and, where needful, hostile relationships with foreign governments. In some countries, such as Ghana, the central government and its institutions are also responsible for providing such social services as education, health, and the like [19]. The central government institutions, noted the GSFM 2014, could be further categorized into 'budgetary central government, extrabudgetary units, and social security funds' [19], as shown in Fig. 2.

Budgetary central government (BCG) are those public sector institutions 'whose transactions are included in the annual budget' [19]. On the other hand, extrabudgetary entities are those central government institutions whose transactions are not included in the annual budget. In most countries, transactions of social security funds are usually treated as extrabudgetary funds. For an institution to be recognized as a social security fund, in a country's macroeconomic statistics, the GFSM 2014 requires that institution to fulfil three separate but related criteria. That is, the institution should (a) be 'organized and managed separately'; (b) 'separately holds its assets and liabilities'; and (c) 'engage in financial transactions on its own account' [19].

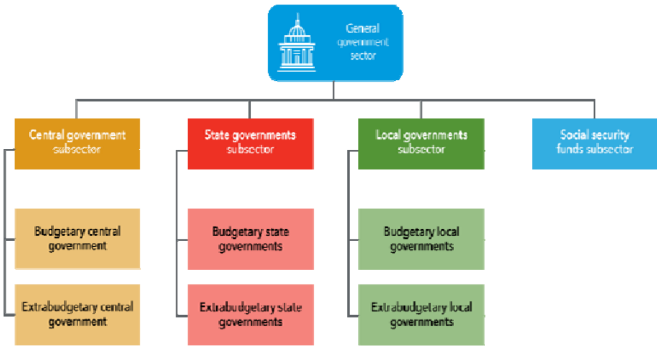

Fig. 2 A Further Categorization of General Government Sector [19]

Administration	Infrastructure
1. Office of Government Machinery (OGM)	25. Ministry of Works and Housing (MWH)
1. Office of the Head of Civil Service (OHCS)	26. Ministry of Roads and Highways (MoRH)
1. Parliament of Ghana	27. Ministry of Communications (MoC)
1. Audit Service (AS)	28. Ministry of Transport (MoT)
5. Public Services Commission (PSC)	29. Ministry for Inner City and Zongo Development (MICZD)
6. Electoral Commission (EC)	30. Ministry of Aviation (MoA)
7. Ministry of Foreign Affairs and Regional Integration (MFARI)	31. Ministry for Special Development (MSDI)
8. Ministry of Finance (MoF)	32. Ministry of Railway Development (MRD)
9. Ministry of Local Government and Rural Development (MLGRD)	33. Ministry of Sanitation and Water Resources (MSWR)
10. National Media Commission (NMC)	**Social**
11. National Development Planning Commission (NDPC)	34. Ministry of Education (MOE)
12. Ghana Revenue Authority (GRA)	35. Ministry of Employment and Labour Relations (MELR)
13. Ministry of Parliamentary Affairs(MPA)	36. Ministry of Youth and Sports (MoYS)
14. Ministry for Planning (MoP)	37. National Commission for Civic Education (NCCE)
15. Ministry for Regional Re-organization (MRR)	38. Ministry of Chieftancy and Traditional Affairs (MCTA)
16. Ministry for Monitoring and Evaluation (MME)	39. Ministry of Health (MoH)
Economic	40. Ministry of Gender, Children and Social Protection (MGCSP)
17. Ministry of Food and Agriculture (MOFA)	41. National Labour Commission (NLC)
18. Ministry of Lands and Natural Resources (MLNR)	**Public Safety**
19. Ministry of Trade and Industry (MoTI)	42. Ministry of Justice (MoJ)
20. Ministry of Tourism, Culture and Creative Arts (MTCCA)	43. Ministry of Defence (MoD)
21. Ministry of Environment Science, Technology and Innovation (MESTI)	44. Commission on Human Rights and Administrative Justice (CHRAJ)
22. Ministry of Fisheries and Aquaculture Development (MFAD)	45. Judicial Service (JS)
23. Ministry for business Development (MbD)	46. Ministry of Interior (MINT)
24. Ministry of Energy (MoE)	47. Ministry of National Security (MNS)
	48. Office of the Special Prosecutor (OSP)

Fig. 3 Budgetary Sector Categorization in the 2020 BESP of Ghana

In Ghana, the BCG institutions are structured along the five broad sectors – administration, economic, infrastructure, social, and public safety [20]. The country's choice of these sectors affirms the assertion that 'the coverage of the budget naturally depends on the scope of activities of the government, as decided, directly and indirectly, by the society it represents' [11]. In the 2020 Annual Budget Statement and Economic Policy of the Government of Ghana, there were a total of 48 BCG institutions (i.e., MDAs) group respectively as administration (16), economic (8), infrastructure (9), social (8) and public safety (7) [20]. These five broad sectors and their respective MDAs are outlined in Fig. 3.

The Government of Ghana's budgetary transactions revolve around each of these five sectors because the sectors are the basis on which the government formulates its Medium-Term Fiscal Framework (MTFF), Medium-Term Budget Framework (MTBF) and the Medium-Term Expenditure Framework (MTEF). The MTFF is 'the basis for cabinet decisions on fiscal aggregates and a formal agreement on major policy initiatives' [21], [22]. MTBF 'allocates expenditure across [these five] different sectors' as well as 'reflects cabinet decision-making on aggregate and line ministry spending ceilings over the medium term' [21], [22]. MTEF 'details out the ceilings in MBTF into the expenditure items in the annual budget' [21], [22]. Further analysis of Ghana's budget links these sectors to the national and international development goals, which reveals the extent to which these sectors categorization matters to the government of Ghana. The analysis showed that the government of Ghana's policy priorities are woven on the back of the interventions the government intends to make in each of those sectors. Each of these sector categorizations is not only tied to the country's national development agenda but also such international development goals as the UN Sustainable Development Goals (SDGs) (shown as Fig 4) as well as the African Union's (AU) Agenda 2063 (shown as Fig. 5).

Fig. 5 UN's Sustainable Development Goals [42]

To this end, the 2020 Budget Statement and Economic Policy (BSEP) of government had it that 'interventions in the Administration Sector will contribute towards achieving SDGs 1, 3, 4, 6, 8, 10, 12, 16, and 17; and the AU Agenda 2063 Goals 2, 11, 12, 13, 15, 19, and 20, to ensure that the rights of every Ghanaian are protected, and no one is left behind' [20]. On the economic sector, the BSEP asserted that 'interventions in this Sector are geared towards the attainment of SDGs 1, 2, 4, 8, 9, 10, 11, 12, 16, and 17; and the AU Agenda 1, 4, 5, 7, 9, and 20; seeking to promote productive activities, decent job creation and inclusive economic growth' [20]. On infrastructure, the stated aim of the government was to 'contribute to the achievement of the SDGs 1, 2, 3, 4, 5, 6, 7, 8, 9, 11, 12, 13, 14, 15, 16, and 17; and the AU Agenda 1, 3, 4, 5, 7, 10, 11, 12, 17 and 20' [20]. These infrastructure-related goals are to 'promote the development of quality, reliable, sustainable and resilient infrastructure for economic development and wellbeing' [20]. In the social sector, 'the policy measures … are in line with the SDGs 1, 2, 3, 4, 5, 6, 8, 9, 10, 11, 12, 13, 16, and 17; and the AU Agenda 1, 2, 3, 4, 5, 7, 12, 13, 17, 18, and 20; which seek to promote social, economic and political inclusion for all Ghanaians' [20]. According to the BSEP, the 'policy measures in the Public Safety Sector are in line with the SDGs 3, 8, 9, 10, and 16; and the AU Agenda 11, 12, and 13, seeking to ensure effective, accountable, transparent and responsive institutions that provide protection at all levels' [20].

The integration of the international development frameworks into the country's national planning and budgeting process had been achieved by the government's deployment of the 3A approach of Alignment, Adaptation and Adoption [23]. The 'Alignment' aspect of the 3A approach dealt with 'the extent of convergence between local, regional and global frameworks' [23]. Alignment enabled Ghana to achieve the integration of its own national development goals (i.e., Ghana Shared Growth and Development Agenda 2014-2017 (GSGDA II)) with (a) the regional development framework (i.e., the African Union's Agenda 2063 Goals); and (b) the global development framework (i.e., the United Nations' SDGs). The 'Adapt' aspect of the 3A approach dealt with the amendment of 'the targets and indicators' of these international development frameworks to 'suit Ghana's development context' [23]. The 'Adopt' aspect of the 3A approach dealt with the country's full adoption of those international development goals and targets where those 'goals and targets were consistent with Ghana's development context and aspirations' [23]. The 3A approach became even more useful following the expiration of the GSGDA II in 2017. The Government of Ghana's Coordinated Programme of Economic and Social Development Policies, christened as The Agenda for Jobs: Creating Prosperity and Equal Opportunity for All, 2017-2024, became the 'basis for the preparation of the medium-term national development policy framework' [23]. The 3A approach became the basis on which the government sought integration of its Agenda for Jobs, 2017-2024, with such international development frameworks as the AU's Agenda 2063 and the UN's SDGs targets [23].

Fig. 4 AU's Agenda 2063 Goals [43]

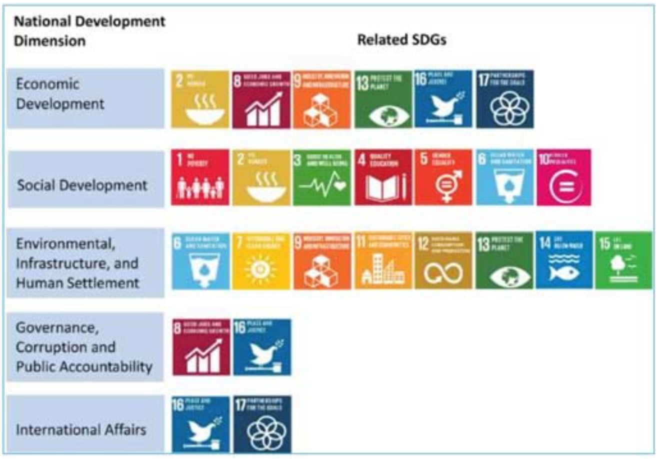

Fig. 6 Mapping of the National Development Agenda to the UN's SDGs [23]

Fig. 6 provides a diagrammatic depiction of the 'mapping of the development dimensions in the Agenda for Jobs, 2017-2024 to the SDGs' [23]. In undertaking this mapping, the Government of Ghana ensured the alignment of its annual budgets with the UN's SDGs [23]. In addition, the Ministry of Finance reoriented the budget classification and the related COA code to link those classificatory codes with the SDGs indicators and targets.

IV. The Government of Ghana's Budget: Its Expenditure Classification and Composition

A. The Evolution and Science of Budget Classification

The science of classification is at the heart of every scientific discipline, whether natural or social sciences. The 'method of science', it has been argued, 'is classification', and this is so because it is 'with the classification' that scientists undertake 'the measurement of data by categories' [24]. Thus, a 'body of scientific knowledge … will not serve its intended aims unless the classifications it embodies reflect real differences and similarities in the world' [25]. Economics, and its sub-field of public finance, had faced some difficulties in their quest to classify public expenditures and revenues properly [26], [24]. The difficulties were faced because classifications used were 'based upon personal opinions' instead of 'objective characteristics' [26]. In such natural sciences as botany, zoology or geology, the contention is that these sciences use definite or objective characteristics in their respective classifications of plants, animals, or rocks [26].

However, in public finance, the classifications of revenues and expenditures had not been an exact science because 'nowhere more than in the field of expenditures has classification been more circuitous in its reasoning, running into blind alleys' [24]. With classification being the bane, it was further asserted that 'nowhere has measurement been more rhetorical in its aims and unsubstantial in its result' than in public expenditure and revenue management [24]. From these misgivings, classification of expenditures had since the 1930s gravitated from such classifications as 'ordinary and extraordinary; necessary, desirable, and superfluous' [26] to the more modern classification of administrative, functional, economic and program/sub-program classification [6], [27]. The classification of revenues in the 1930s was made on the 'bases upon which the levy is made' or 'some supposedly inherent difference in the form of revenue itself' [26]. It was acknowledged that the first basis of revenue classification had not posed any difficulty because determining the bases on which revenue is levied, such as 'a levy upon a person, income, or property' [26], lends itself to some level of objectivity. This basis of revenue classification has continued till today. The difficulties revenue classification had faced in the 1930s had to do with the second base – that is, classification based on the form of revenue [26]. Classification based on 'types' or 'forms' of revenue were in those days made based on such groupings as 'fees, special assessments, public prices, and taxes' [26]. However, in our modern era, the classification of revenue by form has been succinctly reduced to two broad categories of tax or non-tax revenues.

To overcome the difficulty in classifying public expenditures, revenues, and other public finance variables, various international organizations have worked with national agencies to develop 'international statistical guidelines and recommendations' [28]. The two most notable statistical guidelines that had influenced the structure of budget classification systems of most countries are the IMF's Government Finance Statistics (GFS) and the Organisation for Economic Cooperation and Development (OECD's)/United Nations (UN's) Classification of Functions of Government (COFOG) [3].

The GFS, conceived in the early 1970s, had by 1986 become a full-fledged manual on GFS [19]. However, to ensure a direct alignment with other internationally recognized macroeconomic statistics, the 1986 GFSM was updated in 2001 [19]. In 2014, the 2001 GSFM was updated to incorporate the methodological changes in other internationally recognized statistical guidelines such as (a) the System of National Accounts 2008 (2008 SNA); (b) the Balance of Payments and International Investment Position Manual (BPM6); (c) the Monetary and Financial Statistics Manual (MFSM); (d) the Public Sector Debt Statistics Guide (PSDS Guide); and (e) the External Debt Statistics Guide (2013 EDS Guide) [19]. In addition, the 2014 GSFM took cognizance of 'the development of International Public Sector Accounting Standards' (IPSAS) and the UN's 'Classifications of Expenditure According to Purpose for the COFOG' [19]. Among the myriad of uses, scholars and practitioners in PFM could put the GFS framework to include, first, its use in examining the 'developments in the financial operations and financial position of government' [19]. The second is its use in assessing 'the liquidity and sustainability of the finances' at all levels of government [19]. The third is its use in producing summary information on the financial performance and position through 'balancing items, such as the net operating balance, net lending/net borrowing, and the change in net worth' [19]. The fourth is its use in producing detailed information about 'specific areas of government operations, such as particular forms of taxation, the level of expense incurred on a type of social service, or the amount of government borrowing from deposit-taking corporations' [19]. The fifth is its use in undertaking 'cross-country analyses of government operations and stock' [19].

The COFOG is a classification of expenditure according to the purpose or functions of government developed by the OECD [19]. It is one of the four classifications of expenditure developed by the OECD and published in the 'United Nations, Classifications of Expenditure According to Purpose (New York, 2000)' [19]. The other three in this family of expenditure classifications according to purpose are (a) 'COICOP – the Classifications of Individual Consumption According to Purpose'; (b) 'COPNI – the Classification of the Purpose of Non-profit Institutions Serving Households'; and (c) 'COPP – the Classification of the Outlays of Producers According to Purpose' [19]. The COFOG allows for a 'detailed classification of the functions or socioeconomic objectives, that general government units aim to achieve through various kinds of expenditure' [19]. The COFOG is useful in allowing statistical data to be generated and analyzed with respect to 'the effectiveness of government programs' [19]. The COFOG being a functional base classification means that government performance in delivering such services as 'health, education, social protection, and environmental protection' could, over time, be tracked irrespective of whichever government institution delivers the service [19]. In this respect, COFOG has the advantage of ensuring that government expenditures are not tracked by 'the problems of organizational changes in a single government' or 'the problems of organizational differences among countries' [19]. Thus, COFOG is a useful classificatory system that allows for 'international comparisons of the extent to which governments are involved in particular economic and social functions' [19].

B. Expenditure Classifications: An Overview

Developing a sound expenditure classification system is necessary for assisting policymakers in achieving the overarching PFM goals of aggregate fiscal discipline, strategic allocation of resources and efficient delivery of services [7]. A sound expenditure classification system will aid in the achievement of these objectives by (a) 'measuring the allocation of resources among sectors'; (b) 'ensuring compliance with the legislative authorizations'; (c) aiding 'policy review and performance analysis'; and (e) aiding in the 'day-to-day administration of the budget' [2], [29].

The development of such a sound system of expenditure classification will be determined by the purposes for which the budget is being prepared in the first place. If the purpose of the budget formulation is to ensure compliance, such a budget will be concerned with expenditure classifications that concentrate on resources use [29]. For such a budget, the concentration of its expenditure classification will be on inputs and administrative units [29]. Beyond compliance, the purpose of a budget could also be to aid in policy formulation, and for such a purpose, expenditure classification by function and program/sub-program tend to assist policymakers in their quest to achieve such policy objectives as strategic allocation of resources and efficient delivery of services [7], [29]. In seeking to assess the operational performance of a given program/sub-program, a further classification of expenditure by activity or output will be necessary [29]. To this end, the preparation and reporting of government's budgets, accounting, and fiscal reports of the expenditure transactions of the BCG institutions are done along the lines of administrative (or organizational), functional, economic, programs/sub-programs, funds (or financing) source, and line-item (or object) classifications. Each government expenditure classification addresses different aspects of budgetary governance within the general government institutions. The administrative (or organizational) classification 'identifies the administrative divisions responsible for budget management' [2]. It is aimed at answering the question: 'who spends money?' and for aiding those administrative units in 'administering the budget' and rendering 'accountability' for their stewardship [7], [27], [29]. The functional classification is meant for providing an answer to the question: 'for what purpose is the money spent?' and for assisting in undertaking both 'historical and policy analysis' of public expenditures [7], [27], [29]. The economic classification is meant 'for statistical reporting and aggregate fiscal control' and for responding to the question: 'what is the money spent on?' [7], [27], [29]. The program/sub-program classification assists in giving further 'level of detail below an administrative unit' as well as for aiding in 'policy formulation and performance accountability' [7], [27], [29]. The fund (or financing) source classification is meant 'for administering the budget' and, as well, for providing an answer to the question: from what sources were the expended funds received? [29]. The line-item (or object) classification is meant 'for compliance controls, and internal management' [29]. In literature [29], it has been observed that the relationship between these categories of expenditure classification could be diagrammatically illustrated, as shown in Fig. 7.

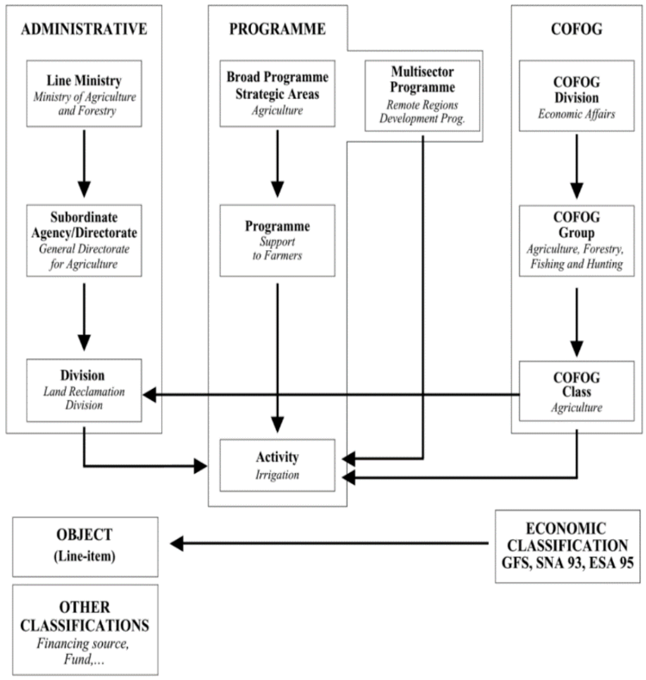

Fig. 7 The Relationship between Expenditure Classifications [29]

C. Expenditure Classifications by Administrative Units

In Ghana, the BCG institutions are administratively classified as MDAs. The administrative classification of budgetary subnational governments in the country is MMDAs. In Section III of this paper, the administrative or organizational classifications were considered concerning Ghana's budget coverage and its alignment with national and international development plans.

D. Expenditure Classifications by Functions of Government

The functional classification of expenditure seeks to provide information on 'what' and/or 'why' a government spends its resources. Governments worldwide spend on such functions as health, education, defense, among others. In linking a government's expenditures on any of these functions to the government's fiscal policy goals or outcome, one may be interested in finding out (a) the extent to which the government's spending on health reduced infant mortality; or (b) the extent to which increased expenditures on education had resulted in the passing rate of primary education [30]. The OECD's COFOG classificatory system is designed to answer these questions. The COFOG is a three-layered functional classification system structured around Divisions, Groups, and Classes, as illustrated in Fig. 8.

The COFOG enables government expenditures to be presented by the socio-economic objectives for which those expenses were incurred at the division level. Thus, the division comprises ten categories reflecting such socio-economic objectives as defense, health and education. The OECD and the UNSD had carefully thought out the design of each of these ten divisional categories to reflect their practical experience on the classifications of functions of government across the world [30]. Likewise, most governments, including the Government of Ghana, have been lured into organizing their administrative arrangements – MDAs – along similar lines as defense, education, health, among others. However, it is essential to note that the COFOG is designed to analyze governments' socio-economic objectives over time and between countries, irrespective of their administrative arrangements or organizational changes [30]. In other words, national data typically reflect the organizational structure of the government, including the number and delineation of ministries and how the tasks are split among core budgetary units, extrabudgetary units, and subnational governments. The COFOG, in contrast, presents spending data according to standard government policy fields, irrespective of these administrative arrangements. The resulting data can easily and meaningfully be combined with other sets of statistics. For instance, the total expenditure in specific policy fields, such as health or education, could be related to outputs and outcomes in these areas. An example would be to compare the percentage or number of students achieving secondary and tertiary degrees with government spending in those fields. Also, spending could be compared with indicators that track policy results, such as access to water, infant mortality rates, or the number of students attending primary school. This can be instructive to see if the government policies are achieving their objectives. Such data also inform efficiency analysis and can be particularly useful for a program-related fiscal policy such as results-based budgeting.

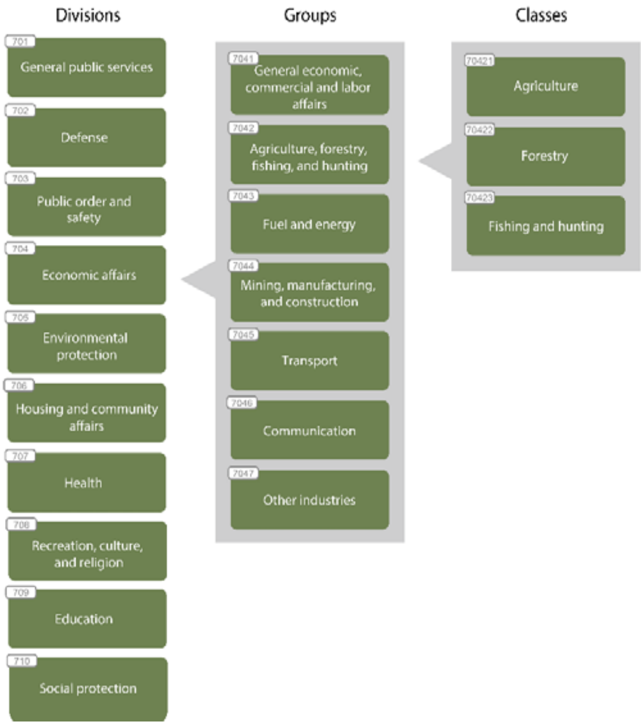

Fig. 8 An Overview of the Three-Layered Structure of COFOG [30]

An Open Budget Survey (OBS) conducted by the International Budget Partnership (IBP) in 2019 revealed that although Ghana classifies its budgetary expenditures by functions, those functional classifications 'do not meet international standards' [7] [31]. According to IBP, this is because the functional classifications of expenditures in the country's budget are not 'aligned with the OECD and the UN's Classification of the Functions of Government (COFOG)' [7] [31].

E. Expenditure Classifications by Economic Type

The economic classification answers the question: 'what is the money spent on?' [7], [27], [29]. The GFS framework groups expense by their economic types under eight main categories, as shown in Fig. 9.

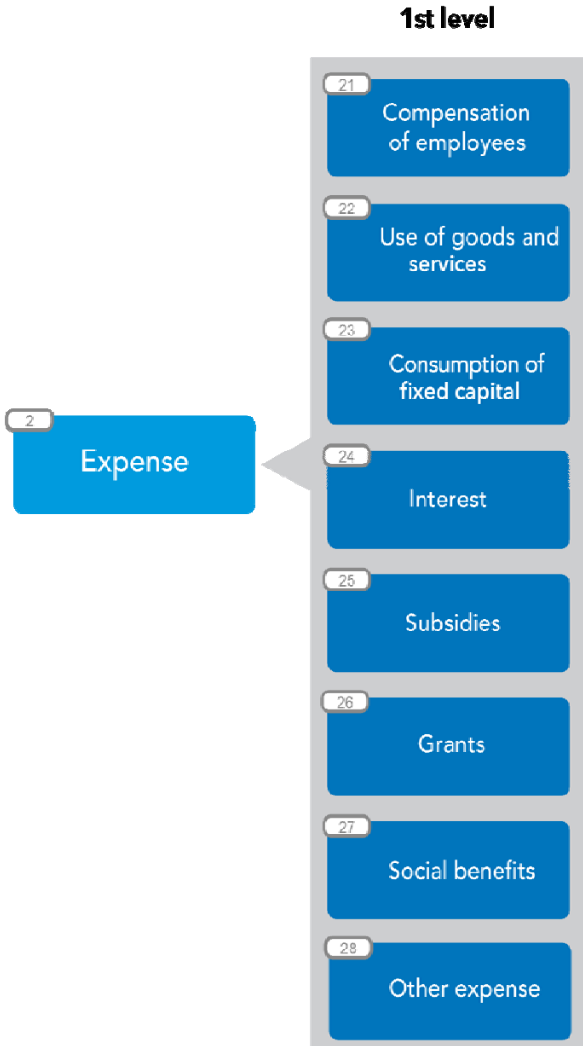

Fig. 9 GFS's Eight 1st Level Expense Classifications [30]

Each of these categories is considered as the 1st level expense categorization. The first of the 1st level expense categories is the compensation of employees, which, without a doubt, is one of the most important expense categories in the fiscal management of the governments of almost all developing countries. For example, in the case of Ghana, the World Bank's collection of the world development indicators revealed that the percentage of the country's compensation of employees had, between 2008-2020, hovered within the range of 32-40% of the total budget [32]. The Bank's 2017 review of Ghana's public expenditures between 2008-2016 showed that the country's compensation budget ranged between 7.8-12% of GDP [33].

Under the GFS framework, the compensation of employees is made up of the total remuneration that the government, as an employer, provides its employees in return for the work carried out during the reporting period [30]. Thus, the compensation of employees under the framework is sub-divided into (a) wages and salaries and b) employer's social contributions. These 2nd level sub-divisions are divided into 3rd level sub-sub-divisions. At the 3rd level, wages and salaries are divided into in-cash or in-kind payments and the employers' social contribution into actual or imputed payments, as shown in Fig. 10.

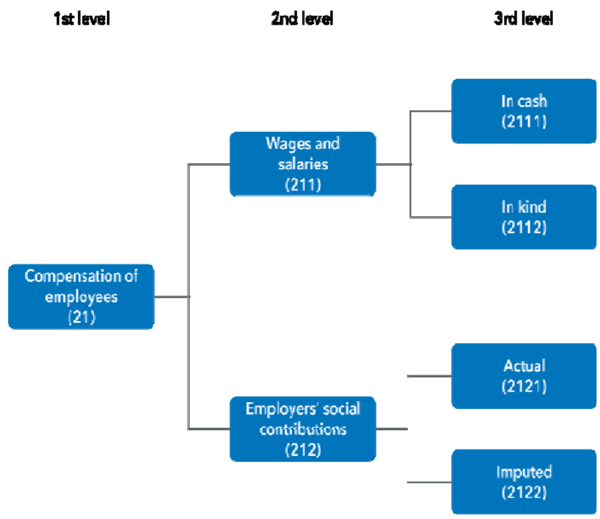

Fig. 10 GFS's Classification Tree for Compensation of Employees [30]

The second of the 1st level expense categories is the use of goods and services. The use of goods and services 'refers to payments for goods and services used in producing public output' [30]. For government units, 'these are all the purchased goods and services that are necessary for providing government output (mainly nonmarket goods and services, such as education provision, health services, or defense)' [30]. In Ghana, the government expenditures on the use of goods and services varied from 1-2.1% of GDP between 2008-2016 [33].

The third of the 1st level expense categories is the consumption of fixed capital which, to some extent, could be equated to the concept of depreciation in accounting because it measures the "wear and tear" of a government's consumption of nonfinancial assets over time [30]. Consumption of fixed capital 'measures the decline in the current value of the stock of fixed assets, such as buildings, roads, bridges, vehicles, software, due to physical deterioration, normal obsolescence, and normal (expected) accidental damage' [30]. This category of expenses is not very pronounced on the expenditure categorization of the Government of Ghana's budget.

The fourth of the 1st level expense categories is 'interest'. It is often the case that the government will be the largest debtor in any economy. Interest and debt repayment is Ghana's second-largest expenditure category, second only to compensation of employees [33]. The enviable position occupied by interest and debt repayment in Ghana can be seen from Fig. 11 and, therefore, 'a good deal of analytical attention' is required of the country's debt and interest burdens [30].

The fifth of the 1st level expense categories is 'subsidies', which by definition 'are current unrequited transfers that government units make to enterprises based on the level of their production activities or the quantities or values of the goods or services they produce, sell, export, or import' [30]. Three key reasons have been advanced in literature as to the reasons for which governments grant subsidies, the first of which is to 'influence the level of production (i.e., to support the production of certain agricultural goods or an innovative industry)' [30].

Fig. 11 Ghana's Public Debt Stock and Debt Service Payment 2004-2016 (% of GDP) [33]

The second reason is to 'influence the prices charged for products (i.e., to make certain goods or services—such as fuel or food items—affordable by lowering prices, or supporting market growth in strategically important areas)' [30]. The third and final reason is to 'influence the enterprise's profits (i.e., to improve the viability of economic activity in areas where enterprises would otherwise be unwilling to operate)' [30]. Ghana has, over the years, granted various types of subsidies towards achieving any of these three ends. Fig. 12 provides a graphical depiction of the level of subsidies and other transfers that the government made between 2004-2018.

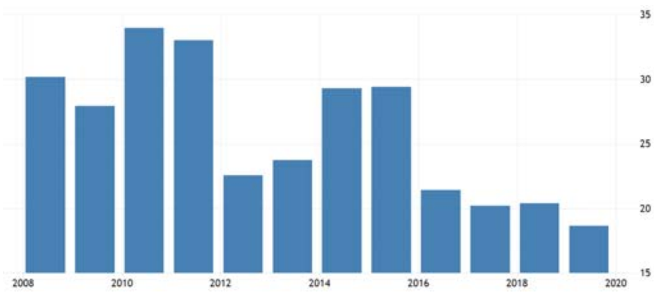

Fig. 12 Subsidies and Other Transfers (% of expense) [34]

Grants are the sixth of the 1st level expense categories and, they 'are transfers payable by government units to other resident or nonresident government units or international organizations and do not meet the definition of a tax, subsidy, or social contribution' [19], [30]. These grants are either made in cash or in-kind, and their further categorization depends on the type of unit receiving the grant (i.e., grants to – foreign governments, international organizations, and other general government units) [19], [30]. These grants are further desegregated into either current or capital grants [19], [30]. Social benefits are the seventh of the 1st level expense categories, which by definition 'are current transfers receivable by households intended to provide for the needs that arise from social risks (for example, sickness, unemployment, retirement, housing, education, or family circumstances)' [19], [30]. The eighth and final aspect of the 1st level expenditure categorization is other expenses. These expenses are in the main 'property expense other than interest, transfers not elsewhere classified, and amounts payable regarding premiums, fees, and claims payable related to nonlife insurance and standardized guarantees' [30].

F. Expenditure Classifications by Programs/Sub-Programs

A program classification categorizes budgetary expenditures by a specific public policy objective of a government. In other words, a program classification turns the budget into an instrument for clear choices about expenditure priorities such as spending on primary versus tertiary education, crop versus animal production, preventative versus treatable health, among others [36]. A programme classification adds significant value when it compiles information that would otherwise not be available in traditional (line item) budget classifications [35], [36]. Prioritizing budgetary expenditures by program clarifies the goals and objectives of government spending and improves the monitoring of government's performance concerning program inputs, outputs, or outcomes [3]. Thus, in Ghana, program classification or structuring has revolved around the fundamental concepts of programme, sub-programme, impact, outcome, output, input, performance indicators, target and baseline [36]. Consequently, programs are defined in a way that confines them to a giving MDA, and within each program, there are several subprograms, as illustrated in Table I.

TABLE I
PROGRAMMES AND SUB-PROGRAMMES OF SELECTED MDAS [36]

MDA	Programme	Sub-programme
Ministry of Interior	Crime Management	• Custody of Inmates and Correctional Services • Maintaining Law, Order and Crime Prevention • Narcotics and Psychotropic Substances Management
Ministry of Roads and Highways	Road Maintenance and Rehabilitation	• Routine Maintenance • Periodic Maintenance • Minor Rehabilitation
Ministry of Education	Basic Education	• Kindergarten • Primary Education • Junior Secondary Education
Ministry of Transport	Rail Transport	• Railway Infrastructure Development • Railway Safety, Freight and Passenger Operations • Railway Infrastructure Maintenance

These programs and sub-programs are to ensure the government's policy to which they relate achieve a result that is 'beyond the immediate effects on its direct beneficiaries' (i.e., impact) [36]. Thus, in structuring their programs and sub-programs, MDAs are to allocate their budget ceilings to policies to ensure each of those policies achieve more than their intended outcomes. Outcomes, it should be noted, 'are the effects on, or the consequences for, the public from the outputs of MDAs' programs' [36]. In other words, programmatic 'outcomes reflect government interventions' changes on the citizens and other facets of society' [36]. For example, 'the outcome for an educational programme could be improved literacy; that of an agricultural programme could be increased crop yields; and that of public safety is reduced crime for a crime management programme' [36]. The achievement of an outcome will require MDAs to ensure that their resource allocation to programs and sub-programs will deliver the needed goods and services (i.e., outputs) to their intended beneficiaries. MDAs would effectively deliver the public goods and services expected of them if they efficiently use the resources (i.e., inputs) at their disposal to undertake the needed activities that will produce the intended outputs of each program or sub-program. Inputs available to MDAs to undertake the required activities under their respective programs and sub-programs may include 'labour (i.e., the range of skills, expertise, and knowledge of employees), capital assets (including land and buildings, motor vehicles, and computer networks), financial assets and intangible assets, such as intellectual property, which are used in delivering outputs' [36]. The relationship between program and sub-program and outcome, outputs and inputs of MDAs could be illustrated by the policy intent of the Ministry of Interior to ensure public safety through effective management of crime, as shown in Fig. 13.

Fig. 13 Relationship between Programs, Sub-programs, Outcome, Outputs and Inputs [36]

Program and sub-program classifications in the context of budgeting, it has been argued, 'are the most widespread form of performance budgeting as applied to the government budget as a whole' [37]. In other words, program and sub-program classifications will be of no value if it does not lead to enhancing the ability of MDAs to assess or have their performance evaluated with respect to their use of inputs to achieve programmatic outputs, outcomes and impacts. To this end, structuring programs and sub-programs requires incorporating performance indicators – 'quantitative or qualitative measures which provide information to assess the progress of implementation concerning the outcomes of programmes of MDAs' [36]. For the measurement of a program and sub-program performance indicator or dimension to be meaningful, there is the need to establish the baselines (i.e., 'status quo or the present/current level of performance') that an MDA aims to improve and set the realistic targets (i.e., 'commitments to achieving specific and time-bound levels of performance based on performance indicators') [36]. The relationship between program and sub-program and performance indicators, baselines and targets of MDAs could be illustrated by the policy intent of the Ministry of Interior to ensure public safety through effective management of crime, as shown in Table II.

TABLE II
PROGRAMS, SUB-PROGRAMS, PERFORMANCE INDICATOR, BASELINE AND TARGETS [36]

Program$	Sub-program$	Performance indicator$	Baseline$	Targets$		
			$Y_0$$	$Y_1$$	$Y_2$$	$Y_3$$
Crime Management$	Maintaining law, order, and crime prevention$	Number of criminal cases investigated and prosecuted$	40%$	45%$	50%$	60%$

G. Expenditure Classifications on Other Basis

Other bases of expenditure classification include, but are not limited to, classifications by activity/line-item, source of funds/financing and geography/location [3].

Expenditure classification by activity or line-item is an essential aspect of program-based classification because MDAs use inputs to achieve the required output and outcome of a given program or sub-program. Activity or line-item classification is mainly used by 'the parliament or the ministry of finance' to control 'the amounts ministries can spend on specific types of inputs (such as office supplies, travel, and utilities)' [35]. Under program-based budgeting (PBB), the use of activity or line-item classification is 'radically reduced, although certainly not entirely eliminated' [35].

Expenditure classification by sources of funds 'is used to separate different sources of receipts to allow these to be matched to specific payments' [38]. In Ghana, such sources of funding include the consolidated fund (CF), internally generated funds (IGF), statutory funds (SFs) and donor funds (DFs). However, according to Jacobs et al., a classification such as sources of funds should be used with care [3]. Their main reason for this caution lies in the fact that the use of funding sources in classifying budgetary expenditures is (a) 'contrary to the principle of comprehensiveness (i.e., the budget should present a consolidated picture of revenues and expenditures)' and (b) could 'result in implementing complex earmarking mechanisms to execute the budget' [3].

Expenditure classification by geographic location 'is included to capture information on the spatial distribution of revenues and expenditures (e.g., regional distribution of tax collections, location of the beneficiaries of government subsidies and transfers, etc.). A geographic classification is useful in inter-regional analysis, particularly in studying the regional impact of government policies' [39].

V. THE GOVERNMENT OF GHANA'S BUDGET: ITS REVENUE CLASSIFICATION AND COMPOSITION

A. Revenue Classifications: An Overview

The revenue of a public sector entity (i.e., a government unit) is defined in GFSM 2014 as 'an increase in net worth [of that unit] resulting from a transaction' [19], [30]. A government unit is said to be involved in a revenue transaction if there is some form of 'interaction, mutual agreement or legal basis on which the revenue is generated' [30]. In addition, for the revenue to be considered a tax, the transactions should increase the net resources available to the unit through increased assets such as cash or a reduction in liability such as debt forgiveness [30]. Under the GFS, government revenue, at its 1st level, is categorized under the four main broad headings of taxes, social security contributions, grants and other revenues, as shown in Fig. 14.

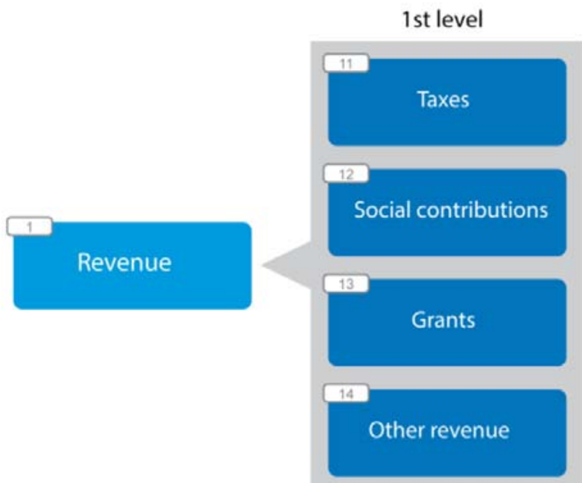

Fig. 14 GFS's 1st Level Classification of Revenue [30]

B. Revenue Classifications: Taxes

Under the GFSM 2014, taxes are defined as 'compulsory, unrequited amounts receivable by government units from [other] institutional units' [19], [30]. In other words, for the revenue of a government unit to be classified as a tax it must behave possessed the combined effect of being both compulsory and unrequited. The combination of both factors is the differentiating factor between taxes and other 1st level categorizations of revenues. Social contributions and such other revenues as fines and administrative fees may be compulsory but may be unrequited. That is, unlike taxes those revenues are exchange transactions (i.e., requited) with the government having to give something 'directly to the individual or entity in exchange for the payment' [30]. Grants and other transfers are unrequited, but they cannot be classified as taxes because they are not compulsory.

At their 2nd level, taxes are further divided into six subclassifications as shown in Fig. 15. The first of this 2nd level classification of taxes is taxes on income, profits and capital gains. These taxes, generally referred to as income taxes, are 'assessed on the actual or presumed incomes of institutional units' [30]. These taxes include taxes on incomes of individuals and households, corporations, capital gains and lotteries or gambling wins [30]. The second subclassification of taxes bothers on taxes on payroll and workforce. These taxes are 'payable by enterprises assessed either as a proportion of the wages and salaries paid or as a fixed amount per person employed' [30].

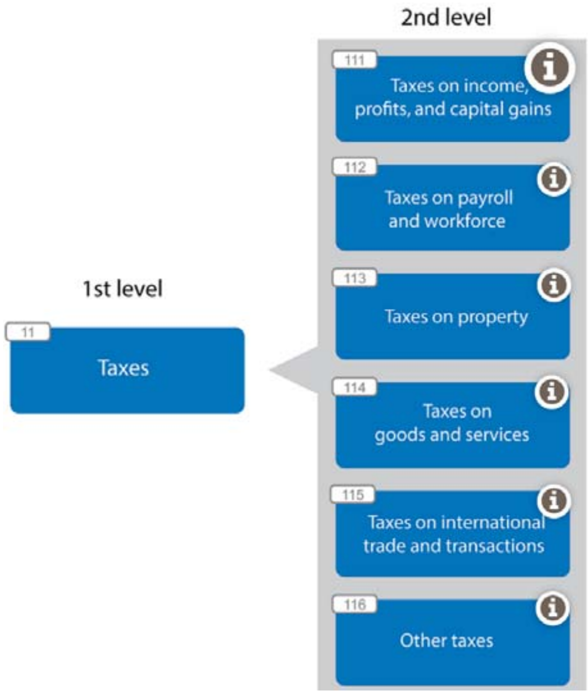

Fig. 15 GFS's 2nd Level Subclassifications of Taxes [30]

The third subclassification of taxes concerns taxes on property. These taxes are 'payable on the use, ownership, or transfer of wealth' and could be 'levied at regular intervals, one time only, or on a change in ownership' [30]. The fourth subclassification of taxes are taxes on goods and services. These taxes 'become payable as a result of the production, sale, transfer, leasing, or delivery of goods and rendering of services, or as a result of their use for own consumption, or own capital formation' [30]. The fifth subclassification of taxes relate to taxes on international trade and transactions. These taxes 'become payable when goods cross the national or customs frontiers of the economic territory, or when transactions in services exchange between residents and nonresidents' [30]. The sixth and final subclassification of taxes include such other taxes that are 'levied predominantly on a base or bases not elsewhere classified, and unidentified taxes' [30].

C. Revenue Classifications: Social Contributions

The GSFM 2014 defines social contributions as 'actual or imputed revenues receivable by social insurance schemes to make provisions for social insurance benefits payable' [19], [30]. These revenues, though compulsory, are requited because their payment is linked to the individual participants in the insurance scheme receiving, in return, insurance against social risks [30]. Such social risks could include, but not limited, to 'providing benefits in cash or in kind for old age, invalidity, or death, as well as for survivors, sickness, maternity, work-related injury, unemployment, family allowance, and health care' [30].

At their 2nd and 3rd level subclassifications, a further division of social contributions is as shown in Fig 16.

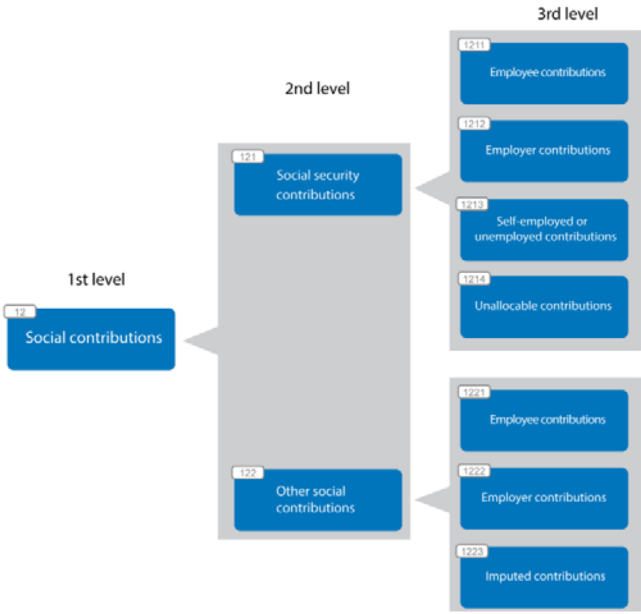

Fig. 16 GFS's 2nd and 3rd Level Subclassifications of Social Contributions [30]

At its second level there are two main categories of social contributions – social security contributions and other social contributions. Social security contributions 'are revenues of so-called social security schemes' [30] such as the Social Security and National Insurance Trust (SSNIT) in Ghana. These 'are schemes operated by the government for the whole population or large parts of it (in contrast to schemes for employees of a specific unit or group of units)' [30]. The 3rd level sub-subclassifications of these schemes included contributions 'paid by employees, their employers, the self-employed, or even unemployed individuals' [30]. Other social contributions 'are revenues by social insurance schemes that are operated by employers on behalf of their employees' [30].

D. Revenue Classifications: Grants

The GSFM 2014 defines grants as 'transfers receivable by government units, contributed by other resident or nonresident government units or international organizations, that do not qualify as taxes, subsidies, or social contributions' [19], [30]. These revenues are not taxes because although they are unrequited, they are not compulsory. There are three main defining characteristics that revenues of a government unit should possess to be classified as grants. The first is that grants are 'transfers which means that they are unrequited' [30]. The second is that such unrequited transfers 'are not limited to cash or financial instruments, but [could] also comprise goods or services (in-kind transfers)' 'such as food aid' [30]. The third is that they 'can only be received and paid by government units or international organizations' [30].

At their 2nd and 3rd levels, a further division of grants as revenue is as shown in Fig 17. At the 2nd level, grants are classified according to source (foreign government, international organization, or other general government unit) [30].

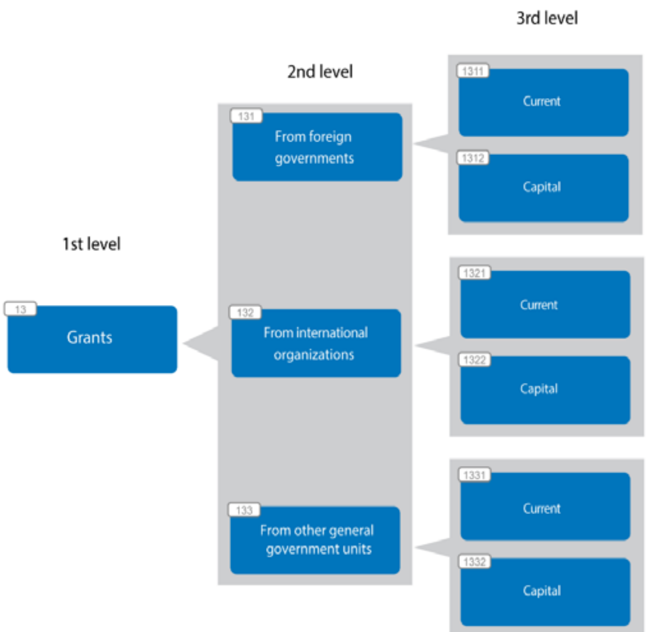

Fig. 17 GFS's 2nd and 3rd Level Subclassifications of Grants [30]

At the 3rd level, 'current grants are separated from capital grants for each source' [30]. A capital grant 'is a transfer in which the ownership of an asset (other than cash or inventories) changes from one party to another, or a cash transfer earmarked to acquire such an asset, or where a liability is forgiven by the creditor. All other grants are classified as current' [30].

E. Revenue Classifications: Other Revenue

The classification of revenue under this category covers all those other revenues that are not classified or fall under any of the three previous revenue categorizations of 'taxes, social contributions, or grants' [30]. This notwithstanding, the classification of revenue under this heading 'is not a residual category' because it encapsulates very important elements of revenue as shown in Fig. 18.

The first of such elements is revenue from property income which 'consists of revenue receivable in return for putting financial assets and natural resources at the disposal of another unit. Revenue in this category may take the form of interest, distributed income of corporations, investment income, and rent' [30]. 'Property income includes rent, which is revenue receivable for putting a natural resource at the disposal of another unit. Note that rentals (revenues receivable as lease payments for produced assets, such as dwellings, other buildings, equipment, etc.) are not classified as property incomes, but rather as sales of goods and services. Other important types of property income are interest and dividends' [30].

The second element is sales of goods and services which 'consists of the sales by market establishments, administrative fees charged for services, incidental sales by nonmarket establishments, and imputed sales of goods and services' [30]. Sales of goods and services can be a relevant revenue category for some governments and most public corporations. Besides regular sales of goods and services, it includes operating lease payments for produced assets, as well as incidental sales of goods and services by nonmarket establishments (e.g., sales in a public museum's shop). This category also includes administrative fees, typical examples being fees for issuing driver's licenses, passports, visas, court fees, etc. Although these are common examples, we have to distinguish between revenues that are taxes and those that are administrative fees. With administrative fees, payees directly receive goods or services that are (at least broadly) proportionate in value to their payments.

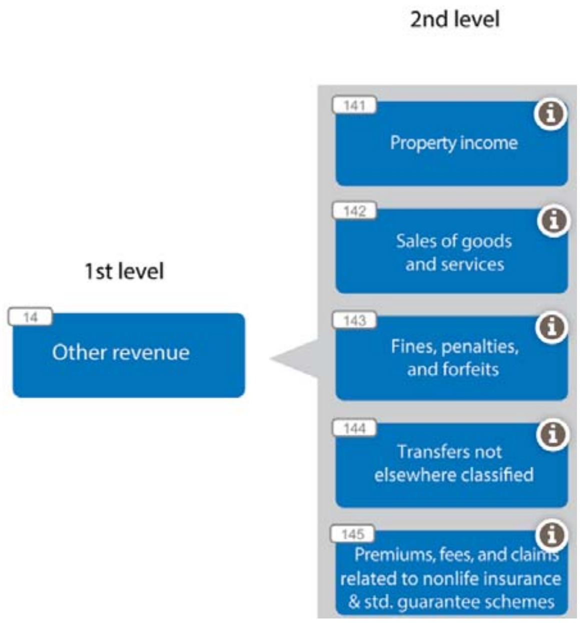

Fig. 18 GFS's 2nd and 3rd Level Subclassifications of Other Revenue [30]

The third element is fines, penalties, and forfeits 'consist of compulsory current transfers imposed on units by courts of law or quasi-judicial bodies for violations of laws or administrative rules. Out-of-court agreements are also included. Forfeits are amounts that were deposited with a general government unit pending a legal or administrative proceeding and that have been transferred to the general government as part of the resolution of that proceeding' [30].

The fourth element is transfers not elsewhere classified which 'include subsidies, as well as gifts and transfers from individuals, private nonprofit institutions, nongovernmental foundations, corporations, or sources other than governments and international organizations' [30]. These transfers not elsewhere classified are 'not a residual category, but has a list of specific components such (a) subsidies receivable mainly by public corporations (linked to their production activities); (b) gifts and transfers from units that are not governments or international organizations (e.g., relief payments from nongovernmental agencies after natural disasters, such as supplies from Médicins Sans Frontières); and (c) transfers receivable by public corporations, often made by governments to cover public corporations' large operating deficits that have accumulated over two or more years' [30].

The fifth and final element is 'premiums, fees, and claims' related to nonlife insurance and standardized guarantee schemes which 'comprise nonlife insurance premiums receivable by insurance schemes to provide entitlement to insurance against risks; claims receivable from insurance schemes by beneficiaries; and fees receivable for the issuance of standardized guarantees' [30].

VI. The Government of Ghana's Budget: The Integration of Its Classifications with the Country's COA

A. COA Integration and Principles: An Overview

The expenditure and revenue classifications noted in the previous sections underpin the coding system of a country's budget preparation, approval, and execution [40]. To effectively meet a country's budget execution, accounting and fiscal reporting requirements, needs a well-thought-out integration of its budget and accounting coding/classificatory systems. The classification of accounting transactions is generally encapsulated in a COA. A COA 'is a basis of recording accounting transactions and balances (flows and stocks) in the general ledger and thus is used for administring and reporting on financial transactions of government entities' [40].

To ensure an effective integration between the budget classification (BC) and COA, the design of a country's COA needs to accord with seven key principles. The first of these is the principles of comprehensiveness. This principle requires that the COA should be designed to achieve a comprehensive capturing of 'all the required/relevant information' necessary for the generation of a country's accounting and fiscal reports [5]. Thus, the principle of comprehensiveness demands that the design of the COA should duly (a) reflect the country's budgeting and accounting frameworks; and (b) integrate or harmonize both the budget and accounting coding systems [5]. When this principle is met, the country's accounting and reporting systems could be relied upon as 'the primary source of financial information for reporting on budget execution' [5].

The second principle is ensuring 'adequate granularity', the intent of which is to ensure that 'the segments and sub-segments' underpinning a country's COA is 'designed to facilitate many possible combinations of data elements' [5]. Achieving such level of granularity would allow each segment of the COA to 'have sufficient detail to meet all control, accountability, management, and reporting needs of various stakeholders' [5]. A third and related principle is that of ensuring 'mutual exclusiveness' of the segments and their sub-segments [5]. In other words, each segment and its related attributes should be defined in a way that 'makes them mutually exclusive and avoid confusion in transaction recording and reporting' [5].

The fourth principle concerns the avoidance of redundancy [5]. This principle requires that there should be no duplicity in the design of the segments and sub-segments of the CAO. In other words, no two segments or attributes of those segments should be capturing the same information. Thus, the onus lies on the designers of a COA to ensure that there is internal consistency and logic between the various segments to avoid two or more segments speaking to the same information needs. Therefore, 'there is no need for an independent segment in the COA if the related information could be derived from another segment' [5].

The fifth principle is that of ensuring 'internal consistency' in the design of the 'hierarchical structure of COA segments' [5]. This will require the use of 'consistent numbering system and structure' if the COA is to be 'user friendly and reduce the chance of coding errors' [5]. The sixth principle is the need to develop a 'unified framework' to guide the 'individual accounting units' when extending the unified COA to incorporate their detailed reporting requirements 'through subsidiary ledgers'. [5]. The seventh and final principle is 'scalability' which requires that 'the COA should allow flexibility for future additions and changes as far as possible' [5].

B. Ghana's COA: A Review of Its Compliance with COA Principles

In relation to Ghana's COA, the key question is: Does the country's existing COA accord with each of the above noted principles? A review of the country's COA undertaken by the IMF's Afritac West 2, in 2019, answered the question in the negative. In the report, the IMF noted that:

> A quick review of the CoA identified a few areas where it falls short of international budgeting, accounting and reporting standards and practices. [And further that] the design of some of [the] segments is not guided by some of the core principles followed for effective development, implementation and maintenance of a CoA [41].

To aid in undertaking a more detailed examination of Ghana's COA, Table III sets out the structure of the country's COA with respect to segments, their description, the number of digits contained in each segment and their formatting. A careful examination of table brings to light the structural problems in Ghana's COA. An example of such a problem is the country's coding of its respective organization units – MDAs and MMDAs. These units can be found in (a) 'Institution', (b) Organisation, and (c) Program/Sub-program segments. In each of these segments, the MDAs/MMDAs have been accord a 3-digit coding bring the total number of codes to 9-digits. In other words, 6-digits could be jettisoned from the country's COA without affecting the sanctity of its structuring. The first of those principles that Ghana's existing COA flouts is the principle of avoiding redundancy. The IMF's report reiterated the tenets of the principle by noting that 'there is no need for an independent segment in the CoA if the information can be derived from another segment' [41], [5]. For a better appreciation of the findings of the IMF's report, Table IV – which was compiled and generated independent of the report by the author of this paper – provides a comparative analysis of Ghana's COA relative to four, randomly selected, countries – Jamaica, Moldova, Nigeria and Uganda.

TABLE III
THE STRUCTURE OF GHANA'S COA [39]

No	Segment	Description	No. of Digits	Format
1.	Institution	Ministry/Agency/MMDA	3	XXX
2.	Funding	Fund Type	2	XX-XXX
		Fund Source	3	
		Total digits	5	
3	Function of Government	Major	3	XXX-X-X
		Minor	1	
		Detail	1	
		Total digits	5	
4.	Organization	Ministry/MMDA/Agency	3	XXX-XX-XX-XXX
		Department	2	
		Division	2	
		Section/Unit	3	
		Total digits	10	
5.	Policy Objectives	Policy Objectives	6	XXXXXX
		Total digits	6	
6.	Program/ Sub-Program	MDA	3	XXX-XX-XXX
		Program	2	
		Sub Program	3	
		Total digits	8	
7.	Projects	Projects	7	XXXXXXX
		Total digits	7	
8.	Activity/ Operations	Activity/Operations	6	XXXXXX
		Total digits	6	
9.	Location	Region	2	XX-XX-X-XX
		District	2	
		District Type	1	
		Sub Metros	2	
		Total digits	7	
10.	Spare 1	Unassigned	6	
11.	Spare 2	Unassigned	4	
12.	Natural Account	Account Class	1	X-X-XX-XXX
		Item	1	
		Sub-Item	2	
		Sub-Sub-Item	3	
		Total digits	7	

From Table IV and the IMF's report, the first key area where the existing COA of Ghana seemed to have flouted the avoidance of the redundancy principle is with respect to having a separate segment on the 'Functions of Government' [41]. This is contrary to the assertion that avoidance of redundancy means that the functional classifications required under COFOG should be embedded in 'the administrative or the program classification' [41], [5]. Notwithstanding Ghana's flouting of this recommendation, it could be noted from Table III that only Uganda accords with the call not to have a separate segment for the 'Functions of Government'. In this regard, it could be difficult to convince the framers of the Government of Ghana's COA that this segment is unnecessary. This is especially so because in Ghana, the functional classification of each government unit is a matter of law. These laws are statutorily determined either through the primary or secondary legislations that brought each unit into being.

TABLE IV
COMPARISON OF GHANA'S COA WITH OTHER COUNTRIES

	Ghana (existing)	Jemaica	Moldova	Nigeria	Uganda
No. of Segements	12	9	5	6	10
Ghana's Segements as Benchmark	Number of COA Codes				
Institution	3	0	0	0	0
Funding	5	4	9	5	5
Function of Government	5	4	4	5	0
Organization	10	9	12	12	3
Policy Objectives	6	0	0	0	0
Program/Sub Program Objectives	8	5	7	14	6
Project	7	6	0	0	4
Activity/Operations	6	6	0	0	6
Location	7	4	0	8	0
Spare 1	6	0	0	0	4
Spare 2	4	0	0	0	4
Natural Account	7	8	6	8	6
No. of Codes	74	46	38	52	38

Another area where Ghana's COA seemed to have flouted the principle of avoiding redundancy is with respect to administrative classification. The COA incorporates two different segments – Institution and Organization – each of which seemed to provide the same information as the other segment. The 'institutional' segment provides a 3-digit description of government units (i.e., MDAs and MMDAs) and the 'organizational' segment which is of a 10-digit structure also provides a description of the same units of government and their sub-units of MDAs, MMDAs, divisions, sections, and units [41]. This duplicity of the administrative classification in Ghana's COA is evidenced by the fact that its institutional segment cannot be found in the COAs of other countries.

A further area of redundancy in Ghana's COA is with respect to the relationship between such segments as 'Policy Objectives', 'Program/Sub-program Objective', 'Project' and 'Activity/Operations'. Each of these segments provides one and the same information because Ghana being a country that is currently preparing its budget using PBB system means that the policy-objective of the various units of government are reflected or supposed to be reflected in the programs or sub-programs each of those units undertake. In this regard, the 'Policy Objective' segment is but an unneedful duplication of the information that is already reflected in the 'Program/Sub-program' segment. Thus, it may be for this reason that none of the other comparative countries have such a segment reflected in their COAs. In the same vein, a well-functioning and implemented PBB will duly reflect the project and activities undertaken by each unit. Therefore, Ghana's COA's incorporation of separate segments of 'Projects' and 'Activity/ Operations' may be yet another unneedful duplicity. Notwithstanding Jamaica and Uganda's incorporation of similar segments in their COAs, Moldova and Nigeria are right in omitting those segments from their respective COAs. The obvious implication of the unneedful duplicity or redundancies in Ghana's COA is that of having a 74-digit COA when the international norm is between 30-40 digits. In bemoaning these weaknesses in Ghana's COA, the IMF's report further noted that the country's COA is 'unduly long and problematic in producing budget performance reports by segments' and:

> A 74-digit code CoA is unduly long compared to typical size of 30-40-digit CoA in other countries. Furthermore, the coding structure configured on the system does not facilitate production of reports by segments. For example, a report produced by program segment code alone may not capture data for related projects and activities. The related project and activity codes have to be combined to get a full view of program expenditure. The mission could not see any GIFMIS[1] report produced by segments. Also, as reported by Ministry of Works there have been issues in producing reports by projects. Similar issues are being faced by Budget Division in generating budget execution reports. The annual budget execution reports submitted to the Auditor General are based on administrative and economic classification segments, alone and do not include the expenditure by programs and projects [41].

The second principle Ghana's existing COA flouted is the principle of 'adequate granularity'. The IMF's report reechoed the key tenet of this principle by noting that for the varying needs of the varied stakeholders to be met, 'each segment should have sufficient detail' to 'facilitate required combinations of data elements necessary for control and reporting purposes' [41]. The design of Ghana's COA seemed not to have accorded with this principle because its incorporation of four different segments of (a) 'Policy Objectives', (b) 'Program/Sub-Program'; (c) 'Project'; and (d) 'Activity/Operations' [41]. Desegregation of COA segments in this way takes away the detailed granularity that could be achieved by embedding all of these four segments into one. This is because with government's units in Ghana required to prepare their budgets using the agreed Program Structures under PBB, the hierarchical structuring required by any good PBB would be lost by the country's jerrymandering of these four key elements of PBB under these four different segments. Furthermore, a careful examination of each of these four segments by the IMF team revealed that:

> … the Program code has 8-digit code- first three digits are repeat of MDA's code, next 2 digits are for program and last three are for sub-programs. MDA's code is included in Organization segment, repeat of this here adds to redundancy—this seems to have been done to create unique code for program; Secondly Project and Activity are split from program and designed as independent segments and not linked in any manner—this might be complicating the process of compiling budget execution reports by programs on GIFMIS [41].

[1] Ghana Integrated Financial Management Information System

C. Ghana's COA: A Recommendations for Improvement

To overcome these challenges, the government should restructure its COA to take on board the following recommendations on each of the existing segments. Thus, for the 'Institution' segment, the recommendation is that the government should scrap it from the country's COA. This is because the segment duplicates the 3-digit administrative information on MDAs and MMDAs, a piece of information that is also conveyed by such other segments as 'Organization' and 'Program/Sub-program'.

For the 'Funding' segment, the recommendation is that the government should maintain it. This is because the segment provides information on the sources of funds used in financing the government's budget. Therefore, the segment's 5-digit code is sub-divided into 3-levels with (a) the first level being head and representing public funds, (b) the second level being the sub-head, and representing the sources of the public fund (consolidated, statutory, external, contingency, non-cash); and (c) the third and final sub-sub-head providing information on the actual organization or entity providing the funds.

For the 'Functional' segment, the recommendation is that the government should maintain it. This recommendation is underpinned by the constraints imposed by the Ghanaian laws, where the establishment of each organization comes with a clear specification of the function of government it is required to perform. The 5-digit code of the segment comprises a 3-level format with the main head conveying information on the primary or major function of government an institution has been set up to undertake, the second level providing information on any ancillary or minor function the institution could be engaged in and the third level giving information on the details of each of the functions expected of the institution.

The 'Organization' segment provides information on the administrative structuring of government units into MDA or MMDA. The recommendation is that the government should maintain this 10-digit segment because it assumes an even more vital role as the 'Institution' segment gets dropped from the country's COA. The 10-digit code of the segment is structured in terms of (a) the first 3 digits providing information on the main institution as the organizational 'head', (b) the second 2 digits providing information on the Departments and Agencies under the institution as the 'sub-head', (c) the third 2 digits providing information on the Divisions under each Department and Agency within the institution as the 'sub-sub-head', and (d) the last 3 digits providing information on Units of the under the Division.

On the 'Policy Objective' segment, the recommendation is that the government should drop it from the country's COA. This recommendation has been advanced even though the segment is currently used to make room for such national and international policy or development agendas as the government of Ghana's Coordinated Program of Economic and Social Development, the AU's Agenda 2063, and the UN's SDGs. The recommendation for dropping this 6-digit segment stems from the fact that it is, in reality, used to codify the programs, sub-programs, and activities of the government's flagship projects that are intended to achieve the respective development agendas. In this respect, the segment is, but, a duplication of 'Program/Sub-program' as well as 'Project' segments.

The recommendation on the 'Program/Sub-program' segment is that the government reduce it from its current 8-digit to a 5-digit code. The recommendation is premised on dropping the first three digits, which duplicate the administrative coding of MDAs/MMDAs. The existing 8-digit coding structure of the segment is made up of three levels: the Head, which identifies the organization, and sub-heads which specify the program and sub-programs. Therefore, dropping the first 3-digit will be appropriate because they are duly and appropriately reflected in the Organization segment.

On the 'Project' segment, the recommendation is that government should scrap it from the country's COA. This 7-digit segment contains the capital projects embarked upon by the government. The segment is a 3-level structure identifying the project theme, year of initiation, and the actual project title. This segment's problem stems from (a) the lack of clarity on the mapping of projects to Policy Objectives; and (b) the repetition of projects with respect to years and across different locations. The dropping of this segment is the best thing to do because the Program/Sub-program segment could provide the informational value of the segment.

Like the Policy segment, it is also recommended that the government should drop the 6-digit 'Activity' segment because the information it provides could be duly embedded or amalgamated into the Program/Sub-program segment. The 7-digit 'Location' segment, which provides the geographical locations of MDAs and MMDAs, should be maintained. Similarly, the 7-digit 'Economic' segment, which identifies the natural accounts, allows for reporting and analysis on revenues, expenses, assets, and liabilities should be maintained. Ghana's agreement to each of these recommendations on structuring its COA will mean that its segments will reduce four from its current 12-segment to an 8-segment structure. In effect, the proposal will reduce Ghana's 74-digit coding to 52, which is comparable to that of Nigeria (Table V).

If Ghana, like Nigeria, will do away with the two 'Spare' segments and their related summed up digits of 10, the country's segment will drop to 6-segment. As a result, its total digits will stand at 42, bringing it to the international average of between 30 and 40 digits (Table VI).

TABLE V
GHANA'S PROPOSED COA RELATIVE TO OTHER COUNTRIES II

	Ghana (existing)	Jemaica	Moldova	Nigeria	Uganda
No. of Segements	8	9	5	6	10
Ghana's Segements as Benchmark	Number of COA Codes				
Institution	0	0	0	0	0
Funding	5	4	9	5	5
Function of Government	5	4	4	5	0
Organization	10	9	12	12	3
Policy Objectives	0	0	0	0	0
Program/Sub Program Objectives	8	5	7	14	6
Project	0	6	0	0	4
Activity/Operations	0	6	0	0	6
Location	7	4	0	8	0
Spare 1	6	0	0	0	4
Spare 2	4	0	0	0	4
Natural Account	7	8	6	8	6
No. of Codes	52	46	38	52	38

TABLE VI
GHANA'S PROPOSED COA RELATIVE TO OTHER COUNTRIES III

	Ghana (existing)	Jemaica	Moldova	Nigeria	Uganda
No. of Segements	6	9	5	6	10
Ghana's Segements as Benchmark	Number of COA Codes				
Institution	0	0	0	0	0
Funding	5	4	9	5	5
Function of Government	5	4	4	5	0
Organization	10	9	12	12	3
Policy Objectives	0	0	0	0	0
Program/Sub Program Objectives	8	5	7	14	6
Project	0	6	0	0	4
Activity/Operations	0	6	0	0	6
Location	7	4	0	8	0
Spare 1	0	0	0	0	4
Spare 2	0	0	0	0	4
Natural Account	7	8	6	8	6
No. of Codes	42	46	38	52	38

VII. SUMMARY, CONCLUSION AND RECOMMENDATIONS

We brought together different but related topics on the Government of Ghana's budget concerning its functions, coverage, classification, and integration with the country's COA. First, concerning its functions, we noted that the GoG's budget, like any other government, is a tool for policy implementation, management, accounting, and reporting. In addition, we drew readers' attention to the fact that public sector budgets are by nature 'eclectic' and by purpose 'multidimensional'. It is by nature 'eclectic' because of the lack of consensus on whether it is a political, economic, or social tool. It is by 'purpose multidimensional' because it could be used as a political, economic, accounting, and administrative document.

Second, concerning the GoG's budget coverage, we noted the two broad categorizations of the public sector into the general government and public corporations. The general government sector is made up of those public sector institutions that fulfill such primary or basic functions of government as the provision of health, education, defense, public safety, and the like. We also unearthed the connections between the GOG's budget coverage and its integration with the country's national development agenda – the Coordinated Programme of Economic and Social Development Policies. Furthermore, the author drew readers' attention to integrating the budget with such international development goals as the AU's Agenda 2063 and the UN's SDG through the government's 3A approach of Adopt, Adapt, and Align.

Third, concerning the classification of the main fiscal aggregates in the government's budget (i.e., revenue and expenditure), we examined in detail the extent to which those classifications in the GoG's budget accord with such international classificatory systems as the COFOG and the GFSM.

Fourth, we examined the extent to which the coverage and classifications of the GOG's budget are harmonized with the country's COA. Finally, we discussed the challenges with the current structure of the GoG's COA and provided numerous recommendations for reforms. Our ultimate aim for writing this paper is to encourage that country's COA is brought in line with the good international practices observed in the structuring of the COA of other comparator countries.

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