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The Credibility of Government Budget: The Case of Sierra Leone

Patrick Saidu Conteh
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Walden University

College of Management and Technology

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Patrick Conteh

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Abstract

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by

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Fellow of the Association of Chartered Certified Accountants (FCCA), 2005

Dissertation Submitted in Partial Fulfillment

Of the Requirements for the Degree of

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Management

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Abstract

Fiscal reports have, since 2010, documented weak budget credibility in Sierra Leone public financial management noting that the government budget does not constitute a dependable framework for the planning, allocation and efficient use of the nation's resources. The purpose of this study was to develop a budgetary reform agenda and the research question that guided the study related to the reasons for the high monetary variances between the approved budget and the year-end financial reports. Government budgets and financial reports were reviewed for 2010-2014 and senior government officials were interviewed regarding the main stages of the annual budgetary process. The new public management model constituted the overarching conceptual foundation based on a qualitative case study of 7 government ministries and the House of Parliament. The baseline criteria for efficient government budgeting developed by the Organization for Economic Cooperation and Development served as the analytical framework from which four themes were established to analyze the planning, preparation, approval and the execution of the annual budget. The main finding was that the government's budget exhibited a lack of credibility given the significant variances between the budget and the actual outcomes; and the ineffective role of the legislature. As part of the financial management reforms needed, the government would have to rewrite the budget law and recruit experienced staff to strengthen the legislative budgetary function. These changes could contribute to the enhancement of value in the government's use of taxpayers' monies, causing improved economic and financial reporting and thereby promoting positive social change for the people of Sierra Leone.

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Dedication

I have dedicated this work to my lovely children: Adama, Lans, Saijatu, and Mariam.

This work sets the pace for your individual academic pursuits. Each of you will hold a
doctoral degree in your chosen discipline, In Jesus Name!

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Chapter 1: Introduction to the Study

Government budgetary estimates, especially expenditures in Sierra Leone, can vary significantly from their actual amounts. Such variances may be due to factors like estimation errors, unanticipated changes in economic conditions, or policy changes (Kasdin, 2016). A credible budget has minimal variances in comparison to the actual outcomes, comprehensive in coverage, and affordable regarding the availability of funding (Deng & Peng, 2011). Also, a credible budget is made up of realistic estimates, sustainable expenditure programs, and the legislature provides efficient oversight of the process (Deng & Peng, 2011).

From 2010 to 2014, independent reports by international organizations providing budgetary support to the government of Sierra Leone indicated a lack of credibility of the government budget management (Gardner, Flynn, Gurr, Luca, & Wanyera, 2012; Harnett, Hanson, Cooper, & Bailor, 2014). A credible budget serves as one of the primary frameworks for the implementation of the economic and other developmental policies of any government. Therefore, it was important to understand how government ministries budget and whether the underlying system and processes are capable of producing a credible budget. The factors contributing to the budget credibility concern, as well as possible solutions, were the foci of the study. Restoring or enhancing the credibility of the budget of the government of Sierra Leone will contribute to assuring value in the government's use of taxpayers' money.

The rest of this chapter consists of several sections. Immediately following are sections dealing with the background to the study, the research problem, the purpose, and

the research questions. The conceptual framework for the study is next. After the conceptual framework is the analytical framework section. The analytical framework provided the contextual lens for analyzing the credibility of the budgeting system of the government of Sierra Leone. Next are the research design and methodology section. Toward the end of the chapter are sections relating to the definitions, assumptions, limitations, and significance of the study.

Background of the Study

In fulfillment of its role, a government has to collect resources, particularly money, mainly in the form of taxes, in an appropriate manner. These resources are then allocated to meet societal needs (Mikesell & Mullins, 2011). The national budget provides the medium for the planning and execution of these activities to take place. It is through the budget that governments define their expected revenues and expenditures together with the plans and activities for carrying out government policies.

Because budgets are estimates of future operations, changes are inevitable in the course of implementation of the budget. However, there are prescribed ways of minimizing the variance of the budget and the actual outcomes (Deng & Peng, 2011; Mario, 2014). First, the government can do a better job by using scientific models to forecast both revenue and spending (Deng & Peng, 2011). Second, governments should allocate a reasonable amount of reserve funds to cover unanticipated events, thereby preventing a reduction in existing programs (Deng & Peng, 2011; Mario, 2014). If budget preparation is solid from the start, except for severe disruptions to the economy, any changes to the adopted budget should be relatively small (Deng & Peng, 2011).

A credible budget has both a technical and a governance meaning. A technically credible budget's variances are insignificant in comparison to the actual outcomes at the end of the budget year (Whiteman, 2012). From a governance perspective, a budget is credible when it has adequate oversight by both the administrative leadership and the legislature (Whiteman, 2012).

Only a handful of researchers have examined the construct of budget credibility, and most of these studies relate to the budgeting practices of the governments of advanced economies (Alihegović & Slijepčević, 2012; Sample, 1993; Whiteman, 2012). Few scholars have reviewed budget credibility in the context of African governments (Marah, 2009). These African studies were part of the overall study of other components of public budgeting practices as they provided only a brief coverage of the issue of the credibility of the budget of a government (Marah, 2009). Therefore, this study might be the first to examine the credibility of a government budget as explained by the influences of budget variances and legislative budgeting. The study contributes to the promotion of good budgeting practices by highlighting the factors contributing to the weakening credibility of the budget of the government of Sierra Leone as well as by suggesting a reform agenda for addressing the situation.

Problem Statement

There is weakening credibility in the Sierra Leone government budget. Independent reports by the international institutions providing budgetary support to the government have identified weak budget credibility as a problem besetting public financial management (Gardner, Flynn, Gurr, Luca, & Wanyera, 2012; Harnett, Hanson,

Cooper, & Bailor, 2014).). In essence, the government budget does not constitute a dependable framework for the allocation and efficient use of the nation's resources. Also, the lack of budget credibility means that the government does not have a reliable framework for executing its long term developmental plan.

This study fills a gap in the current body of knowledge as I examined the construct of budget credibility. Only one previous study was identified that briefly dealt with budget credibility, and that study was about participation and transparency in the budgetary process of the government of Sierra Leone (Marah, 2009). By using a qualitative case study design, the study provides an in-depth examination of the construct of budget credibility from the perspective of budgetary variances and the role of the legislature in budgeting.

Purpose of the Study

The purpose of this qualitative study was to develop a budgetary reform agenda for some of the changes needed for enhancing the credibility of the budget of the government of Sierra Leone. Through face-to-face interviews and a review of documents, I identified and described the primary factors influencing the credibility of the budget of the government. The study involved a case study of seven government ministries and the House of Parliament and embodies an interpretive paradigm by arguing that reality is contextual in nature.

For the purpose of the study, budget credibility was defined from both technical and governance perspectives. From a technical viewpoint, budget credibility was measured by the level of monetary variance between the budget and the year-end

financial reports, the comprehensiveness of the budget, and the sustainability of the budget. From a governance viewpoint, budget credibility was measured in terms of the adequacy and effectiveness of the role of the Parliament in the budgetary process. This study may contribute to the overall reform efforts of the government in developing a stronger public financial management organization causing improved economic and financial reporting, thereby promoting positive social change for the people of Sierra Leone.

Research Questions

The following constituted the research questions designed to achieve the above-stated purpose:

1. What are the variances between the approved annual budget and the financial reports as measured by (a) total personnel expenditure compared to budget, (b) total nonsalary and noninterest expenditure compared to budget, (c) total development expenditure compared to budget, (d), and total domestic revenue compared to budget?
2. What are the sources of these variances as explained by the processes relating to the preparation, approval, and execution of the annual budget?
3. What is the governance system over the budgetary process as it relates to the adequacy and effectiveness of the role of the Sierra Leone House of Parliament?

Conceptual Foundation

Government Budgeting

A government budget is the medium for the making and carrying out of decisions regarding the acquisition, allocation, and use of resources, particularly money (Liou,

2011). A government budget should serve to ensure discipline, control, and fiscal sustainability (Mikesell & Mullins, 2011). Such a budget ensures that financial resources are directed toward the programs of greatest public return as well as inducing programs to make the most efficient use of resources (Mikesell & Mullins, 2011).

Government budgeting has much in common with budgeting in the private sector, including the decision of how to generate income, allocate that income to different needs, and keep track of spending. There are, nevertheless, distinctive features of government budgeting, some of which include the frequent occurrence of conflicts regarding budgetary decisions (Dumitrescu & Degaru, 2014). Government budgets are open to outside influences, including many rules, regulations, and procedural guidelines. Also, public budgets are intrinsically and appropriately political (Epp, Lovett, & Baumgartner, 2014; Rubin, 2015).

Government budgeting systems require recognition that there are constraints in the various stages of governmental decision making. The overriding objective is to enable timely and effective decision making on the use of public money via the determination of the government policies and objectives and the resources required to accomplish them (Al-Ali, 2012). The process includes the allocation of the resources for the attainment of the desired objectives and assurance that the designated programs are carried out economically, efficiently, and effectively (Schick, 2013).

As a multidisciplinary field of study, government budgeting is open to different theoretical perspectives, and, therefore, the theory underpinning the subject is evolving. Nevertheless, many of the theories proceed mainly on the assumption of rational decision

making. Rationality in government budgeting assumes technical explanations of budgeting systems and objective processes, structures, and information that move choices toward the best interest of the public (Schick, 2013). A significant development in budget theory in recent times has been a distinction between macro budgeting and micro budgeting (Guess, 2015; Guess & Leloup, 2010). Micro budgeting represents decisions about the parts or components of the budget, such as activities and programs, in particular, departments and agencies of governments (Guess, 2015; Guess & Leloup, 2010). Macro budgeting relates to decisions that affect the budget as a whole more than its constituent parts (Guess, 2015; Guess & Leloup, 2010). These decisions include choices about the budget totals, the size of the budget deficits and debt, and relative proportions of spending categories, like defense expenditure (Guess, 2015; Guess & Leloup, 2010).

Government budgets are not merely technical, managerial documents as described above; they are also intrinsically political (Stephen, Moses, & Basil, 2013). Budgets reflect choices about what governments will and will not do, as well as a general public consensus about what kind of services governments should provide (Rubin, 2015). For instance, budgets reflect priorities between free education for girls and agricultural subsidies for farmers. Budgets essentially mediate among groups and individuals who want different things from the government and determine who gets what (Doreen, Caluwe, & Lonti, 2012).

The government budget reflects the relative power of different budget actors within and between branches of government (Molenaers, 2012). The executive, the legislature, and other government stakeholders influence budgetary policies and

outcomes. Even when the budgetary numbers follow strictly technical rules and established practices, they have political consequences (Stephen, Moses, & Basil, 2013). For instance, the numbers in the budget influence the perceptions of the public about the size of the surplus or deficit. Making some types of transactions more or less expensive than others may also influence the behavior of politicians.

Typically, there are two categories of any government budget: capital or development budget and recurrent budget (Osagie&Orheruata, 2013). The capital budget is an estimate of the expenditure of future assets whose use will usually cover more than a year. Road construction works, bridges, machinery, and other infrastructural projects fall in the capital or development budget category (Osagie&Orheruata, 2013). A recurrent budget provides estimates of expenditures needed to meet day-to-day operational requirements of the organization. Operational requirements include salaries, wages, rents, electricity bills, and other consumables (Osagie&Orheruata, 2013). Government budgets often incorporate both the capital and recurrent budgets in one document.

Government Expenditure Budgeting

It is the aim of budgeting to limit the power of those in elected or appointed office to spend public money (Schick, 2007). Thus, budgeting has long remained rooted in procedures to control the actions of spenders (Schick, 2009). The growing size of government budgets has necessitated increasing focus on the expenditure side of the budget. Some of these concerns involve the government's accountability for what it spends and how well it manages its overall finances through the budget (Lee, Johnson, & Joyce, 2013).

Budget accountability may take several forms, some of which include tight control over the resources and emphasis on the efficiency of ongoing activities. As many government programs span over 1 year, budgeting requires long term planning (Guess&Leloup, 2010; Lee et al., 2013).

All budgets have a funding component—the revenue budget and a spending component, the expenditure budget. Taking the revenue budget as given, the public expenditure budget consists of a set of components. Foremost, there is the information connection to the expenditure planning, which provides a set of organizational objectives and priorities (Lepori, Usher, &Montauti, 2013). The next step is to define the expenditure budget within the limits laid down by the organizational goals and priorities (Lepori et al., 2013).

Public expenditure budgeting has three core objectives, which are fiscal discipline, efficient resource allocation, and operational efficiency(Ryu,2013). Transparency is another key objective. To attain effective expenditure management requires coordination of these activities. Expenditure control also demands that the budget should include all revenues and all expenditures of the government (Robinson, 2013).

There are four components in the expenditure budget: the functional primary level, the accountability regime, the scope, and the time horizon (Lepori et al., 2013).The assembling of budgetary information takes place at the functional primary level, and this can take the form of programs, activities, or functional units within the

organization. The accountability regime is about those responsible for budget preparation, and this can take procedural accountability or consequential accountability.

According to procedural accountability, users of resources cannot be assumed to be honest. Hence, it is necessary to generate and display information that will attest to the propriety demonstrated in discharging the stewardship of scarce resources (Lepori et al., 2013). Procedural accountability is about the inputs into the expenditure budget. Consequential accountability requires recognition that resources that go into the expenditure management cycle in any organization are not free but scarce. Therefore, information on the outputs or benefits consequential on the use of scarce resources is needed (Lepori et al., 2013).

The third subcomponent of the expenditure budget is the specification of the scope of the information provided on capital and operating expenditures. The scope of the expenditure budget may extend to one or more of these categories, or some combination (Lepori et al., 2013). The final component of the expenditure budget is the time horizon that the budget will cover, and this may take several years into the future.

The Credibility of Budgets

Few themes in public administration have been more constant than the search for greater effectiveness and efficiency (Helpap, 2015). According to several studies, budget credibility is critical for the attainment of greater efficiency and effectiveness in government operations (Botlhale, 2013; De Renzio, & Masud, 2011; Helpap, 2015). Budget credibility entails consideration from two separate but related perspectives: technical and governance (Folcher, 2006; Whiteman, 2012).

From a technical standpoint, a credible budget is one whose implementation goes as planned with insignificant variances. A credible budget means that if an activity has funds allocated to it, it will happen, and if it does not have allocated funds, it will not (Bothale, 2013; Folcher, 2006). Technical credibility also means that the budget is comprehensive, affordable, and sustainable. A credible budget covers every aspect of the government's operations, is based on realistic estimates of expected revenue streams, and remains relevant throughout the budget period (Folcher, 2006; Whiteman, 2012). From a good governance point of view, a credible budget is one that has strong internal governance, including adequate oversight by both the legislature and the political leadership (Folcher, 2006; Whiteman, 2012). Budgetary governance is an essential part of the administrative and political process of making quality budgets (Helpap, 2015).

Empirical Trends in Government Budgeting

Budgeting is the attempt to balance scarce means with public needs and ends (Guess, 2015). The context of scarcity looms large in the 21st century, and the budgets of almost all governments across the globe reflect the pruning effects of this scarcity (Guess, 2015). Scarce tax revenue and fixed budget ceilings have meant the cancellation of a significant number of infrastructural projects, deep cuts in spending for essential social services including health care (Guess, 2015; Naert, 2016). The Great Recession of 2007-09 compounded the situation as the recession undermined state and local revenues while at the same time increasing expenditures (Guess, 2015; Naert, 2016).

In Europe, Greece and Spain are witnessing the looming effect of scarcity as the two countries debate the relationship between fiscal austerity and growth (Guess, 2015;

Laffan & Schlosser, 2016). The debate is about whether greater fiscal austerity will reduce budget deficits at the detriment of growth in incomes and public revenues. The heart of the matter is whether austerity will result in more of the very problems it is supposed to solve (Guess, 2015; Laffan & Schlosser, 2016). The Greece situation was so dire that Greeks had to vote in a referendum for or against bankruptcy. In the United States, Congressional efforts have been preoccupied with budget cutting, reducing the size of government, and expenditure restraint (Guess, 2015; Naert, 2016)..

In response to the traditional question of the basis on which decision makers allocate money to one activity instead of another, Kelly (2014) argued that the prevailing general public perception about the role of a government determined the answer. When the public perception trusts the private sector more than the public sector, budgeting is about cost control and improved efficiency (Kelly, 2014). However, when the public perception is that government has to solve problems that the private sector cannot, budgeting becomes centered on the effectiveness of programs (Kelly, 2014). It follows that a theory of budgeting is a theory of political cycles driven by changing public opinion about the proper role of government (Kelly, 2014).

Morozov (2013) studied budgeting practices in Louisiana and noted that, historically, significant changes in government budgets have been pragmatic responses to major external events such as war, recessions, or industrialization booms. The future is likely to be the same in that revenues from natural resources exhibit a higher level of volatility than revenues from sales and income taxes (Morozov, 2013). Hence, governments are advised to pay attention to anything that would inject uncertainty into

public funds as uncertainty in the public sector is detrimental for everybody (Morozov, 2013).

Joyce (2011) examined the state of public budgeting in the United States, and noted of the domination of public budgeting by continuing high demands for government services and large budget deficits. The struggles are likely to continue up to 2020 because the federal government's 10-year budget outlook is bleak (Joyce, 2011). Also, the longer-term outlook is, even more, dismal driven by growth in health care costs (Joyce, 2011). Three major revenue sources—income, sales, and property taxes—are candidates for reform (Joyce, 2011). On the spending side, health care and education will dominate the budgetary provisions at both state and local levels. The control of entitlement spending will remain the primary federal challenge (Joyce, 2011).

McNulty (2012) investigated the process of budget system reform as explained by the change from traditional centralized input-oriented systems to more modern devolved performance-based systems, in the context of emerging countries. McNulty outlined a three-prong reform process as follows. First, there has to be an increase in the flexibility in the operating environment of agencies. The second stage is to increase the certainty of the availability of resources to meet the spending needs of agencies. The third stage is the need to exert pressure on agencies to improve their performance. Also, for successful reforms, agencies need to attain some essential public expenditure management thresholds in the area of restructuring the budget and its classification, as well as strengthening financial management skills (McNulty, 2012). Seal and Ball (2011) described the last 2 decades of public sector budgeting as an era of public sector financial

stringency. Accordingly, a theory of public budgeting should be robust enough to explain the turbulence of modern public sectors (Seal & Ball, 2011).

Transparency and wider participation are critical features of a credible budget (Van Roestel, 2016). The regular and uninterrupted flow of information into and out of the budget process is an essential attribute of better budgeting practice. More accurate and transparent budget information leads to a better budget process and better budget outcomes, all of which improves the credibility of both the underlying processes and the budget itself (Krenjova&Ringa, 2013; Van Roestel, 2016). The International Monetary Fund, for example, in its Code of Fiscal Transparency, holds countries to standards such as the availability of budgetary information to the public and the openness of the budgetary process (Carlitz, 2013; Mirko, 2014). A failure to maintain an open access to information can lead to a range of undesirable outcomes. Such outcomes could range from the simple lack of congruence between resource allocation and public preferences to extreme cases such as corruption (Carlitz, 2013; Mirko, 2014).

An important component of budget transparency is citizenry participation in the process. Hossain, Begum, Alam, and Md. Islam (2014) explored citizen participatory budgeting in Bangladesh as part of their assessment of the extent of citizen participation in local government decision-making. Hossain et al. asserted that understanding participatory budgeting as a concept led to improved governance and this contributed productively to policy-making within the local municipality. The study about transparency and participation in the budgetary process of the government of Sierra Leone also documented similar conclusions (Marah, 2009).

Sych (2011) reviewed the present state of budgeting practices in the United States using the three classic budgetary functions of control, management, and planning. The control function of budget dominates most of the today's budget processes. Control is critical given the prevalence of fiscal stress, budget reductions, cutback budgeting, and environments where spending exceeds revenue capacities (Sych, 2011).

The management functions of budgeting place emphasis on efficiency and economy in government (Nazarova, Shtiller, Selezneva, Kohut, & Seytkhamzina, 2016). The Program Assessment Rating Tool (PART) is one of the several programs introduced for inducing efficiency and economy in government operations (Sych, 2011). The Bush Administration introduced PART to assess programs, identify and publicize strengths and weaknesses, and encourage administrators to improve agency performance (Sych, 2011). The planning function of budgets enables top executives and other administrative heads to use their respective offices to influence policy and spending decisions (Sych, 2011). While several promising reforms have emerged in advancing the budgetary functions of control, management, and planning, the movement toward clarity in budgetary theory has not kept pace (Nazarova et al., 2016). Both practitioners and scholars need to expand theoretical and applied understanding of public budgeting.

In a separate study of budgetary reforms in China, Wu and Wang (2011) observed that while there was progress in some aspects of Chinese public expenditure management, some weaknesses remain. A major weakness was that important decisions take place outside of the budget process. Also, the highly decentralized fiscal system did not enable achievements at the provincial and lower levels (Wu and Wang (2011). Wu

and Wang concluded that strengthening accountability mechanisms and enforcing aggregate fiscal discipline constitute the main challenges to reforms in China.

When it comes to developing countries, modernizing budgeting system is a challenging issue. Researchers have suggested that developing countries must first put into place basic budgetary controls before moving to more advanced models of budgeting (Ma & Yu, 2012). Others, however, have questioned this approach of *basic first* (Ogujiuba & Ehigiamusoe, 2013). Drawing on China's budget reforms of the mid-2000s, Ma and Yu (2012) reconfirmed the validity of the basic first approach. In China, budget reform in 1999 evidenced the installation of budgetary controls for state finance, leading to an enhancement of budgeting capacity and financial accountability (Greiner, 2015). However, the system had severe setbacks due to the unexpected problem of delays in spending and the accumulation of significant under expenditures (Greiner, 2015). This problem arises not because the new budgeting system exercised too much control, but rather because the new system was not yet effective in exerting budgetary controls (Ma & Yu, 2012).

Accountability in the government budgeting process serves as one of the main obstacles to the development of Sub-Saharan Africa (Delechat, Ramirez, Fuli, Mulaj, & Xu, 2015; von Daniels, 2016). The mechanisms of accountability within the government budget process include parliamentary budget committees, supreme audit institutions, citizen budget monitoring, and advocacy groups (Delechat et al, 2015). The above four mechanisms should hold the central government responsible for ensuring that the national budget is designed and implemented in a manner that best promotes national

development goals. However, a host of legal, capacity, and political constraints often hinder these mechanisms from being able to monitor effectively and sanction executive misuse of public funds (Delechat et al, 2015). The weak accountability regime in the government budgeting process partly explains the snail pace development of Sub-Saharan Africa (Delechat et al, 2015).

Conclusion

In Chapter 2, I expound on the above theories as well as other related budgetary theories including popular budgetary practices prevalent in many jurisdictions. These theories combined and empirical studies are relevant for understanding the conceptual foundation of credible government budgets. In the next section, I examine the contextual lens for assessing the credibility of the budget of the government.

Analytical Framework

The Support for Improvement in Governance and Management (SIGMA), an initiative of the Organization for Economic Co-operation and Development (OECD), is one of the pioneering bodies propagating best practices for sound public financial management. The SIGMA developed the baseline criteria for a well functioning government budgeting systems following studies of the budgeting systems of different governments around the world(Allen &Tomassi, 2001). The baseline criteria, which have wider international applicability, provided the contextual lens for analyzing the credibility of the budgeting system of the government of Sierra Leone.

The baseline criteria served as a benchmark for assessing the credibility of the budgeting system of the government of Sierra Leone. Allen and Tommasi (2001) set out the SIGMA baseline criteria as follows:

- An institutional framework that provides clearly defined principles in the country's constitution, the organic budget law, and related laws.
- A medium-term fiscal framework that provides budgetary information within the medium-term and sets medium-term fiscal objectives.
- Budgetary preparation process that is well-defined and widely understood allowing sufficient time for each step in the budgetary process.
- Budget execution and monitoring in which line ministries enforce limits stipulated by parliament, and the ministry of finance can supervise these limits.
- Accounting and reporting system that entails a common system of classification of expenditures with procedures for evaluating the efficiency and effectiveness of expenditure policies and programs.
- Financial control: A coherent and a comprehensive statutory base defining the systems, principles and functioning of management control are required.
- An efficient procurement system in which competition is encouraged for contracts awarded by public sector bodies.

Nature of the Study

The study followed a qualitative methodology and a case study design to allow for the description of the budgeting system of the government of Sierra Leone. In a case

study, the goal is to explore a bounded system through detailed, in-depth data collection involving multiple sources of evidence (Yin, 2011). In general, case studies are the preferred method when "how," "why," and "what" questions are under investigation (Yin, 2011). Further, a case study uses purposive sampling with main informants and events set within a time frame and space (Yin, 2011). A case study approach best served the purpose of answering the research questions because the study was about developing an in-depth description and analysis of the budgeting system of the government of Sierra Leone. I provided a detailed chronology of activities surrounding the different stages of the government annual budget.

Data triangulation strategy involved the use of direct interviews and review of budgetary-related documentation. I collected data from representatives of seven government ministries, one of which was the Ministry of Finance and Economic Development. The ministry of finance has the Budget Bureau as one of its constituent organs, and the Bureau has overall responsibility for the management of the government budget. I interviewed the director of the Bureau and three other senior officials of the ministry of finance with direct roles in the budgetary process. For the other six ministries, the interviewees included the permanent secretary and chief accountant in each ministry. These two officials are the most senior ministry officials with direct responsibility for the budget. Also, four members of Parliament formed part of the interviewees. Therefore, I interviewed a total of 20 participants. Content analysis of both the interview transcripts and budgetary-related documentation constituted the central platform for analyzing data. The OECD baseline criteria for efficient government budgeting provided the contextual

lens for documenting and describing the government budgeting system, and this formed part of the data analysis.

Definitions

Budgets: The documents containing the annual estimates of revenue and expenditure prepared by the ministry of finance and submitted to the Parliament for review and approval (Haruna & Vyas-Doorgapersad, 2016).

Budgeting: Constitutes the processes, practices, and systems governing the budget documents (Haruna & Vyas-Doorgapersad, 2016). .

Government: The government of Sierra Leone. The words *public* and *government* are used interchangeably to mean the central government and its ministries, departments, and agencies. For purposes of this study, the words *government* and the *public sector* are used interchangeably to mean a unitary government, as in the case of Sierra Leone. Also, the phrase *public budgeting*, wherever used, is taken to mean *government budgeting*.

Assumptions

A major assumption underpinning this study was that government budgeting is a managerial process with defined technicalities as to the governing systems, processes, and procedures. Once these technicalities are in place, the resulting budget constitutes a credible framework for the identification, allocation, and use of the nation's financial resources. It was, therefore, assumed that the political ideologies of the government of the day will have little or no adverse impact on the effective functioning of the budgeting system. Thus, the variances between the approved budget and the financial reports were assumed to be a purely technical affair with little or no political connotation.

While this study took a purely managerial perspective, it is important to keep in mind that success in reforming the government budgeting is fundamentally dependent on political commitment. Therefore, I further assumed that politicians, particularly government politicians, are committed to such a course.

Scope and Delimitations

The study was limited to describing the underlying problems attributable to the weakening credibility of the annual budget of the government of Sierra Leone. The research question guiding the study related to the reasons for the high monetary variances between the approved budget and the year-end financial reports. To this end, the study covered the various stages of the annual budgeting process with the aim of identifying the factors giving rise to the credibility concerns. The OECD baseline criteria for good government budgeting provided the benchmark for the development of a budgetary reform agenda.

The study spanned 2010 to 2014 and covered seven government ministries, including the ministry of finance. The study did not include other government departments or government agencies. Also, the study made an important distinction between the budgetary policy questions of "what" is to be done and the question of "how" it is to be done. The focus was on the latter because, among other things, the mechanics, techniques, and skills for proper government budgeting are different from those needed to formulate sound policy.

The focus of the study was on the microeconomic impact of government budgeting as it pertained to the processes underpinning the preparation, approval and

execution of the annual budget. The study did not include an examination of the macroeconomic implications of government budgeting, especially regarding economic growth, inflation, and the balance of payments of the government of Sierra Leone.

Limitations

The main analytical framework for this study, consisting of the OECD Baseline Criteria and the OECD questionnaire for efficient government budgeting system, was based on the experience of other countries with contexts that are different to that of Sierra Leone. The conditions for and problems of government budgeting may be significantly different in Sierra Leone. Some of the features of least developed countries like Sierra Leone include a high rate of poverty, a narrow revenue base, and weak systems of governance. These factors represent significant constraints on effective government budgeting systems in such countries (Schick, 2013). Despite these limitations, the baseline criteria have wider international applicability and endorsement by international financial institutions; hence, they constituted a useful benchmark for this study.

The study covered only four budgetary account heads: one revenue account head (domestic revenue) and three expenditures account heads (personnel expenditure, noninterest and nonsalary expenditure, and development expenditure). The 2014 government budget revealed that domestic revenue accounted for about 10% of the total annual budgeted revenue. For the same period, the budget showed that the total of personnel expenditure, noninterest and nonsalary expenditure, and development expenditure accounted for about 80% of the total budgeted expenditures. The study,

therefore, did not cover the entire budget, and the study was more skewed toward budgeting for expenditures.

Significance of the Study

This study is of significance to practice, theory, and positive social change as follows.

Significance to Practice

Governments of almost every country prepare budgets as a basis for the identification, allocation, and use of the nation's financial resources in fulfillment of societal needs. Besides being used internally by the government, the annual budget also serves the needs of international financial institutions that provide budgetary support to the government of Sierra Leone. The government annual budget communicates both the economic and financial plans of the government regarding revenues and expenditures from a short- to a medium-term basis.

One of the biggest challenges facing the government is convincing the international financial institutions providing budgetary support to Sierra Leone that the government not only has a sound budget but will also carry it out. The study contributes to the promotion of good budgeting practices by highlighting the problems undermining the credibility of the annual budget as well as proposing reforms for addressing same. The research findings may serve as a basis for change and may create awareness of the reform efforts of other countries that could serve as valuable lessons for the government. A credible budget is characterized by minimal variances when compared to the actual

situation. Furthermore, such a budget, if implemented, will go a long way toward solving the problems of the country concerned.

The OECD baseline criteria for a sound budgeting system are an attempt to standardize government budgeting systems across countries. This study represented an attempt to actualize that standardization in Sierra Leone. The study served as a basis for promoting sound public financial management practices by way of refined budgetary practices that promote budget credibility. In turn, there may be increased confidence among both donors and the citizenry in the use of taxpayers' monies by the government.

Significance to Theory

So far, researchers have not examined budget credibility issues dealing with the Sierra Leone situation. Budget credibility matters relating to the government of Sierra Leone are mainly documented in the reports of donors such as the World Bank and the International Monetary Fund, providing budgetary support to the government. Only one academic study was identified that briefly dealt with the credibility of the budget of the government (Marah, 2009). The study was about the role and the impact of political leadership in facilitating budget participation and transparency (Marah, 2009). The existing research theory is yet to explore the construct of budget credibility dealing with the government of Sierra Leone from the perspective of budgetary variances and the role of the legislature. Therefore, from a theoretical standpoint, the significance of this study was that it may be the first study to articulate in details the construct of budget credibility of the government.

Significance to Social Change

Since Sierra Leone emerged from its decade-long civil war in 2002, several economic reviews have been conducted by international organizations providing budgetary support to the government. For instance, both the World Bank and the International Monetary Fund have documented progress in many aspects of economic and fiscal management that are serving as a foundation to build on for the future. However, these institutions also cited the need for ambitious improvements in budgetary planning and execution procedures, core aspects of credible budgeting practices. These recommendations have come against the background of criticisms of the apparent declining trend in the credibility of the government's annual budget. This study contributed to addressing some of the problems mentioned above associated with the government budget. I described the budgeting system and practices as they operate regarding the allocation and use of the nation's financial resources. The study identified the main factors undermining the credibility of the annual budget and then proposed potential reforms to address the situation. Also, the budget, especially the expenditure budget, is one main source of potential corruption, mainly in the form of large procurement of works, goods, and services. Strengthening the credibility of the existing budgetary practices will constitute a way to curb the opportunities for corruption.

Improvement in the credibility of the annual budget of the government would mean improvements in the use of taxpayers' monies by the government. It would also mean improvements in the procedures, processes, and goals that the annual budget is expected to achieve. The ultimate positive impact could be in government efforts at

reducing the high level of poverty in a country that still ranks in the bottom 10 of the United Nations Human Development Index.

Summary and Transition

In this chapter, the underlying research problem was articulated as the deterioration in the credibility of the annual budget of the government of Sierra Leone. I used a qualitative case study approach to describe the problems underpinning the deteriorating trend in the credibility of the annual budget of the government of Sierra Leone. I suggested reforms that could address the issue of the weak credibility of the government budget and, in so doing, contribute to improving value-for-money in the use of monies at the disposal of the government. Restoring the credibility of the budget of the government will increase the confidence that citizens have in the government and provide comfort for the international financial institutions providing budgetary support to the government of Sierra Leone. The next chapter provides a synthesis of some the relevant theories underlining government budgeting in general and, in particular, theories related to the credibility of budgets.

Chapter 2: Literature Review

The problem addressed by the study pertains to the weakening credibility of the budget of the government of Sierra Leone. The research problem encompassed the credibility of both the budget itself and the processes underpinning its preparation, approval, and execution. The purpose of this qualitative study was to propose a budgetary reform agenda for some of the main changes needed for enhancing the credibility of the budget of the government of Sierra Leone. To this end, I identified and described the primary factors influencing the credibility of the budget of the government from both a technical and a governance perspective.

According to budgeting theory, a government's budget is credible if the budget outcome regularly and with few variances matches the budget as approved (Folcher, 2006). A credible budget is consistently in line with actual happenings both in terms of revenues and expenditures and regarding the programs and activities carried out (Whiteman, 2012). A credible budget is also the product of a governance system that is adequate and effective, especially regarding the role of the legislature (Whiteman, 2012). The role of the legislature is important given its statutory function to review, approve, and oversee the budget prepared by the executive arm of government.

The rest of this chapter provides a detailed narrative of the supporting theoretical constructs including empirical evidence crucial to understanding the construct of budget credibility. The next section contains an outline of how the supporting theoretical constructs for this study were accessed using library databases and search engines.

Literature Search Strategy

The search for the relevant literature and other supporting materials was done mainly in traditional libraries and online libraries. The Walden Library and the British Library provided the primary sources of materials relevant to understanding government budgeting and other associated concepts. Google Scholar and Electronic Thesis On-Line (ETHOs) also served as sources for materials used for the study. Based on the study topic, government budgeting, the main search terms used were the following : *budgets, budgeting, budgetary control, budgeting systems, budgetary practices, budget policies, budgeting principles, government budgets, government budgeting, public budgets, public budgeting, credible budgets, credibility of budgets, budget credibility, public expenditure management, public revenue, strategic planning, forecasting, and planning*. Searches were done mainly by subject area and resource type. Resource type included past dissertations, books, journal articles, newspapers, and professional magazines. The above search terms were run through the following main databases and search engines:

1. Social Science Electronic Resources: Management and Business Studies
2. ABI/INFORM Complete
3. Business Source Complete (EBSCO)
4. Emerald
5. Management and Business Studies Portal
6. Political Science Complete
7. Political Science Complete: A Sage Full Text Collection
8. Academic Search Complete

9. ProQuest Central
10. ERIC
11. Informit Humanities and Social Science Collection

The Political Science Databases were mainly searched for terms including the word *government*, *government budgeting*, and *government budgets*. Searches were done progressively from basic searches to advanced searches. Advanced searches involved the use of filters like relevance, dates, journal articles, and peer reviewed. Boolean logic operators (AND, OR) enabled independent or combined used of different search terms. These operators were used to separate or combine two or more search terms with filters such as the name of the author, title, and year of publication, so as to focus on the most relevant materials. The search for the literature and research materials was an ongoing exercise performed throughout the study.

Conceptual Foundation

This section builds upon the foundational concepts of the study introduced in Chapter 1. The conceptual framework relates mainly to the theories underpinning budgets and budgeting as the main framework for the allocation and use of scarce financial resources by governments. In government or the private sector, budgeting involves a decision about funds to raise, a request for funds, and an allotment of funds (Schick, 1971).

Definition of Budget and Government Budgeting

Public finance provides the political platform on which to manage the resources of a country (Deng & Peng, 2011). Public finance enables a government to decide the

kind and level of resources to collect as well as the nature and level of public goods and services to provide (Deng & Peng, 2011). It is the goal of public finance to guide nations toward the efficient use of public resources, and the government budget provides the framework for such to take place (Deng & Peng, 2011).

The word budget comes from *budget*, a Middle English word derived from an ancient French word *bouge*. The two words refer to a small bag, specifically the king's bag containing the money necessary for public expenditure (Allen & Tommasi, 2001). A budget authorizes the executive arm of government to spend and collect revenues while the approval of the budget (the power of the purse) is entrusted to the legislature (Schick, 1990). For centuries, most government work has primarily involved the process of allocating a substantial portion of a nation's financial resource through public spending (Schick, 1990). A budget provides the framework for this process to take place. Budgets are not a merely long list of numbers, but go to the root of prosperity for individuals and the strength of their countries (Schick, 1990).

Budgeting has remained one of the most important decision-making processes in any government, with the budget itself serving as government's most important reference document (Lepori, Usher, & Montauti, 2013). In jurisdictions where the budgeting system functions well, the budget of the government cites policy priorities as well as program goals and objectives. The budget also outlines government's total service effort and measures its performance, impact, and overall effectiveness (Lepori et al., 2013).

There are four dimensions to any government budget (Lapsley, & Ríos, 2015). Firstly, the government budget is a political instrument that allocates scarce public

resources among the social and economic needs of a country. Secondly, a budget is a managerial or administrative tool or both. As a managerial tool, the budget specifies the means of providing goods and services to the public, the costs involved, and evaluating the efficiency and effectiveness of activities (Lapsley, & Ríos, 2015). Thirdly, a budget is an economic tool that directs a nation's economic growth, its investments, and its development ((Lapsley, & Ríos, 2015). Fourthly, a budget serves as an accounting instrument that holds government officials responsible for both the expenditures and the revenues of the programs with which they have entrusted (Lapsley, & Ríos, 2015).

The four dimensions to a government's budget are interconnected and depict the budgeting process as one of the most pervasive and informative operations of any government. Through the budgeting process, elected and nonelected officials cooperate, bargain, and haggle over the control and use of public money (Schick, 1990).

Objectives of Budgets

Mikesell (2011) posited that the basic budgeting problem concerns the basis on which to allocate x dollars to activity A instead of activity B. While each government may have a framework for making such decisions, the budget process ought to move resources to the best advantage of the population (Mikesell, 2011). The budget process is expected to document the choices of the citizenry of any country for government services. Also, the budget provides the framework for the efficient management of the financing and delivery of government services (Schick, 1990).

Government budgets are meant to attain three complimentary objectives: fiscal discipline, efficient resource allocation, and operational efficiency (Allen & Tommasi,

2001). Fiscal discipline is about effectively controlling the budget totals by setting expenditure limits both at the aggregate level and the level of individual government agencies. The control of budget totals, especially regarding expenditure, is the foremost purpose of every budget system (Allen & Tommasi, 2001). Budgets would be useless if the total of expenditures were permitted to move upwardly to meet all the needs (Allen & Tommasi, 2001). A credible budget operates within the expenditure limits approved by the legislature.

Allocative efficiency means that given the scarcity of resources, the budgeting system has to define priorities in line with the agenda of the government as well as the effectiveness of programs (Ryu, 2013). Also, allocative efficiency entails the transfer of resources from old to new programs or from less productive programs to more productive ones (Ryu, 2013). The goal of operational efficiency is to ensure the implementation of programs within government agencies by efficient and effective management systems. The efficiency of the budgeting system is about the capacity of the budget system to implement and deliver services at the lowest possible cost (Allen & Tommasi, 2001).

The Budgetary Function

The budgetary function is about allocating and controlling resources. Whether developed for governments, companies, or individuals, budgets are plans with price tags (Guess, 2015). Also, budgets express the dominant political values and policy preferences, and they indicate in narratives and numbers who gets what for what purpose and who pays (Guess, 2015). Government budgeting has three uses: the control of government spending, the management of government activities, and the determination of

governmental objectives through planning (Mikesell, 2014; Schick, 2013). The government budget process should attain a right balance among aspects of control, management, and planning, as an emphasis on any one may diminish the use of the others (Schick, 2013). The control aspect of budgeting is about enforcing the conditions set in the approved budget and guaranteeing compliance with the spending restrictions imposed by the governing budget authority (Schick, 2013). For example, if the budget imposes restrictions on the spending discretion of ministries, the Budget Bureau will use its power to uphold such restrictions.

Management in the budgeting process entails the use of the budget to ensure the efficient use of resources in the execution of the authorized activities of the spending agencies (Jarvinen, 2016). The management function of budgeting is about outputs of government agencies and ministries. That is, what is being done or produced and at what cost, and how that performance compares with budgeted goals agencies (Jarvinen, 2016; Schick, 2013). The planning aspect of budgeting involves the determination of government objectives and the evaluation of alternative programs for the attainment of such goals. In fulfillment of the planning function of budgeting, the central budget authority must have information concerning the purposes and effectiveness of programs on a long-term basis (Schick, 2013). The process of budgeting compels managers to become better administrators because budgeting is a veritable tool for planning, control, communicating, decision making, and value creation (Jarvinen, 2016; Segun, 2011).

Overview of the Conceptual Framework

In the first section, I examined the theory of the new public management model as well as the four main overarching theories that have shaped the budgeting literature since the 1940s. The next section covers the budget cycle, the medium-term expenditure framework, extra budgetary funds, and the formats of the budget proposal. Towards the midpoint of the chapter is an outline of the accounting basis for budgeting, budgeting strategies, and coping with the complexity and conflicts inherent in budgeting. The fourth section provides an overview of public expenditure management as the primary platform for budget execution and monitoring. In the final section, I outline the respective roles of the executive and legislative arms of government in the budget process. The final section also covers the topical issue of budget transparency and the open budget index. The conceptual framework concludes with empirical studies underlying the construct of budget credibility as the basis on which the present study is carried out.

Management of the Public Sector

Traditional/Old Model of Public Administration

Until the early 1980s, administration of the public sector was highly centralized, hierarchical, and rule-based, with governments evident in the production, provision, and regulatory activities (Flynn, 2012). The old public management is a traditional bureaucracy rooted in the philosophies of Woodrow Wilson, Frederick Winslow Taylor, and Max Weber and characterized by centralization, hierarchical authority, and excessive rules and regulations (Flynn, 2012). This traditional system of public administration has come under criticism for various reasons. Flynn (2012) argued that fiscal crises of

government, poor performance of the public sector in different areas, imperious bureaucracy, lack of accountability, and corruption characterized the traditional model of public administration. The International Monetary Fund (IMF), World Bank, and the Organization for Economic Corporation and Development (OECD) argued that governments were becoming too large, consuming too many scarce resources, and involved in too many activities (as cited in Springer, 2011).

The New Public Management

The new public management (NPM) is an integrated administrative reform framework with the aim of reinventing government. NPM seeks leaner and better governmental performance by challenging agencies of government to do more with less (Page, 2005). NPM places emphasis on economic efficiency and budgetary control as priorities for governments. The primary aim is to enhance the responsiveness of governments to citizens and to move decision making closer to the main constituents of the public sector (Eakin, Eriksen, & Oyen, 2011). For over 3 decades, NPM has been trumpeted as a managerial system for adapting private sector management principles and practices to the public sector. The NPM promotes a high degree of accountability and transparency in government operations (Flynn, 2012). It is in this regard that the NPM encourages public sector organizations to adopt profit maximizing goals akin to those of private corporations.

Other defining features of the new public management include the curtailment of the role and the scope of government in the economy through privatization and economic liberalization (Flynn, 2012). NPM demands the separation of policy and implementation

functions through the devolution of some central government functions (Flynn, 2012). Also, NPM has brought about incentives for state actors based on aligning performance targets with policy objectives (Eakin et al., 2011). The overriding goal was to cut spending, downsize government, and promote a management culture in the public sector.

Despite its broad appeal across many countries, NPM has faced criticism with some arguing that it tends to blur the distinctions between the private and public sectors. The other criticism of NPM is that it treats the public sector as homogeneous in organizational terms rather than the differentiated systems of organizations that are linked into complex policy networks (Flynn, 2012). Despite some of these criticisms of NPM, its principles remain widespread as a framework for encouraging public agencies to adopt profit maximizing goals similar to those of private corporations.

Dominant Budgeting Theories

Four dominant theories have pervaded the government budgeting literature:

- normative/economic rationality
- incrementalism/political rationality
- reformist theory
- organizational life cycle theory

Normative/Economic Rationality Theory

The normative theory of budgeting holds that governments should examine all possibilities for spending and allocates money where they can achieve the most of an agreed upon goal (Rubin, 2015). Rubin (2015) furthered that governments have to define their objectives, pinpoint the programs for the attainment of the objectives, and outline

the expected outcomes of the programs. Economic rationality presupposes that a government has the capacity and capability to evaluate rationally all of its programs. Rationality further means that a government only spends on those programs whose goals would provide the highest satisfaction (Rubin, 2015). Essentially, the rationalist paradigm assumes technical explanations of budgeting systems and objective processes, structures, and information that move choices toward the best interest of the public.

Critics have contended that budgeting is not a rational process. People often do not know or agree on what they want, and there are often conflicting demands regarding social goals (Kadri, Peter, & Giuseppe, 2012; Rubin, 2015). Also, governments are made up of different interest groups that do not act rationally at all times (Rubin, 2015). The concept of rationality fails to capture both the political undercurrent as well as the emotional aspect of government budgeting (Rubin, 2015). The rationality paradigm fails to capture the realities and complexities of public budgeting.

Incrementalism and Political Theory

Budgeting along the economic rationality lines ignored politics (Boris, 2013; Schick, 2013). Boris argued that governments and the societies they rule are not single entities with a single set of goals. Peoples, communities, and organizations want different things from the budget and these needs have no common denominator (Schick, 2013). With economic rationality, there is no way governments can choose between roads for rural farmers and free health care for infants, and such conflicting goals can only be resolved through politics (Boris, 2013).

According to incrementalism, government budgeting is a reflection of politics. Hence, budgetary allocations only change incrementally (marginally) because the existing allocations are already reflective of the political power of various interest groups (Rubin, 2015). Accordingly, unless leaders change the politics, they cannot fundamentally change a country's budget (Rubin, 2015).

Incrementalism, therefore, became probably the single most influential budgetary theory, pioneered by Wildavsky, since the 1960s. The central premise of incrementalism is that previous commitments and political considerations severely limit flexibility in budgeting. Significant increases in government spending would require substantial tax increases, which would anger taxpayers, and similarly, drastic spending reductions would aggravate program beneficiaries (Schick, 2013). Given this situation, incrementalism holds that decision makers will often use the current budget as a guide for next year's budget and focus is therefore on modest budgetary changes (Schick, 2013).

There are several criticisms of incrementalism. It assumes that a particular year's existing conditions will hold sway for the following budget year. Also, incrementalism assumes that the planned activities for the year have been thoroughly and objectively appraised to warrant their continuation (Boris, 2013). Critics have further argued that if budgets change gradually, they may not be able to respond to rapidly changing conditions especially in times of crisis (Boris, 2013).

Proponents of incrementalism responded by noting that modern budgetary practices are all routed on one key fundamental assumption underpinning incrementalism. That is, this year's spending is a function of last year's spending

regardless of the level of potential variations (Boris, 2013). In practice, incrementalism is an old budgetary theory that is still relevant to current practice as it provides a unifying perspective for understanding modern budgetary practices (Schick, 1990).

Budget Reform Theory

The reformist approach holds that, over the long-term, budgetary practices do change (Schick, 2007). In contrast to Wildavsky's view, significant budget changes do take place, and hence reforms are possible (Schick, 2007). A government budget shows the imprint of the period to which it relates (Schick, 2007). Schick described the budget reform process as having gone through three stages over the past 5 decades.

The earlier years of government budgeting in the 1940s to 1960s were all about spending control, ensuring that spending targets and work plans strictly follow the budget (Schick, 1990). From the 1970s to the new millennium, Schick argued that budget reforms shifted to emphasize management functions (i.e., ensuring that government agencies carry out their activities effectively and efficiently). Schick ended his theory by noting that the new millennium has shifted the focus of budget reforms to planning and goal selection, the choice of what to do rather than how to do it. So, for Schick, each government budget contains these three orientations: spending control, management, and planning. Furthermore, at any point in time, the budget places more emphasis on one than on the others. Accordingly, Schick modified Wildavsky's conclusion by arguing that budgetary reform is possible.

Organizational Life Cycle Theory

In line with the Schick's approach, Levine (1978) looked at government budgets over a longer time span as a basis for his organizational life cycle theory. Levine's central point was that governments, like other organizations, go through stages from their establishment to extinction or demise. Levine established a link between the environment in which government operates and the resources available for the budget. The budget process represents the response of government to the scarce resources in its environment and not a reflection of the relative political power of the dominant interest groups as opined by Wildavsky. Budgets respond to the scarce resources in the environment. Consequently, there will be good, bad, and moderate times and the government budget will reflect it, at least economically (Levine, 1978).

Conclusion

It is worth noting that much of the present literature revolves around a combination of all of the four budgetary theories as described above. While Wildvasky said reform in the government budget was far-fetched, Schick argued that some reforms had and did take place. Levine discussed the conditions under which reforms are likely to succeed.

The second segment of the conceptual framework includes the budget cycle, the medium-term expenditure framework, extra budgetary matters, and the budget formats. These issues are sequentially dealt with in the sections following.

The Government Budget Cycle

The government budget cycle is typically made up of four phases, as follows.

Preparing a Budget Proposal

The preparation of the budget proposal is the first phase of the budgetary process, and this function typically falls within the executive arm of government. The proposal stage is often a complex and controversial first stage mainly because of the variety of government departments and other competing interest groups (Mikesell, 2011). The proposal stage requires government agencies and other related departments to make an assessment of the programs and activities they intend undertaking in the coming years. After that, the evaluation of these programs and activities takes place in terms of their costs and revenue for inclusion in the proposal (Allen & Tommasi, 2001).

At the proposal preparation stage, it is common for the agencies of governments, political parties, local councils, or other entities to develop ambitious budget requirements. The budget proposals will often demand increased funding in respect to some favored programs and reduction in taxes with a heavy burden. Also, budget proposals would incorporate proposed legislative changes, or the public demanding new services through their local members of parliament (Mikesell, 2011). Coping with such a variety of competing needs is a difficult and complex task. The overriding task is to prepare proposals with accurate predictions of future conditions well in time to avoid substantial revision at a later date within the budget year (Mikesell, 2011). As part of reform efforts, budget proposals have been a subject of many changes, with sophisticated techniques introduced for minimizing forecast errors and assessing the likely impact of program outputs.

Enacting the Budget

Enacting the budget constitutes the formal adoption of the budget and is usually the joint responsibility of the executive and legislative arms of government. This phase involves the executive trying to persuade the legislature to approve the budget proposal with few or no changes at all. Depending on the constitutional provisions of the country, the legislature has the responsibility to approve, decline, or request an amendment to the budget proposal submitted by the executive arm of government (Mikesell, 2011; Perci, 2016).

In some jurisdictions like the United States, constitutional provisions confer powers on the president to veto the decisions of the legislature in respect to some aspect of the budget proposal (Mikesell, 2011). Also, in the United States, the courts have jurisdiction to make amendment to the legislated budget (Mikesell). In some other countries, voters must approve certain budgetary provisions such as increases in the tax rate beyond a certain threshold (Nice, 2001).

Budget Execution

Once the legislature has enacted the budget, the next phase is implementation or execution. This stage involves administrative procedures for the transfer of funds to individual agencies and ministries, contracting out functions of government, and governmental borrowing to fill budgetary needs (Helpap, 2015). Controls by the central budget office help to ensure that funds are being spent as per the budget and in line with the legislated amendments and veto thereto, as appropriate.

Given that budgets relate to future periods that cannot be predicted with absolute certainty, situations that may necessitate revisions to the budget while execution is in progress are bound to arise (Whiteman, 2012). The revision of the approved budget is a common occurrence, and there are varieties of methods for doing so. It is relevant to note that funds approved during the adoption phase of a particular budget and the funds eventually spent during the actual execution of that budget may not necessarily be identical (Whiteman, 2012). Some factors can cause such variations including change in major government policy or significant forecasting errors in the estimate of revenues and expenditures (Whiteman, 2012). However, budgeting theory holds that an effective budgeting system should be able to produce a budget that minimizes the variances between the approved budget and the actual outcomes on a sustainable basis (Whiteman, 2012).

Review and Audit

The review and audit stage is the final and crucial stage in the budget process, focusing on adherence to budgetary policies, procedures, and guidelines. Was the amount spent for the free healthcare initiative established in the budget? Were the requisite legislative approvals obtained? Over the decades, the review and audit phase has expanded its scope to include a greater emphasis on determining the productivity, efficiency, and effectiveness of government policies and programs (Schick, 1990).

There are disagreements as to what government policies and programs should achieve, and this is attributable to factors such as political ideology or the preferences of citizens. Regardless of such disagreements, there is still need to evaluate government

programs as to their effectiveness and outputs, and hence the justification for the audit and review phase (Schick, 2009).

Conclusion

In concluding this subsection, it is relevant to note the linkages across the different phases of the budget process. The outcome of one phase is connected to and crucially dependent on both the preceding phase and the subsequent phase. Also, the phases overlap as the budget of the current year is being implemented, while at the same time that for next year is being planned and the previous year's budget is under review and audit. These linkages make the budget a continuous process with overlapping activities. In the next section, attention is given to the time frame for preparing budgets, and the importance of ensuring that budgets relate to periods that exceed 1 year.

Medium-Term Expenditure Framework

Over the last 3 decades, the timeframe for government budgets has shifted from a single fiscal year to several years into the future. The process entails the preparation of forward estimates that project expenditures and other budget elements for each of the next 3 years or more (Schick, 2009). These projections usually assume that current policies will continue without significant changes. By assuming as such, the government has a basis to forecast the fiscal situation that will ensue if the budget policies already in place are maintained (Schick, 2009). With such information at their disposal, government officials can estimate the impact of proposed policy changes on future budgets (Schick, 2009).

Some governments, including Sierra Leone, have taken it further by constructing medium-term expenditure frameworks (MTEF) that limit spending in each of the next 3 or more fiscal years (Schick, 2013). The MTEF serves as a constraint that bars governments from taking actions that would cause estimated future spending to rise above the preset limit. For a government budget to be credible, the expenditure programs must be sustainable at least over the medium term (Schick, 2013). Moreover, the budgeting system should provide a strong link between government policies and the allocation of resources on a multiyear perspective (Schick, 2013).

Clearly, the feasibility of a multiyear perspective is greater when revenues are predictable, and the mechanisms for controlling expenditures are well developed (Schick, 2013). The MTEF is, therefore, essential to frame the annual budget preparation process. Experience with MTEF suggests that politicians who are under pressure by exigencies to focus on the current budget year often ignore medium-term projections, even when such decisions adversely impact future budgets (Schick, 2013). Thus, the MTEF existed on paper but breached in practice.

In the next section, the issue of extra-budgetary activities and off-budget activities are examined as an important feature of the budget process.

Extra Budgetary Funds and Off-Budget Transactions

Extrabudgetary refers to government activities whose funding do not go through the budget (Zan&Xue, 2011; Zhan, 2013). Such funds are often the subject of different reporting and control distinct from the government budget itself. Off-budget transaction or activities are transactions conducted by a government ministry or agency whose

transactions should be within the budget. A typical instance is when fees collected by an agency are utilized by that agency for other purposes instead of remitting such monies direct to the Treasury (Zan&Xue, 2011; Zhan, 2013). Typically, an extra budgetary fund conducts transactions that are, by definition, outside the budget.

Zhan (2013) sought to understand local extra-budgetary finance within Chinese local governments against the background that a significant amount of revenue fell outside the budgetary system. The findings revealed that extra budgetary funds were prevalent because the local government authorities can conveniently exploit their administrative power to extract revenue from the local economy (Zhan, 2013).

In the next section, consideration is given to the types of budget format or approaches in fulfillment of the functions of public budgets in the overall governance of the resources of a nation.

Formats of the Budget Proposal

Different formats of budgets have emerged over the years of which the following are worth reviewing given their ongoing relevance in the management of public funds. These budgets format are the line-item budgeting, performance budgeting, planning-programming-budgeting, zero-based budgeting, and activity-based budgeting.

Line-Item/Traditional Budgeting

Line-item budgeting is otherwise called the object-of-expenditure budgeting or traditional budgeting. The line item divides the budget into departments and agencies of governments and within each department are details of the items of expenses (Schick, 2013). These items of expenditure, some of which include salaries, travel, office supplies,

are categorized according to set classes with totals and subtotals. The line-item budget dates back to the 1940s and is still in widespread use.

The proponents of traditional budgeting argue that its primary benefits include control over unwarranted expenditure and the provision of information on the activities underpinning each expense item (Sopanah, Sudarma, Ludigbo & Djamhuri, 2013). The past provides a strong base on which to develop the current period budget, instead of the future, which cannot be comprehended (Wildavsky, 1978). Another sustaining virtue of traditional budgeting is that while it acknowledges that budgeters may have objectives, the functions of the organization determine the budget (Ferguson & Johnson, 2011). Traditional budgeting does not demand analysis of policy, but neither does it inhibit it. Its neutrality with policy makes traditional budgeting easily comparable to a variety of policies, all of which translate into line items (Sopanah, Sudarma, Ludigbo & Djamhuri, 2013).

Despite its widespread appeal and ease of applicability, the line-item budget has come under severe criticisms as follows. Firstly, it focuses exclusively on the inputs side of the budget (i.e., the amount of money spent ignoring the outputs of government agencies and ministries (Schick, 2013). Secondly, the line-item budget is incremental rather than comprehensive. Also, the line-item budget fragments decisions, usually making them piecemeal. The line item budget is heavily historical, looking backward more than forward, and it is indifferent about objectives (Wildvasky, 1978). A further criticism levied against the traditional budget is the lack of information about

management, processes, planning, and efficiency of government programs and functions (Schick, 2013).

In spite of the above weaknesses, the line-item budget remains prevalent, and there is little empirical evidence that organizations alter their existing budgeting practices (Waal, Hermkens-Janssen, & de Ven, 2011). This paradox is explainable through a deeper insight of the process by which organizations decide on changing and renewing budgeting practices (Waal et al., 2011).

Performance Budgeting

Performance-based budgeting (PB) emerged in the 1940s in response to the above shortcomings of line-item budgeting. Performance budgeting presents the purposes and objectives for allocating funds, and examines costs of programs and activities established to meet those objectives (Ryu, 2013). Performance budget provides information on the activities identifiable with a government agency as well as highlighting the linkages between targets and expected results. (Joyce, 2011).

PBB is one of many initiatives to improve the management of public sector programs as it increases accountability, and influence funding decisions (Kelly & Rivenbark, 2015). By focusing on both the inputs into budgets as well as the outputs, performance budget provides a clear guide as to the likely effects of budgetary changes than would be the case for the line-item budget (Marti, 2013; Willoughby, 2011).

Like the line-item budgeting, performance budgeting too has shortcomings. Performance budgeting has a rather elaborate process and requires a great deal more effort than the line-item budget (Allen, 2014). Budgeters have to take care to prevent the

use of overly simplistic measures of agencies' outputs, as this may yield distortions in the operations of agencies with unintended consequences (Allen, 2014; (Kelly & Rivenbark, 2015). Also, in a typical political environment, it is not an easy task to set up agreeable outcome targets among various stakeholders. Even if agreeable outcome targets are set up, it will be difficult to determine who (or what program) is responsible for the outcomes because there are many rival causes (Allen, 2014).

On the whole, performance budgeting represents a valuable tool for effective budget decision making at all levels of government. However, it is only a tool; it is not a panacea for all budgetary problems

Planning-Program-Budgeting Systems

Program budgeting is also sometimes referred to as planning-program-budgeting systems (PPBS). PPBS emerged in the 1960s as a more ambitious approach to improving the performance of government operations (Schick, 2013). The principal goal of PPBS is to improve the basis for major program decisions in government ministries and agencies as well as in the Executive Office of the President (Schick, 2013).

PPBS calls for relating the three management processes constituting its name: planning, programming, and budgeting. Planning is related to programs that are central to the budget process. Programs and their cost estimates reflect a longer timeframe, with emphasis given to program outputs and objectives (Schick, 2013). In PPBS, the budget is organized by programs or activities that share the same objectives, regardless of which agency or departments carry out those activities (Schick, 2013). To this end, there has to be a clear statement of program goals and objectives and the identification and systematic

comparison of the alternative methods of meeting those desired objectives (Schick, 2013). Thus, the budget data is organized by programs, reflecting current as well as future implications of decisions.

The PPBS system reigned until the mid-1970s, and like its predecessor budgeting systems, it phased out as a result of several factors. PPBS were allegedly merely imported from defense environments to civilian environments without much adaptation and preparation (Schick, 2013).

Zero-Based Budgeting

With the planning-programming-budgeting system falling out of favor, zero-based budgeting (ZBB) emerged to fill the vacuum. ZBB also represented a rejection of the incremental model of budgeting, as it demands a justification of the entire budget submission from ground zero (Lauth, 2014). An agency preparing a budget must justify every dollar that it requests. ZBB refutes the incremental mode of budgeting, which essentially respects the outcomes of previous budgetary decisions as constituting the basis for the current budget (Lauth, 2014).

ZBB places emphasis on the concept of priorities to reflect the concern that the things that governments do should be the most important of all the things they could do (Achim, 2014). So for ZBB, examination of public programs should go beyond the features of accountability, efficiency, effectiveness, and impact to incorporate relevance (Achim, 2014). The most significant and critical problems are the subject of the budgetary process (Achim, 2014).

Thus, ZBB demands a full justification of each governmental program, regardless of whether it is a new or an existing program. A three-stage process characterizes ZBB. The first stage is the identification and description of each program. The second stage involves the evaluation and ranking of programs using cost-benefit-analysis, and the last stage is about the allocation of resources (Achim, 2014; Lauth, 2014).

ZBB has several objectives, as follows: to include managers at all levels in the budgeting process and to justify the resources requirements for existing activities as well as for new activities. ZBB focuses on the evaluation of programs, and the establishment of objectives for the measurement of accomplishments. Also, there is the objective to assess alternative methods of accomplishing objectives, and the provision of a credible rationale for reallocating resources (Achim, 2014; Lauth, 2014).

Like other budgeting systems, ZBB too has problems ranging from the resistance of government employees and the lack of understanding of the basic concepts. There is the problem of poor quality of some of the information generated. A major problem was the complaints by agencies that their program activities are so interrelated that it is impractical to separate one activity for funding purposes without affecting several other program activities (Schick, 2009). It was useful to note that many of these problems of ZBB mirrored the same problems that were experienced by PPBS.

Activity-Based Budgeting

Another variant of budgeting is activity-based budgeting, designed to strengthen the link between activity and budgets. Linking budgets to activity increases competition, enhances efficiency, and facilitates control in times of reduced demand (Hansen, 2011).

Activity-based budgeting puts budgeting on autopilot in the sense that politicians need not actively decide to change budgets whenever activities change (Hansen, 2011).

Activity-based budgeting appropriations depend at least in part on information about achievements, demand, or output (Hansen, 2011). Activity-based budgeting has become a common way of financing schools and hospitals. Hansen (2011) further opined that activity-based budgeting is an extension of activity- and capacity-based concepts into the budgeting realm, and the aim is to increase an operation's flexibility to respond to unforeseen events.

At its heart, activity-based budgeting creates an explicit model of the organization's activities, processes, resources, and capacity that it uses to generate plans and budgets (Hansen, 2011). Another important element of activity-based budgeting is that it explicitly ties capacity planning more firmly into the firms' processes. The success of the system is, however, dependent on the degree of institutionalization (Hansen, 2011).

Conclusion

Although traditional budgeting has inherent defects, it remains a dominant approach to budgeting (Douglas, 2012; Lande, Luder, & Portal, 2013; Monteiro & Rodrigo, 2013). Traditional budgeting lasted so long because it has the virtue of its defects. It makes calculations easy precisely because it is not comprehensive.

Also, by budgeting for only 1 year, traditional budgeting avoids the chaos and conflicts that take place in multiyear budgeting. Traditional budgeting lasts because it is simpler, easier, more controllable, and more flexible than modern alternatives like PPBS, ZBB, and ABB.

In the third segment of the conceptual framework, consideration is first given to the accounting basis for preparing government budgets. Next is a review of modern budgeting strategies prevalent in many jurisdictions. The section ends with a discussion of some of the methods of coping with the complexity and conflicts inherent in the budgetary process. These issues are discussed in the sections following.

The Accounting Bases for Budgeting

There are two accounting bases for preparing budgets. A budget prepared according to cash accounting principles or according to the accrual accounting principles (Maciuca & Socoliuc, 2014; Monteiro, Rodrigo & Gomes, 2013). The difference between the two methods consists at the moment where the transactions occur. The budget developed under the accrual accounting principles will estimate the revenues and expenses of a given period to determine the expected level of profit (Maciuca&Socoliuc, 2014). On the contrary, a budget developed under the cash accounting rules will relate only to cash items. That is, items bought in cash and income received in cash. The purpose of this type of budget is to determine whether there is sufficient cash (Maciuca&Socoliuc, 2014).

From a macro level perspective, accrual budgeting provides a framework for the planning, management and control of public expenditure (Steger, 2013). Also, a budget prepared based on accrual accounting presents long-term events while the budget prepared under the cash accounting rules presents short-term ones (Maciuca&Socoliuc, 2014).

New Zealand was the first country to adopt accrual budgeting in the early 1990s, followed by Australia, Great Britain, Sweden, Canada, and the United States (Maciuca&Socoliuc, 2014). Following demands made by the IMF and the World Bank for information on the accrual budgeting, Romania commenced a gradual process of accrual budgeting in 2014. As a result of accrual budgeting, Romanian politicians were reportedly able to increase their control over all the public resources. The accrual process enables the government agencies responsible for policies to hold more comprehensive and significant information for the development of policies (Maciuca&Socoliuc, 2014).

The shift to the accrual budgeting meant that the budget stops being an authorization tool for public expenditure and becomes a planning and management tool (Steger, 2013). Accrual budgeting helps to align public finances with economic reality and makes it harder for the interested parties to ignore the challenges imposed by the future budget (Steger, 2013).

Budgeting Strategies

The variety of budgetary theories as outlined previously, including others not mentioned here, indicates that different forces may be at work in public budgeting. Budgeting decisions affect governments and the lives of their peoples in many ways. Can a farmer afford to send his three children to college? Will a village have pipe-borne water supply instead of a health center? These questions and many more are answered, at least in part, during the budget process.

Lepori, Usher, and Montauti (2013) studied the uses of budgeting in higher education institutions and noted that budgeting concerns the decision on the level of

expenditures and the repartition of resources among organizational subunits. Lepori et al. held that budgeting is a critical organizational process, which is closely related to fundamental choices concerning strategic priorities and resources acquisition strategies.

Interested parties who want to influence the budgetary process have some options to adopt, and a few established strategies for doing so are as follows.

Cultivating Clientele Support

Clienteles are groups with continuing and strong interests in a government program, such as the beneficiaries of government social security payments. Cultivating clienteles' support is important in obtaining executive and legislative approval of budget proposals. Often, government programs that lack strong clientele support may be easily susceptible to budget cuts, especially in difficult times when funds are very scarce (Charles & Niels, 2012).

Gaining the Trust of Others

An important budgetary strategy is to build and maintain the trust and confidence of other participants in the budget process. Almost always, there are some participants whose approvals are required for a budget proposal to sail through. Good preparation, honesty, and awareness of the expectations of those participants are critical for success in the government budgetary process (Hills & Schleicher, 2011).

The extent to which any budget is successful is very much dependent on its acceptance and the attitudes of workers towards it (Raghunandan, Ramgulam, & Raghunandan-Mohammed, 2012). Therefore, budgeting cannot afford to ignore the

impact of human behavior so as to ensure satisfactory outcomes (Raghunandan et al., 2012).

Documenting a Need

A related budgetary strategy entails developing and presenting convincing evidence of the need for some course of action or program. For instance, an analysis showing that a particular education reform improves student performance may help gain approval of the funds required. A major development in budgetary reforms over the years is the requirement for a systematic analysis of needs and program performance in budgeting (Annesi-Pessina & Sicilia, 2012).

Coping with Painful Actions

Where certain budgetary actions may yield painful consequences, such as deep cuts in funding, budget officials may resort to different tactics. Schick (2007) noted that tactics in this regard may include shifting blame to other decision makers or cutting back on less visible and less painful items, such as maintenance. In a similar vein, budgetary officials may employ the tactic of cutting down on popular programs so as to raise a public outcry that will eventually lead to a restoration of funding.

The *Camel's Nose*

The *Camel's Nose* is a budgeting strategy that involves asking for a small amount of money for the first year and a somewhat larger amount in each succeeding year. The trick is not to ask for a huge sum at the outset (Mikesell, 2011). The presumption is that budgeting moves through incremental changes, which is less likely to attract opposition than large changes (Boris, 2013). The idea is to seek some funding at the initial stage

with the hope that decision-makers will find it wasteful not to continue with the programs already started (Mikesell, 2011).

Capitalizing on Temporary Circumstances

Budgetary officials may take advantage of unique prevailing conditions that may temporarily improve a program's attractiveness. For instance, in a crisis, a program may gain funding if it can serve as a potential remedy for whatever is causing the crisis. A friendly political environment may also offer an opportunity to undertake or expand on a particular program (Sacco, Stalebrink, & Posner, 2011).

Minimizing the Risk of Future Cuts

Where there are strong threats of cuts in funding, government agencies may fend off such threats by spending or otherwise committing the money as quickly as possible (Schwartz, Sudbury, & Young, 2014). For instance, equipment or supplies may well be purchased as soon as money becomes available.

Coping with the Complexity and Conflict of Budgeting

Another essential feature underpinning the government budgetary process is the complexity and conflict inherent in the process. Because there is never enough money to satisfy all demands, budgeting is in some sense a fight over money and the things that money buys. This perspective sees budgeting as an allocative process in which there is never enough money to allocate (Schick, 2007).

Government budgeting is thus an enormously complex undertaking. The process entails the efficient participation of the president, principal advisers, and many members of the legislative branches, as well as numerous interest groups (Schick, 2007). The

process consists of thousands of decisions, complicated rules and procedures, and debate over the composition and amount of public revenue and spending. Budgeting has two inherent features: one that broadens the scope of conflict and another that narrows and resolves it.

Schick (2007) noted that conflicts in budgeting arise in different forms. Who should pay and who should benefit? Which categories of peoples are to bear a heavy tax burden, and which programs should grow and which should shrink? Budgeting is a redistributive process in which some gain and others lose; it allows for choosing among the many claims on public resources (Schick, 2007). Also, as a rationing process, budgeting is resolved by excluding some claimants from its bounty, allowing governments, either expressly or indirectly, to decide on its role and set priorities (Schick, 2007). All of these characteristics increase the potential for conflict, not only between political parties and between the executive and the legislature but also among the thousands of agencies and other interest groups.

There is a resolution feature of government budgeting that exerts a contrary force to contain conflict and constraint ambition (Schick, 2007). The resolution element of budgeting demands solution to all conflicts in the budgetary process. The resolutions of conflicts start from the early stages of the process, in which agencies ask for less than they want. The resolution of a conflict is also identifiable with the final stages, in which the fight over resources ends (Schick, 2007). The budget is concluded by setting aside residual differences to reach an agreement (Schick, 2007). Essentially, budgeting is not

an all-out war, for if it were, even the best efforts of the disputants would not bring closure (Schick, 2007).

The task, therefore, for central budget officials is the challenge of assessing the many programs and diverse activities as to their effectiveness, and sorting through claims and counter-claims. In fulfillment of this goal, the following constitute some of the strategies for coping with conflicts and complexity in government budgeting.

Incrementalism

Incrementalism focuses on familiar grounds in terms of confining the budgetary process to what is being done now. The argument for this approach is that it reduces the level of uncertainty inherent in the budgetary process (Dan, 2014). Also, a fundamental assumption is that dramatic and drastic departure from existing programs will not take place, and if they do, such programs would be few and far apart (Wildavsky, 1978). The assurance that existing programs will continue with incremental increases across the board reduces some of the conflicts that are inherent in the budgetary process.

Fair Share

The strategy of fair share demands that all programs should be given some share of any additional funding or planned cutbacks. In doing so, all budgetary programs are given a share of the available funds (Mike, 2012).

Separate Pools

This strategy involves the division of the budget into pools that are treated separately from one another (Mirko, Nicholas, & Richard, 2014). By so doing, the complexity and conflicts associated with government budgeting are minimized.

Earmarking a particular source of revenue to fund a specific program is a case in point. For instance, fuel tax revenue held in a separate pool for road maintenance purposes only.

Postponement

Given the repetitive nature of the budgetary process, budget officials do not have to deal with every possible issue now (Mike, 2012). Hence, some issues require attention in the current year, some in the next budget, and still others at a later date in future years. Further, urgent matters that cannot wait until the next budget cycle can be handled by revising the current budget midyear (Mike, 2012).

Public Expenditure Management and Control

Public expenditure management is the central part of the budget execution process. The objective of public expenditure management is to ensure the effective and efficient utilization of resources in fulfillment of the goals and objectives set out in the approved budget (Allen & Tommasi, 2001).

Three main categories of public expenditures feature prominently in the budget of many countries, namely entitlements, discretionary expenditures, and mandatory expenditures (Schick, 2009). An entitlement is a provision of law that establishes a legal right to public funds. The law provides a definition of the eligibility requirements, and entitlements include payments such as social security, unemployment compensation, and disability payments (Schick, 2009). Discretionary expenditures arise if appropriation authorizes them.

There is no substantive law requiring the government to spend on discretionary items, and no right of recipients to payments from the treasury. If no appropriation is

forthcoming, no expenditure is made, and such expenditures are common in the purchase of goods and services. Mandatory expenditures arise out of contractual obligation entered into by the government such as debt and interest payments by the government (Schick, 2009).

The last few decades have seen a significant growth in the composition and size of entitlements and discretionary and mandatory expenditures, reflective of the growing size of what governments do for their respective countries. Governments have adopted certain popular practices to control these expenditures as follows.

Top-Down Limits

Many countries sets goal for total spending within which expenditure allocations, detailed decisions about program cost, cost increases, and other factors should be accommodated (McNulty, 2012). These limits constitute a limit on total spending and are intended to condition behavior and constraint demand for more resources. These limits, which extend to individual agencies and programs, help to minimize the tensions that are typical of budget negotiations.

Adherence to Financial Limits

The practice in most countries is a strong emphasis on the need to manage the budget within previously approved limits to the greatest feasible extent (Schick, 2009). The downside of top-down limits is that they support the idea that the central budget office, not individual spending agencies, handles adherence to the approved budget. Hence, in some countries, the preference is to increase the accountability and authority of

individual spending agencies to achieve continuing spending restraint and greater value for money (Schick, 2009).

Value-for-Money

Value for money is about promoting economy, efficiency, and effectiveness of government activities and programs. To this end, governments rely on various review mechanisms, external experts, and external auditors supported by several other practices (Schick, 2009). Focused attention on outputs or results is one main value-for-money practice prevalent in some countries (Csuros, 2013). The heightened attention on results is an incentive for agencies and their managers to strive to achieve savings and to live within limited budgetary provisions (Schick, 2009).

Other value-for-money practices include the implementation of a multiyear agreement on resource levels rather than the traditional annual review (Csuros, 2013). This process allows for greater independence of spending agencies to adjust priorities and rearrange a mix of policies and programs delivered. Other complimentary practices are the decentralization of expenditure management and the development of adequate performance measures and effective accounting and reporting systems for monitoring agencies (Schick, 2009).

As part of the budget implementation process, governments often seek robust and flexible expenditure control systems to cope with future uncertainties, and there is a range of instruments to achieve this end. Three popular instruments for keep spending in check are the use of unallocated reserves, in-year monitoring and control of cash flow, and monitoring and controlling of commitments (Schick, 2009).

Unallocated Reserves

In some jurisdictions, provision is made for an unallocated reserve or contingency funds to deal with unexpected expenditure requirements. In Australia, Canada, Italy, and Sweden, some contingency funds are appropriated to the budget office at the start of the fiscal year (Schick, 2009). In Australia, a specific amount known as *advance to the Minister of Finance* is appropriated for allocation at the discretion of the minister of finance. In exceptional circumstances, spending agencies may apply to expend fund from this appropriation (Schick, 2009).

In Italy, 8-10% of the total spending approved by the legislature is set aside to meet unexpected cost overruns in some programs (Schick, 2009). In Turkey, a contingency reserve of 3% of the total consolidated budget is appropriated to the ministry of finance for use in emergencies (Schick, 2009).

Both Canada and the United Kingdom, which use multiyear expenditure plans, include an unallocated reserve of 3-4% of the planning total of expenditure shown for each forward year (Schick, 2009). In the UK, the Treasury manages the reserve, and an agency faced with emergency need is required to seek offsetting savings in its other programs. The access to the reserve is only as a last resort, and there are procedures for accessing such funds. If a claim is accepted and is for a program financed from money voted by Parliament, a suitable supplementary appropriation has to be sought (Schick, 2009). If the vote is subject to a cash limit, a suitable change in the limit has to be agreed upon and announced (Schick, 2009).

Unallocated reserves or contingency reserves are often sourced to deal with unexpected expenditure needs. However, to maintain the credibility of the use of such reserves, the practice in some countries is to strictly ration access to the said funds. The imposition of cash limits within which agencies are allowed to accommodate changes in wage rates or inflation rates is another common practice (Schick, 2009). Schick (2009) further noted that in some jurisdictions, the central budget office handles cash limits. Effective information systems help the central budget office to monitor the flow of spending throughout the year. The goal is to control the pace of the release of funds for purposes of tight commitment and debt management practices (Dan, 2014).

In-Year Monitoring and Control of Cash Flow

In-year monitoring and control of cash often serve two purposes. These purposes include the effective management of debt and assurance of value for money (Schick, 2009). Where budget deficits are significant, the ministry of finance may need timely information about actual spending and likely spending a few months ahead. Such information would help with forecasting of the cash flow and the management of government borrowing activities (Kraan, Kostyleva, Duzler, & Olofsson, 2012).

Besides overall cash management, there is also a need to monitor spending compared with the budget, so as to stay within the available budget and to get the best value for money. In the United Kingdom, when Parliament votes an appropriation, it delegates to the Treasury the authority to sanction payments from the vote in question (Schick, 2009). The Treasury in turn delegates authority to the spending departments in respect to most routine expenditures. However, specific Treasury approval is required for

significant new proposals and individual projects above agreed financial limits (Schick, 2009).

The US system is different in that the authorities provided in the budget are not directly concerned with outlays or cash spending. Instead, the US budget provides authority to enter into an obligation that will give rise to immediate or future outlays and does not make cash appropriations (Schick, 2009). After the approval of the budget by Congress, the Office of Management and Budget (OMB), distributes the authority arising from the appropriations and other budgetary resources to each agency. The distribution is by time periods or by activities to ensure their effective use and minimize the need for additional appropriations (Schick, 2009).

Monitoring and Controlling of Commitments

The main purpose served by monitoring and controlling commitment is to ensure that spending stays within the prescribed cash limit for a given period. By extension, it also means a limit on commitments likely to mature in the same period (Schick, 2009). Besides requiring cuts in some spending areas to offset unavoidable cost overrun, there is also a need to ensure as few commitments as possible. The goal is to enhance short-term cash flexibility for spending agencies (Whited, 2014).

Countries differ in how they monitor and control commitments. For instance, in Italy, where the approved budget constitutes authority to undertake commitments, it was the case that significant outstanding liabilities developed (Schick, 2009). This situation prompted legislative limits on new commitments and on cash outlays in the years covered by the budget (Schick, 2009). In the Netherlands, the budget presented to Parliament

shows for some line-items, a separate column indicating the maximum of any new commitments, which will lead to outlays in future years (Schick, 2009). Parliamentary approval is required to exceed the indicated maximum, and the minister of finance may determine individual line items for which any new commitments require his or her approval in advance (Schick, 2009).

In the next segment of the conceptual framework, the review narrows down to the primary themes underlying the research problem. These themes include legislative budgeting and budget credibility as the foundational theories underpinning the study.

Budgeting: The Roles of the Executive, the Legislature, and Agencies

Success in the management of government budget requires a clear delineation of responsibilities and duties among the arms of government; combined with a careful balance of their respective powers. The powers of the legislature and the executive arms of government are particularly important to guarantee proper stewardship and accountability (Deng & Peng, 2011). For this purpose, the legal framework governing the budget must be properly designed.

As the manager of the government budget, the minister of finance must be sufficiently empowered. The minister must have adequate legal and technical instruments and sufficiently skilled staff (Massood, 2012). The cabinet of ministers constitutes the key decision-making body at the center of government. The success of the budgeting system relies in large part on a close co-ordination and alliance between the ministry of finance and the line ministries. Line ministries are accountable for defining and

implementing government policies in their sector, within the policy framework and the budget constraints defined by the government (Massood, 2012).

The legislature should have adequate means to assess government policies, scrutinize the budget, and control the effectiveness of its implementation (Deng & Peng, 2011). The government must present to Parliament a budget that specifies government fiscal policy and macroeconomic objectives (Allen & Tommasi, 2001). The common practice is for a special parliamentary committee that review the budget and another committee to study the final accounts and external audit reports (Deng & Peng, 2011). The annual budget cycle consists of the formulation of the president's budget in the executive branch, the review and approval of the legislature, implementation by the agencies, and concludes with the independent audit.

The President's Budget

The preparation of the budget in the executive arm of government begins with each ministry and agency using defined procedures for assembling its request. Government agencies submit their budgets to the central budget office or bureau for review and approval. Once the central budget authority agrees to the request, it is incorporated into the main budget for consideration by the legislature (Schick, 2009).

High-level budgetary targets typically mark the budget prepared by the executive. These targets reflect the view of the government of how the public sector affects the economy and its priorities for levels of taxation, borrowing, and expenditure. Such targets are the product of complex considerations regarding fiscal and monetary policy options,

the size and role of government, taxation policies, and, possibly, future sectoral policies (Schick, 2009).

Schick (2009) grouped these high-level budgetary targets into three as follows:

- A ratio expressed as a percentage related to the gross domestic product or similar indicator of aggregate economic activity. These indicators include budget balance or government borrowing, or revenue, or expenditure, or a combination of these.
- A rate of change in expenditure. A guideline could be zero real growth, some rate of increase, or a real decline.
- An absolute value for the target variable in nominal terms; for example, the future level of expenditure or the deficit.

Each president brings to the office personal characteristics, along with political considerations that usually impact the preparation and implementation of the country's budget. Some presidents are interested in financial matters and embrace the chance to make revenue and expenditure policies that shape the budget to suit their program ambition (Schick, 2009). Through the budget, the president takes on responsibility for the performance of the economy and for policies that affect disposable income, prices, growth, and other key indicators (Schick, 2009).

A budgeting system provides policy tools, processes, and institutions for a government to plan, manage, and control the design and implementation of economic development policies (Kuotsai, 2011). It is, therefore, advisable for the president not to ignore the budget and its submission to the legislature, as this is one important task that

must be completed. Presidents must, therefore, be attentive to how the budget fares in the legislature and must be prepared to intervene when critical matters are at stake. When the legislature releases the budget, it puts the president's political standing on the line. The capacity of the president to move legislation through the legislature is partly dependent on how well the Legislature receives the budget (Schick, 2009).

Budgeting: Legislative Dimensions

A fundamental principle of public finance is the separation of the ownership of, decision-making on, and management of public funds. Public funds belong to all taxpayers, the society as a whole (Deng & Peng, 2011; Perci, 2016). The legislative body elected by the taxpayers has the responsibility for deciding on how to use public funds. The management of the public funds is carried out by the government (Deng & Peng, 2011). The separation of ownership and decision making is necessary because it is practically impossible for taxpayers to make a direct decision on every issue.

Similarly, the separation of decision making and management helps to prevent the opportunism in a fiduciary relation. The separation is to ensure that those who decide how the funds should be used and those who use them are not the same people (Deng & Peng, 2011). Accountability becomes the focal issue in terms of protecting the interest of the taxpayers and society as a whole. It is in this regard that the legislature is the guardian of the taxpayers' purse. Therefore, a prerequisite for the protection of the interest of society is that the legislative body has the final decision-making authority on a budget (Deng & Peng, 2011; Perci, 2016). Hence, a budget approved by the legislature is legally binding on the government (Deng & Peng, 2011). In this sense, a budget is a legal

contract between the government and the legislature about what the government should do in the new fiscal year (Breux, Finn, & Jones, 2011). The budget is, therefore, a powerful tool of accountability for citizens to know how the government spends their money (Baker, 2011; Csuros, 2013).

It is thus evident from the previously stated that in theory at least, the legislature constitutes the most important body of external accountability to society in public financial management. The literature on legislative budgeting has identified three key elements in the institutional arrangements of the legislature to fulfill its responsibility: legal authority, organizational structure, and capacity (Deng & Peng, 2011).

- **Legal Authority:** For the legislature to have any real power in the budgeting process, the constitution or budget law and other related statutes should contain clear provisions (Deng & Peng, 2011). These provisions should spell out the authority of the legislature to amend the budget submitted by the government. These laws should further set out the parameters of the amendment power, such as whether the legislature can revise the spending up or down (Perci, 2016).

- **Organizational structure:** For the legislature to function efficiently and effectively, a committee structure has to be in place. The generic format consists of two components: the central committee usually called the finance or budget committee, responsible for all budgetary matters and multiple subcommittees responsible for various policy areas covered by the budget (Perci, 2016). This structure enables the legislature to have both overall control over the budget process and more specific in-depth inquiry into various government programs or activities (Deng & Peng, 2011).

- Capacity: Also, the legislature needs to have the capacity to analyze the government's budget, and this is dependent on three factors: time, information, and expertise (Deng & Peng, 2011; Perci, 2016). Foremost, the legislature needs a sufficient amount of time to review and analyze the government's budget. Secondly, the legislature also needs to have the necessary information on the cost of government programs. The legislature can itself collect such information or have in place a framework for sharing information. Thirdly, to aid its effective review of the budget, the legislature also needs a staff with good knowledge of the specific programs covered by the government budget. Legislators simply do not have the time needed to review the entire budget by themselves. Other notable legislative weaknesses include the absence of legislative budget research capacity and specialized budget committees (Perci, 2016). The absence of any of these factors will substantially affect the review of the government budget by the legislature.

In general, legislative budgeting as a process concerns authorizations and appropriations (Deng & Peng, 2011). In countries like the US, Congress has committees responsible for designing and recommending bills that would establish various public policies and programs. In the US system, an authorization committee recommends a bill for a program that may span several years. After that process, the decision on exactly how much funding to provide for a given fiscal year rests with an appropriation committee. (Schick, 2009). The appropriation committee conducts hearings with the responsible program officials as part of their review of the executive budget. The

appropriation committees have effective jurisdiction over discretionary spending and less so for direct/mandatory spending.

The effectiveness of legislative budgeting is also dependent on the established rules and procedures in individual countries. Two models are worth considering: the strong executive model and the strong legislative model (Maciuca & Socoliuc, 2014). In the strong executive model, the president has formidable budgetary powers, such as the line-item veto power in the US (Maciuca & Socoliuc, 2014). This veto power sets the president's budget recommendation as a ceiling above which the legislature cannot go, or the president will veto it. When the legislature reduces a program's budget below the presidential ceiling, this must be accepted by the president. Essentially, the president can veto anything outside the initial budgetary recommendations.

The strong legislature, weak executive model, forbids line-item veto. In this type of environment, the legislatures can virtually rewrite the budget to their liking, and present it to the president on a take-it-or-leave-it basis (Schick, 2013). The US system has a strong legislative model following the enactment of the Congressional Budget and Impoundment Control Act of 1974.

The current US system is such that the president and Congress are interdependent on budget matters. The president cannot get his or her budget adopted without legislative action, and Congress cannot get its budget resolution implemented without the concurrence of the president. This situation is to encourage opposing sides to seek accommodation, given that conflict is unavoidable in the budgetary process (Dirk-Jan, 2012).

The Role of Spending Agencies

Government ministries and agencies cannot spend appropriations until the central budget office apportions the funds among periods or programs. Agencies often have an allotment process that distributes available funds among their administrative units. With few exceptions; agencies cannot obligate funds in excess of an appropriated or allotted amount (Schick, 2009). Sometimes, agencies can reprogram funds by shifting them from one purpose to another in the same account. The US President is also empowered, under defined conditions, to impound funds either by delaying expenditures or by seeking to rescind original appropriations (Schick, 2009).

Budget Transparency-the Open Budget Index (OBI)

Budget transparency is an essential requirement for better economic and governance outcomes (Carlitz, 2013). The right of citizens to know how their government handles public money is not a new phenomenon. There is growing consensus that citizens should have a free and unlimited access to all information relating to a government budget. Empirical evidence suggests that governments with more transparent public finance also have a better fiscal performance and lower levels of corruption (Renzio, & Masud, 2011). Some of the critical success factors for budget transparency include building horizontal and vertical alliances between stakeholders, the production of legitimate information, legal empowerment and international support (Carlitz, 2013).

The Open Budget Index (OBI) is a tool that documents the state of budget transparency across the world for the purposes of research and advocacy

(Renzio&Masud, 2011). Produced every 2years since 2006 by the International Budget Partnership (IBP), the OBI provides comparative evidence on the information that governments make publicly available on how they manage public finances. The Open Budget Index (OBI) is the world's only independent and comparative measure of budget transparency (Renzio, & Masud, 2011).

The Open Budget Survey assesses whether the central government in each country makes eight key budget documents available to the public. The Survey also makes a determination as to whether the data contained in these documents is comprehensive, timely, and useful (Renzio, & Masud, 2011).The Survey uses internationally accepted criteria to assess each country's budget transparency in the form of the Open Budget Index.

The 2012 Open Budget Index assessed 100 countries and Sierra Leone scored 39%- 39 out of 100. The Sierra Leone score ranked lower than the average score of 43 for all the 100 countries surveyed. It is also lower than the scores of its neighbors, Ghana, and Liberia, but above those of Equatorial Guinea and Nigeria. Sierra Leone's score indicated that the government provides the public with minimal information on the national budget and financial activities during the budget year. The citizens of Sierra Leone are therefore constrained in not been able to hold the government fully accountable for its management of the public's money, thereby adding to the credibility concerns.

The Credibility of Government Budgets

A credible budget is a budget that fulfills the three budgetary objectives of fiscal discipline, allocative efficiency, and operational efficiency. For a budget to be credible also means that the budget system functions to serve spending control, management, and planning. For purposes of this study, budget credibility is confined only to mean the attainment of fiscal discipline and adequate oversight by the legislature. Fiscal discipline means the control of the budget totals such that the actual outcomes show minimal variances in comparison with the approved budget.

Folcher (2006) studied nine African countries at the forefront of African budget reforms as to the milestones achieved and lessons learned both on the content of reforms and how they were sequenced and managed. The product of this study was 10 lessons to serve the purposes of budgetary reforms, especially in Africa, and budget credibility ranked topmost (Folcher, 2006). The findings of this study re-echoed the importance of budget credibility as being at the center of outstanding budgeting practices. According to the study, budget credibility has two dimensions: technical and governance credibility (Folcher, 2006).

From a technical standpoint, a government budget is credible when the actual outcomes are closely reflective of the initial budget (Folcher, 2006). A technically credible budget reveals minimal variances when compared to the actual outcomes, both in terms of amounts and composition of budgetary activities (Folcher, 2006). For a budget to be technically credible, the following must hold (Folcher, 2006):

- Prudent macro-fiscal framework

- Realistic revenue projections
- Credible assessment of the cost of existing programs and cost of new ones
- A transparent and disciplined budget planning process
- Robust system of budget classification, execution, financial management, and accountability
- Availability of enough information on spending and service delivery

From a governance perspective, a credible budget is one that provides access to information internally and externally through the budget process. Governance credibility also demands a clear and effective mechanism for political oversight including oversight by the legislature (Folcher, 2006).

Budget credibility crucially depends on having predictable rules and processes in place for the formulation and implementation of the budget, including dealing with changing circumstances. As a whole, budget credibility goes beyond ensuring that numbers contained in the budget are correct and based on a realistic macro- economic foundation. It involves wider ownership of the budget priorities, predictable budget rules, and processes and systems that ensure discipline in implementation (Folcher, 2006).

Whiteman (2012) expressed similar views, describing a credible budget as a budget whose implementation proceeds as planned. Whiteman also covered aspects relating to budget credibility as part of the overall study of the capacity and capability of public financial management (PFM) systems of 69 countries. According to the author, the credibility of a budget is one of six critical or core dimensions of public financial management (PFM) performance. These core dimensions include (a) budget credibility;

(b) comprehensiveness and transparency; (c) policy based budgeting; (d) predictability and control in budget execution; (e) accounting, recording, and reporting; and (f) external audit and scrutiny (Whiteman, 2012).

Each of the above six core dimensions has a set of high-level indicators that measure the operational performance of the essential elements of associated public financial management. Whiteman (2012) defined budget credibility as a budget whose actual outputs are not significantly different from the plan, and such a budget is measured by the following four high-level indicators:

1. Aggregate expenditure outcomes compared to original approved budget
2. Composition of expenditure outcomes compared to original approved budget
3. Aggregate revenue outcomes compared to original approved budget
4. Stock and monitoring of expenditure arrears as measured by (a) stock of expenditure arrears and (b) availability of data for monitoring the stock of expenditure arrears.

Sample (1993) investigated the budgeting and reporting practices of 394 school districts in Pennsylvania to determine the credibility of the budgets when compared with the district's financial report. The study confirmed that the class 3 district budgets lacked a high degree of credibility when compared with the district financial reports. According to the results of the study, the variances between the budgets and financial reports were deliberately planned. In doing so, district administrators were provided with a cushion against estimation error, to disguise the district's financial condition, and to hide the existence of a fund balance (Sample, 1993). Thus, the credibility of a budget can be

compromised as a result of deliberate under-budgeting of revenues and over-budgeting of expenditure.

Alihegović and Slijepčević (2012) studied the possibilities of setting up performance measurement at the sub-national government level in Croatia. They identified budget credibility as a prerequisite for successful performance measurement, and defined budget credibility as follows:

1. the difference between the aggregate expenditure outcomes and the original approved budget at the sub- national government level in Croatia;
2. the difference between the composition of expenditure out- turn and the original approved budget at the sub- national government level in Croatia;
3. the deviation of aggregate revenue outcomes from the original approved budget at the sub- national government level in Croatia.

Conclusion

The above four studies by Sample (1993), Folcher (2006), Alihegovic and Slijepcevic (2012), and Whiteman (2012) focused on the construct of budget credibility covering different contexts. These four empirical studies and the study relating to the reforms in the budgeting process in China by Deng and Peng (2011) together provided the primary conceptual foundation for this study.

Summary and Conclusions

This chapter reviewed some of the existing literature on government budgeting in general and, in particular, the literature on the construct of a credible government budget. The literature presented included empirical evidence showing that a government's budget

is credible if the budget outcomes regularly and, with few variances, match the budget as approved. A credible budget has both a technical and a governance meaning.

From a technical standpoint, a credible budget is a budget whose implementation goes as planned and is comprehensive, affordable, and sustainable. A technically credible budget is one whose variances are insignificant in comparison with the actual outcomes. From a governance perspective, a credible budget has an adequate governance structure, including strong oversight, especially by the legislature. Such a budget enables the easy access to budgetary information not only to government officials but also to the general public.

This study may be the first documented academic research about the credibility of the budget of the government of Sierra Leone. Therefore, from a theoretical standpoint, the significance of this study is that it will augment existing research theories on the construct of budget credibility in the Sierra Leone context.

Chapter 3 outlines the methodology of the study as regards the determination of the budget variances, the sources of such variances, and the framework used for assessing the adequacy of legislative budgeting in Sierra Leone.

Chapter 3: Research Method

In this chapter, I describe the research design and methods adopted to investigate the credibility of the budgets of seven government ministries in Sierra Leone. The purpose of the study was to propose a budgetary reform agenda in support of some of the main changes needed for enhancing the credibility of the budget of the government of Sierra Leone. In the following sections, I outline the qualitative case study design adopted for the study with supporting data from both primary and secondary sources.

Research Design and Rationale

The design of any study depends on the research approach adopted, and the approach is dependent on ontological and epistemological assumptions (Yin, 2011). There are two popular research methodologies, qualitative and quantitative, which are briefly reviewed in the section following.

Quantitative Research Design

In a quantitative research design, a research problem is defined by a theory (a hypothesis) of a given phenomenon. The hypothesis is measured numerically using variables. The variables are analyzed using statistical techniques to either accept or reject the hypothesis (Yin, 2011). In quantitative research, the aim is to confirm or refute generalizations about a theory. The researcher is able to understand, predict, and explain events, behaviors, or processes (Yin, 2011). Quantitative research methodology assumes an objective paradigm in which reality is independent of the researcher and needs to be accessed using objective methods and processes (Yin, 2011).

Qualitative Research Design

Scholars using a qualitative research methodology seek to understand and explain a social phenomenon within the natural setting of the study (Yin, 2011). A qualitative researcher assumes an interpretive paradigm by arguing that multiple realities exist in the social world, which is dependent on the interpretation and construction of the researcher (Yin, 2011). The researcher is, therefore, considered as a vital part of the research process, and reality is contextual in nature. Qualitative researchers use inductive forms of logic. They seek to discover holistic issues, rather than the priori biases of the researcher based on predetermined theory or hypothesis (Yin, 2011). Furthermore, rather than attempting to test hypotheses, qualitative researchers seek to unveil patterns or theories that can illuminate the phenomena being investigated (Yin, 2011). Through data and methodological triangulation, qualitative research enhances the accuracy and reliability of the complex relationships and patterns of the research phenomena (Yin, 2011).

Rationale for a Qualitative Research Design

A qualitative methodology was compatible with the critical interpretive paradigm adopted for this study. For the critical interpretive paradigm, social reality is created and maintained through the subjective experiences of the actors (Yin, 2011). Theorists who subscribe to this critical paradigm argue that social systems are made up of ideological superstructures, such as imposed budgetary practices, which constrain the actions of human agents (Yin, 2011).

The main phenomenon of interest was a credible government budget as measured by the variances between the approved budget and the financial reports of selected

government ministries. To identify such variances and their sources, coupled with the reforms that may be needed to address the situation, I sought answers to the following questions:

1. What are the variances between the approved annual budget and the financial reports as measured by (a) total personnel expenditure compared to budget, (b) total nonsalary and noninterest expenditure compared to budget, (c) total development expenditure compared to budget, and (d) total domestic revenue compared to budget?
2. What are the sources of these variances as explained by the processes relating to the preparation, approval, and execution of the annual budget?
3. What is the governance system over the budgetary process as it relates to the adequacy and effectiveness of the role of the Sierra Leone House of Parliament?

Only a qualitative study can provide answers to the above questions. As a qualitative inquiry, the study involved analyzing and interpreting documents and transcripts of interviews. A quantitative methodology was inappropriate, as the research was not about investigating government budgeting in terms of a relationship between an independent and a dependent variable (Yin, 2011). The research problem and questions met the five features of qualitative research as put forward by Yin (2011):

- The study was about understanding the meaning of budgeting and budget credibility under real-world conditions (i.e., within government ministries in Sierra Leone).

- The study was about representing the views and perspectives of the major budget actors.
- The study covered the contextual conditions governing the preparation, approval, and execution of the annual budget.
- The study provided insights into existing or emerging concepts that may help to explain the phenomenon of a credible government budget; and
- The study used multiple sources of evidence (i.e., direct interviews and documentary analysis).

The Case Study Research Approach

A case study approach is used to investigate a contemporary phenomenon in its real life context, especially when the boundaries between the phenomenon and context are not clearly evident (Stake, 2010; Yin, 2011). Unlike surveys or experiments, where a researcher manipulates variables to determine their causal relationships, a case study involves observing the various characteristics of a single unit (Yin, 2011). A case study was adopted for this study because it provided a holistic and in-depth investigation of the phenomena of budget credibility.

Arguments For and Against Case Studies

There are arguments for and against the use of case studies in empirical work. Some scholars have argued that case studies can lead to generalized conclusions, based on theoretical or analytical, rather than statistical methodology (Yin, 2011). Yin (2011) argued that case studies not only provide greater insight into a particular phenomenon or situation, but they also help in generating a general understanding of similar

circumstances or events. The argument against the use of case studies is the idea that generalization is not possible because case study findings are context-specific. The relative results of one study cannot be a basis for predicting similar behavior in other contexts (Yin, 2011).

Justification for the Case Study Approach

There are five prominent methods of doing qualitative research: phenomenology, grounded theory, narrative inquiry, ethnography, and case study (Yin, 2011). Each of the five methods presents researchable opportunities that are dependent on the research problem, purpose, and research questions. For this study, a case study design was the preferred approach. A case study design provided answers to the research questions because of the following reasons:

- The study involved developing an in-depth description and analysis of the budgeting practices of the government.
- The study detailed a chronology of activities surrounding the budgeting process of government.
- Multiple sources of data came into play, mainly direct interviews and document review.
- Data analysis entailed the description of the setting within which budgets are prepared and implemented, providing an understanding of the associated processes and practices.

- As part of the analysis of the data, I employed relevant theoretical constructs to serve as the lens for looking at the entire budgeting system of the government.

Arguments against Other Qualitative Research Approaches

Phenomenology, grounded theory, narrative inquiry, and ethnography were not suitable for this study. Researchers use narrative analysis to tell stories of individuals or groups of individuals to reveal a particular phenomenon about those individuals and their world. A narrative researcher will focus on collecting data through the collection of a person's stories, reporting their experiences, and chronologically ordering the meaning of those experiences (Yin, 2011). Unlike narrative research, which mostly reports the life of a single individual, a phenomenological scholar describes the meaning of several individuals lived experiences of a particular concept or phenomenon (Yin, 2011). In this design, the researcher focuses on describing what all participants have in common as they experience the phenomenon under study.

Whereas phenomenology focuses on the description of an experience for some individuals, grounded theory takes a further step to generate or discover a theory (Yin, 2011). A theory emerges from systematic comparative analysis and is grounded in fieldwork to explain what has and is observed (Yin, 2011). The theory does not already exist, as in the case of case studies, narrative inquiry, and phenomenological research. Instead, the theory is generated or observed from the data collected from the participants who have experienced the process. In ethnographic research, the researcher focuses on the norms, understandings, and assumptions that are taken for granted by people in a

setting. The researcher's interest is how people get things done, how they transform situations, or how they persevere, step by step and moment by moment (Yin, 2011). The researcher describes and interprets the shared and learned patterns of values, behaviors, beliefs, and language of a group of people. The objective is not to develop a theory as with grounded theory (Yin, 2011).

A case study methodology best served the purpose of this study and, therefore, was the most suited methodology for the study. A case study was the most useful approach to providing a holistic explanation of the factors underpinning the credibility of the annual budget of the government of Sierra Leone.

Role of the Researcher

As a qualitative researcher, I was the primary research instrument, and this placed me in an influential role in the entire process. To adequately describe and analyze the budgeting system of the government of Sierra Leone, I had to design interview protocols, conduct interviews, undertake document review, and carry out the data analysis. I conducted direct interviews with some of the important government officials involved in the main phases of the annual budget cycle. I was an observer in the 2015 budget hearings organized by the ministry of finance. I reviewed the annual budget of the government, financial reports of the government, and other related documentation for the last 5 years ending in 2014.

As an independent researcher with no formal relationship with the government, I had no influence over the research participants, so I was not in a position to unduly influence them. To minimize the potential inherent biases of a qualitative researcher,

some of the interview questions were open-ended to allow participants to share their experiences with the annual budget processes. I worked to understand individual perceptions of how the budgeting system works to ascertain the sources of the budget variances. I sought the participants' perspectives and frames of reference while avoiding unwarranted intrusion. I did not offer incentives to any of the participants, and I did not encounter any situation that may have given rise to a conflict of interest.

Methodology

In this section, I outline the particular details of the methodology.

Participant Selection Logic

Sampling techniques. A researcher must collect data to answer the research question(s) and meet the research objectives. For many research questions and objectives, it is impossible to collect or to analyze all of the data available to the researcher due to restrictions of time, money, and often access. Sampling enables a researcher to reduce the amount of data needed by considering only data from a subgroup rather than all possible cases or elements (Yin, 2011). Every sampling requires a definition of the population, the selection of a representative sample, and the determination of the sample size (Yin, 2011).

The technique for selecting a sample is either to use probability or non probability techniques (Yin, 2011). Non probability sampling techniques include relying on available subjects and purposive or judgmental sampling, and these techniques do not necessarily guarantee that the resulting sample is representative of the population being studied. Probability sampling methods provide away of selecting representative samples from

large, known populations. These methods counter the problems of conscious and unconscious sampling bias inherent in non probability sampling by giving each element in the population a known probability of selection (Yin, 2011). The key to probability sampling is the random selection.

The most carefully selected sampling will not provide the perfect representation of the population as there will be some degree of sampling error (Yin, 2011). Once the sampling strategy (i.e., probability or non probability sampling) is established, the determination of the sample size becomes the next task. The sample size is directly dependent on the level of accuracy expected (Yin, 2011).

The distinction between probability and non probability sampling relates mainly to quantitative studies. For qualitative studies, the decisions about samples are largely dependent on prior decisions about the appropriate unit of analysis to study (Yin, 2011). The unit of analysis enables the researcher to decide what it is that he or she wants to say something about at the end of the study. Often, individual people, clients, programs, or organizations are the unit of analysis (Yin, 2011).

In qualitative research a non probability sampling technique is akin to purposeful sampling, which typically focuses in-depth on relatively small samples, even single cases, selected purposefully (Yin, 2011). Purposeful or purposive or judgmental sampling means the same. The technique requires the researcher to select information-rich cases strategically and purposefully with the specific type and number of cases selected dependent on the study purpose and resources. The logic and power of purposeful sampling lie in selecting information-rich cases for in-depth study. Such cases provide

greater details about the issues of central importance to the purpose of the inquiry (Yin, 2011). There are no rules for sample size in qualitative inquiry. The sample size is dependent on what the researcher wants to know, the purpose of the inquiry, and what will be useful (Yin, 2011).

Research population and sample size. The government budget is a national budget relating to the entirety of Sierra Leone. The population under study was, therefore, the three arms of government: the executive, the legislature, and the judiciary. As it would be impractical to consider the entire population, selecting a sample was the practical route to follow.

I employed the use of non probability sampling (i.e., purposeful sampling) by deliberately interviewing the most senior government officials with primary responsibility for the budget of their ministries. The sample covered seven ministries including the ministry of finance. The ministry of finance was included by default because it bears primary responsibility for the government budget under one of its principal organs-the budget bureau. I interviewed the financial secretary, the director of the budget bureau, the director of economic and policy research unit, and the accountant general. They are the four most senior officials of the ministry of finance with direct responsibility and oversight of the government budget.

In determining the technical credibility of the annual budgets, I examined the approved budgets and the year-end financial reports to identify the monetary variances that occurred between the two documents. The variances were computed with respect to four major budgetary heads: total domestic revenue collection; personnel expenditure;

non salary, noninterest recurrent expenditure; and total domestic development expenditure. For each of the four budgetary heads, I computed the variances for all the 21 ministries for each of the year 2010 to 2014. The budget head domestic revenue collection accounts for about 10% of the total annual revenue budget. The budget heads' personnel expenditure, noninterest and non salary expenditure, and development expenditure together account for about 80% of the total annual expenditure budget.

Using the 2014 Public Accounts of the government, I computed the average variance for the four budget heads in respect of each of the 21 ministries. By ranking the resulting average variances, the top six ministries were selected to constitute the sample for the study. Six line ministries and the ministry of finance constituted the sample for direct interviews. In total, seven ministries constituted the sample. In each ministry, I interviewed the permanent secretary and the head of finance.

As regards the Parliament, I also adopted a purposeful sampling technique by restricting the sample to members of the parliament finance committee. The finance committee is the parliamentary subcommittee responsible for reviewing the annual budget. That committee makes recommendations to the full House. I purposefully interviewed the chairperson of the committee and two other members of the committee, one from each of the two political parties represented in parliament. The fourth Member of Parliament interviewed was the chairman of the Public Accounts Committee (PAC). The PAC has responsibility for reviewing the year-end financial statements prepared by the accountant general as well as reviewing the report of the auditor general on the financial statements.

A total of 20 participants constituted the sample for the study. The participants included four from the ministry of finance, two each from the six line-ministries with the highest ranking average variances, and four parliamentarians. In conclusion, the sampling strategy was exclusively the non-probability technique called purposeful sampling. Hence, the sample consisted of those participants that were judged to be rich in the data required to answer the research questions. Sample (1993) adopted similar methodology in the study of the credibility of the budgeting and reporting practices of 394 school districts in Pennsylvania.

Instrumentation

The data collection instruments included interview protocols and documentary analysis. The interview protocol was an adapted version of a comprehensive questionnaire developed by the Organization for Economic Cooperation and Development (OECD) for evaluating government budgeting systems in transition countries (Allen & Tommasi, 2001). The OECD questionnaire needed modification to suit the context of the government of Sierra Leone. The modifications mainly entailed omitting questions that had to do with the European Union, European funds, or European legislation. Three amended versions of the questionnaire are in the appendices. Appendix A was the questionnaire for the ministry of finance, Appendix B was the questionnaire for the line ministries, and Appendix C represented the questionnaire for the parliamentarians.

Direct interviews. Interviewing is a conversation with a purpose. An interview is a meeting of two persons to exchange information and ideas through questions and

responses. Interviews are in effect a form of communication and joint construction of meaning about a particular topic (Janesick, 2011).

The interview questions were adapted to suit the roles of the different participants. That is, interview questions for the ministry of finance were mostly different from those for the Parliamentarians, as well as those of the other line ministries that recorded the highest budget variances. The majority of the questions required a yes/no answer. A no answer suggests that action is required to produce the situation described in the question.

The use of interviews enabled the generation of a holistic view of the budgetary practices as they applied to the different participants. Each interview session was targeted to last a maximum of half an hour. A pilot study was not considered necessary for this research.

Documentary analyses. Besides direct interviews, I obtained and reviewed a broad range of official documents and records. Some of these documents included the Government Budget and Statement of Economic and Financial Policies from 2010 to 2014; the Government Fiscal Reports from 2010 to 2014; Citizens Budget ; Published Financial Statements of the Government of Sierra Leone from 2010 to 2014; Auditor General's Report on the Accounts of Sierra Leone from 2010 to 2014; strategic plans of government ministries; budget call circulars; budget framework papers; initial budget proposals of ministries; the Government of Sierra Leone Medium-Term Expenditure Framework (MTEF) 2012; Sierra Leone Public Expenditure Management Report, 2012; Sierra Leone Public Financial Management: Reform Priorities in the New Fiscal Environment; The Public Financial Management Regulation, 2007; The Government

Budgeting and Accountability Act, 2005; The Republic of Sierra Leone—An Agenda for Change; and other relevant documents. The analyses of these documents enhanced the internal validity of the findings from the direct interviews and facilitated data triangulation.

Procedures for Recruitment, Participation, and Data Collection

I collected data from the following sites: the ministry of finance, the six line-ministries with the highest budget variances, and the Sierra Leone House of Parliament. I visited each of these sites to conduct direct interviews and obtain supporting internal documentation. I carried out all the interviews.

The historical documents outlined previously constituted the source of secondary data. I studied these documents and reports for purposes of documenting the existing budgetary processes. The website of the ministry of finance served as a valuable source of historical data. I downloaded the following documents from the ministry of finance website: the government budgets for the years 2010 to 2014, the annual financial reports, and reports of international agencies providing budgetary support to the government.

I collected all of the data over a span of 15 working days starting the last week of November 2015. The interviews started off with the budget bureau to gain a wider understanding of the processes involved before proceeding to interview the other participants. The interviews with the other participants did not follow any particular order, depending on when each is available.

At the outset of each interview, I fully briefed each of the participants as to the academic essence of the study. The interviews were less formal in approach as

participants were able to accommodate interruptions like phone calls during the interview.

Each interview ended with a debriefing summarizing my initial understanding and seeking clarifications. I gave assurance regarding the anonymity of individual participants' views and the confidentiality of personal details. I ended each interview by expressing my gratitude to each participant.

Data Analysis Plan

The strategy was to enable data reduction through sorting, categorizing, and prioritizing the data emanating from both the interviews and the document review (Yin, 2011). To this end, the responses to the interviews as well as the review of the related documentation followed the thematic headings in the OECD framework for sound government budgeting. To respond to the first research question on the budget variances, I arithmetically computed the variances between the budget and the financial reports in tabular format for each year, 2010 to 2014. The related variances were the primary and technical measure of budget credibility for purposes of this study. The tabular presentation of the variances both in absolute amounts and in percentage terms established the pattern in budget variances over the period and helped to explain the credibility of the budget or the lack of it.

The OECD analytical framework for effective government budgeting. The answers to the other two research questions emerged from the use of the OECD baseline criteria for effective government budgeting system. These baseline criteria provided the analytical framework for evaluating the other principal indicators of budget credibility:

the comprehensiveness and sustainability of the budget as well as the effectiveness of the role of the legislative arm of government. The approach was to assess the extent to which the government budgeting system and processes fulfill the OECD baseline criteria as outlined below:

1. Institutional framework. Clearly defined principles should be set out in a country's constitution, the organic budget law and related laws. The regulatory framework should provide a sound balance between the legislative and executive powers. Parliament must be enabled to scrutinize properly the budget and debate and review fiscal policies. For sound macroeconomic management and efficient allocation of resources, the budget should cover all revenues and expenditures. The national budget should include extra budgetary funds and sources of external finance.
2. Medium-term fiscal framework. A government should be able to provide budgetary information within a medium-term framework and set medium-term fiscal objectives.
3. Budgetary preparation process. A well-defined and widely understood sequence of steps in the budget preparation process. The system must allow sufficient time for the efficient implementation of each step. An integrated system in terms of the procedures used for preparing the budget for operational and capital investment expenditures. The draft budget is presented to parliament in an appropriate format to allow parliament to scrutinize it properly. It should specify the government's fiscal objectives, the

macroeconomic framework, the budget policies, and identifiable significant risks. The budget is clear and accessible to the public.

4. Budget execution and monitoring in which ministries enforce limits stipulated by parliament, and the ministry of finance can supervise these limits. There exists a robust system in the ministry of finance for the monitoring and control of the flow of expenditures. A reporting mechanism that compares actual spending with forecasts based on the budget appropriations should exist. Parliament and the council of ministers has appropriate responsibilities for reviewing periodic reports on financial performance relative to the budget and for revising targets and policies as required by changed economic or financial circumstances. The use of a treasury single account for cash management. Budget and accounting categories at the national level have a standard system of classification that facilitates policy analysis and promotes accountability. Accounting concepts must be made compatible with concepts related to commitments, payments, and eligible expenditures. Fiscal reporting should be timely, comprehensive, and reliable and identify deviations from the budget. Procedures for evaluating the efficiency and effectiveness of expenditure policies and programs should be established.
5. Financial control. A coherent and comprehensive statutory base defining the systems, principles, and functioning of management control or internal control is required. The following are essential for sound management control: standards and regulations for financial reporting, a modern accounting system

conforming to international standards, a defined audit trail. An efficient internal audit mechanism with the following criteria: be functionally independent, have an adequate audit mandate, and use internationally recognized auditing standards. Systems should be in place to prevent and take action against irregularities and to recover any amounts lost as a result of irregularity or negligence.

6. Procurement systems. As part of the essential elements of good governance, there has to be in operation an efficient procurement system in which competition is encouraged for contracts awarded by public sector bodies. Sound public procurement policies and practices can reduce costs of public expenditure. Some of the measures to improve procurement procedures include sound public procurement legislation and the establishment of a central public procurement organization with overall responsibility for the design and implementation of procurement policy and national training programs. Also, there is a need for an effective control and complaints review procedures.
7. Management of external funds from agencies such as the World Bank and the International Monetary Fund (IMF). Governments should have the capacity to present multi-annual programs involving careful coordination between partners at different levels of governments, well-designed co-financing procedures, and sound technical and economic appraisal of such programs.

The above provided the analytical framework for assessing the adequacy of the annual budget and the existing budgeting system of the government. These criteria, therefore, provide the basis for the approach, arguments, and key analysis.

Issues of Trustworthiness

Trustworthiness is the extent to which one can have confidence in the study findings (Yin, 2011). Trustworthiness is an essential ingredient for qualitative research as it is the parallel of reliability, validity, and objectivity in quantitative research (Yin, 2011). For qualitative studies, trustworthiness is dependent on four criteria: credibility, transferability, dependability, and confirmability as follows.

Credibility

The credibility of the study came about by triangulating the findings by using more than one data source. I corroborated answers to the direct interviews through the review of the related documents and reports about the budgets of the government.

The use of the OECD budgeting questionnaire and their baseline criteria for assessing the budgeting system of governments assured the dependability and transferability of the findings. Both of these OECD frameworks have wider international applicability and are thus likely to yield trustworthy results.

Transferability

All line ministries in Sierra Leone have almost the same organizational structure. The minister is the head of the political hierarchy, followed by the permanent secretary as the administrative head and vote controller. Each ministry has professional heads overseeing specific functions including financial matters. Given this structure of

government ministries, the research findings can potentially apply to the other ministries not included in the sample.

Dependability

The triangulation of the findings by using face-to-face interviews and review of budgetary related documentation largely assured the dependability of the study. Content analysis by way of detailed review of the supporting documents and other relevant reports corroborated the interview findings. Importantly, the findings purely reflect the views as expressed by the individual participants. Common themes or issues emerged, thereby corroborating the truthfulness of the results.

Ethical Procedures

Ethics is a critical consideration in the design of social research. Some ethical considerations include voluntary participation by respondents, the anonymity of participants, confidentiality, and the obligation of the researcher to report the results fully and accurately (Yin, 2011). This study followed these fundamental ethical principles. I did not offer monetary incentives and did not exert undue influence over participants. The government officials who constituted the sample received sufficient briefing and debriefing as to the rationale of the study and the confidentiality out of that.

I wrote to the financial secretary in the ministry of finance requesting formal permission for the study to take place in the seven government ministries. The approval of the financial secretary came through the director of the budget bureau by way of a letter of cooperation. I also obtained a letter of cooperation from the Deputy Speaker of the Sierra Leone House of Parliament. All participants gave their consent to the

interviews. Participants were assigned unique codes so as to disguise their true identities. The OECD Secretariat granted approval for the use of the slightly modified versions of both their budgeting questionnaire and their budgeting baseline criteria.

Validity and Reliability of Instrument

Support for Improvement in Governance and Management (SIGMA), an initiative of the Organization for Economic Co-operation and Development (OECD), is one of the pioneering bodies propagating best practices for sound public financial management. Following extensive studies of the budgeting systems of different governments around the world, SIGMA developed baseline criteria that set out the essential requirements of a well-functioning government budgeting system (Allen & Tomassi, 2001). These baseline criteria, which have wider international applicability, provided the contextual lens for analyzing the credibility of the budgeting system of the government of Sierra Leone. As the OECD is a reputable international organization, the use of its framework provides reasonable assurance as to the validity and reliability of the framework as a research instrument.

Summary

In summary, the study was a qualitative inquiry based on a case study design. Data emanated from both primary and secondary sources through mainly direct interviews and documents review. A total of 20 participants formed the sample, and their selection followed the requirement of purposeful sampling. That is, the sample consisted of participants who are rich in the data required for the study. I documented the existing budgeting system including a description of the main features of the annual budget of the

government. After that, the adapted version of the OECD baseline criteria constituted the main framework for analyzing the data. This framework guaranteed the trustworthiness of the study. The related findings are presented in Chapter 4.

Chapter 4: Results

In this chapter are the results of the study. The purpose of the study was to develop a budgetary reform agenda in support of some of the changes needed for enhancing the credibility of the budget of the government of Sierra Leone. The first and second research questions addressed the main factors attributable to the significant monetary variances between the approved budget and the year-end financial reports of the government. The third research question addressed the governance over the budgetary process as it relates to the adequacy and effectiveness of the role of the Sierra Leone House of Parliament in the budgetary process.

There are four sections in this chapter. The section immediately following includes the research setting, the demographics of the study, and a description of the case study. The description of the case study includes the historical background and profile of Sierra Leone, the profile of the seven government ministries that constituted the sample, and a description of the government medium-term-expenditure framework (MTEF). The next section provides an assessment of the principal phases of the budgetary process: budget formulation, budget approval, and budget execution. Next is a tabular presentation of the budget variances for the period from 2010 to 2014. Towards the end of the chapter is an assessment of the adequacy and effectiveness of the role of the Sierra Leone House of Parliament as the part of the overall governance over the budgetary process.

Research Setting

Data collection took place over a span of 15 days commencing in the last week of November 2015. This time marked 18 months since the ebola virus disease (EVD)

emerged across the three countries of the Mano-River basin: Guinea, Liberia, and Sierra Leone. The EVD ravaged these countries killing about 3500 people in Sierra Leone alone. While the World Health Organization had already declared Sierra Leone Ebola-free 3 weeks earlier, the public health emergency was still in force in the country. Government functionaries were galvanizing resources and activities for the post- Ebola recovery agenda that the President had announced to turnaround the economy of Sierra Leone.

According to the Government of Sierra Leone Fiscal Report for 2014, total Ebola spending for the year amounted to 3.5% of total government spending and most of the related expenditure was unbudgeted. The Fiscal Report also noted that the adverse impact of the Ebola virus outbreak on the economy resulted in revenue loss with actual total revenue declining from 15.5% of gross domestic product (GDP) to 10.8% of GDP. Consequently, the budgetary implications of the fight against the Ebola outbreak impacted some of the responses to the interview questions, especially as regards the monetary variances for 2014.

Demographics

I interviewed 20 senior government officials directly involved in the budgetary process. The participants in the ministry of finance included the financial secretary, the director of the budget bureau, the accountant general, and the director of economic and policy research unit. The participants also included the permanent secretary and the head of finance in the six line ministries. The participants in the Sierra Leone House of Parliament were four Members of Parliament: the Chairman of the Parliamentary Finance

Committee (PFC), the Chairman of Parliamentary Public Accounts Committee (PAC), and two members of Parliament serving on the Parliamentary Finance Committee, one each from the two political parties in Parliament.

Both the 1991 Constitution of Sierra Leone and the Government Budgeting and Accountability Act (2005) bestow upon the Minister of Finance the responsibility for the management of the consolidated fund and the control and direction of all the public money of Sierra Leone. The Financial Secretary is the administrative head of the Ministry of Finance and Economic Development (MoFED) and the principal adviser to the Minister of Finance and Economic Development. The financial secretary oversees the Budget Bureau, the Accountant General Department, and the Economic and Policy Research Unit (EPRU).

The director of the budget bureau is the administrative head of the Budget Bureau, which has responsibility for the preparation, execution, and reporting of the annual budget of the government. The Accountant General is the chief accounting officer of the government and is responsible for keeping, rendering, and publishing the statements of the public accounts as required by law. The EPRU handles the preparation of the medium-term economic forecasts and the annual medium-term fiscal framework and facilitates the production of the Budget Framework Paper (BFP).

Together the Financial Secretary, the Director of Budget Bureau, the Accountant General, and the Director of the EPRU are among the most important government officials primarily responsible for the government budget. Purposive sampling was also the basis for selecting the other 16 participants.

Data Collection

I conducted face-to-face interviews with all of the 20 participants from the 25th November to 4th December, 2015. These participants were in four categories consisting of four from the ministry of finance, 12 from the six line ministries, and four from the Parliament. Three sets of questionnaires constituted the main instruments for collecting the interview data. The questionnaires that are in Appendixes A, B, and C represented three versions of the OECD questionnaire for sound government budgeting adapted to suit the respective budgetary roles of the ministry of finance, the six line ministries, and the Sierra Leone House of Parliament.

I reviewed a broad range of government-budgetary-related documents and reports. This avenue served as a source of secondary data, thereby triangulating the findings obtained from the direct interviews. The sample consisted of the Ministry of Finance and Economic Development; Ministry of Works, Housing, and Infrastructure; Ministry of Education, Science and Technology; Ministry of Information and Communication; Ministry of Marine Resources; the Ministry of Health and Sanitation; and the Ministry of Energy. The PFC has the primary responsibility for reviewing and monitoring of the government budget. The PAC has responsibility for the review of the annual Public Accounts of the Government. The PAC is also responsible for the review of the report of the Sierra Leone Audit Services on the annual Public Accounts of the Government.

The interview with the financial secretary covered the MTEF process and the overall administrative governance of the government budgetary process. The interview took place in the office of the financial secretary, and it lasted for about 30 minutes.

I interviewed the director of Budget Bureau in his office on four separate sessions each lasting for about 30 minutes. As the Budget Bureau has primary responsibility for the preparation and monitoring of the government budget, most of the data for this study were obtained from the director. Some of the most important documents and reports obtained from the Budget Bureau included the annual government budgets, the annual fiscal reports, the supplementary budgets, the budget call circulars, the budget framework papers, the strategic plans of ministries, the annual citizens' budget, 2010 Sierra Leone Public Expenditure Review, 2014 Public Expenditure and Financial Accountability (PEFA) Assessment in Sierra Leone, and other documents. The interview with the director of the Budget Bureau covered all questions on the budgetary process as contained in the interview questionnaire in Appendix A. The last phase of the interview with the director of the Budget Bureau covered the OECD baseline criteria for good government budgeting. The baseline criteria served as the analytical framework for evaluating the efficiency of the administrative governance over the budgetary process. I ascertained the extent to which the budgetary system in operation fulfills the conditions as defined in the OECD framework.

The interview with the accountant general dealt with the year-end financial reports of the government ministries. These financial reports or public accounts document the actual budgetary outcomes in terms of the actual activities and programs that took place in the line ministries. The interview took place in the office of the accountant general and lasted for about 40 minutes. I obtained from the accountant general the consolidated public accounts of the government for the period 2010 to 2014.

The interview with the director of the Economic and Policy Research Unit preceded that of the accountant general, and that interview also took place in the office of the director lasting for about 30 minutes. This interview dealt with the forecasting models used for the determination of the fiscal parameters governing each budget year.

The interviews with the vote controllers (i.e., the permanent secretaries) and chief accountants of each of the six line ministries took place in their respective offices. The relative interview questions are in Appendix B, and each interview lasted an average time of 30 minutes. The purpose of these interviews was to unravel the budgetary activities and processes that take place at the level of the line ministries of government and the impact on the credibility of the budget. I obtained from the chief accountant of each of the six line ministries their strategic plan and current budget.

The next set of interviewees was the Chairman of the Parliamentary Finance Committee, the Chairman of the Parliamentary Public Accounts Committee, and two members of Parliament in the Parliament Finance Committee. The two MPs belong to the two political parties in the Sierra Leone House of Parliament. The interviews of the four members of Parliament dealt with the role and responsibilities of the Parliament in the budget process. These interviews uncovered the extent of the adequacy and effectiveness of legislative budgeting in Sierra Leone. I examined the role of Parliament in the budgetary process as contained in the 1991 Constitution of Sierra Leone and the Government Budgeting and Accountability Act (2005). The interviews of the parliamentarians were conducted individually in the offices of Parliament, and each

lasted for an average time of 30 minutes. The questionnaire in Appendix C covered the interviews with the Members of Parliament.

All of the participants were given the questionnaire in advance of the interview. I recorded the responses during the interviews. I wrote the responses in a diary as each interview progressed. None of the interviews were tape recorded as all participants declined to talk on tape. I did a handful of brief follow-up interviews over the telephone mainly to clarify issues that arose during the face-to-face interviews.

Data Analysis

The OECD baseline criteria for sound government budgeting system as set out in Chapter 3 constituted the framework for analyzing the findings. I noted in Chapter 3 that the interview questionnaires in Appendices A-C embody the OECD baseline criteria. Each of the three questionnaires includes various headings covering different aspects of the OECD baseline criteria. For instance, the first OECD baseline criteria dealing with institutional framework covered in the questionnaires shown as Appendix A and Appendix B within the subheadings budget legislation and parliament/executive relationship. The second OECD baseline criteria relating to the medium-term budget framework is covered in the questionnaires shown as Appendix A and Appendix B within the subheadings medium-term-expenditure framework and the budget process. Thus, to answer the second and third research questions, I used the headings in the three questionnaires as themes. The four broad themes were budget governance, budget preparation, budget approval, and budget execution as follows.

Theme 1: Budget Governance

- Budget legislation
- Distribution of responsibilities
- Parliament/Executive relationship

Theme 2: Budget Preparation

- Scope of the budget
- Budget document
- MTEF
- The budget process
 - Setting the budget framework
 - Estimate process and documents
 - Capital Investment

Theme 3: Budget Approval-Legislative Budgeting

- Institutional arrangement
 - Legal authority
 - Organizational structure
 - Capacity
- Format and contents of budget documents
- Presentation to Parliament
- Responsibilities of Parliament

Theme 4: Budget Execution

- Budget execution and monitoring

- Accounting and reporting
- Financial control
- Procurement system
- Management of external funds

Evidence of Trustworthiness

Credibility

Data triangulation provided the internal validity of the findings. The responses from the face-to-face interviews were cross-checked and analyzed together with the various budgetary related documentation and reports. For instance, the Fiscal Report for each year was reviewed and compared to the responses obtained from the interviews. Also, the interview responses were compared to some of the important reports issued by international donors to the government budget. Two of such reports were the 2014 Public Expenditure and Financial Accountability (PEFA) Assessment in Sierra Leone and the 2010 Sierra Leone Public Expenditure Report. These comparative reviews illuminated the credibility of the research findings.

Transferability

The provision of a thick description of both the research setting and the findings contributed to the attainment of the external validity of the findings. As part of the study findings, a detailed description is provided of the case study, that is, the government ministries that constituted the sample including a description of the role of the Parliament in the budgetary process. A detailed description is also provided of the government budget cycle in terms of the budgetary process as it obtains centrally at the Ministry of

Finance, at the level of the six line ministries, and at the Sierra Leone House of Parliament.

The use of purposive sampling also enhanced the external validity of the findings. Purposive sampling ensured that the sample consisted exclusively of those participants who are rich in the data required to answer the research questions (Sample, 1993). Sample (1993) adopted purposive sampling approach in the study of the credibility of the budgeting and reporting practices of 394 school districts in Pennsylvania.

Dependability

The OECD budgeting questionnaire and their baseline criteria contributed to the reliability of the findings. Both of these OECD instruments have wider international endorsement and applicability and are, therefore, likely to yield trustworthy results.

Confirmability

The credibility of the study findings was also assured through the use of the OECD frameworks referred to above. Both of these OECD frameworks have wider international endorsement and applicability and are, therefore, likely to add to the credibility of the research findings.

Profile of Sierra Leone

Sierra Leone is in Western Africa, bordering the North Atlantic Ocean, between Guinea and Liberia. The capital, Freetown, was a British trading post dealing in timber and ivory, but later it expanded into slaves. Following the American Revolution, Sierra Leone was established as a British colony in 1787 for resettling the thousands of liberated African slaves.

The country possesses substantial mineral, agricultural, and fishery resources, but it is still recovering from a civil war that destroyed most institutions. Since the end of the civil war in the early 2000s, the government had relied on external assistance to support its budget, but it was gradually becoming more independent until the sudden emergence of the EVD in May 2014. The EVD caused a contraction of economic activity across all sectors and forced the government to increase expenditures on health care, straining the budget and restricting other public investment projects.

Sierra Leone has an estimated population of 7 million as at 2016 draft census report. The government budget for 2014 reported 420 million U.S. dollars in expenditure needs and 360 million U.S. dollars in revenue. According to the United Nation's Human Development Report (2014), Sierra Leone's Human Development Index (HDI) ranked 183 out of 187 countries (up from 185).

The 2003 Sierra Leone Integrated Household Survey (2003) report identified that 66.4% of the population is poor. The Sierra Leone Integrated Household Survey (2011) report revealed a reduction from that figure to 52.9%. This figure is still relatively high, but the reduction represents a positive step.

Sierra Leone has an executive president who is the head of government and assisted by an appointed cabinet. The other important arms of government are the Judiciary of Sierra Leone and the Sierra Leone House of Parliament. The country is governed by a democratic constitution passed in 1991.

Profile of the Sample Government Ministries

According to the 2014 Government Budget, there were 24 government ministries charged with running the affairs of the country. The study covered seven of these ministries, namely, the Ministry of Finance and Economic Development; the Ministry of Education, Science, and Technology; Ministry of Health, and Sanitation; Ministry of Energy; Ministry of Works, Housing, and Infrastructure; Ministry of Information, and Communication; and the Ministry of Fisheries, and Marine Resources. To aid understanding of the study findings, a brief profile of each of these government ministries is as follows.

Ministry of Finance and Economic Development .According to the 1991 Constitution of Sierra Leone, the Ministry of Finance handles the management of the Consolidated Fund and the control and direction of all public money. This responsibility is further defined in Section 3(2) of the Government Budgeting and Accountability Act, 2005, to include the following: development of the government's micro fiscal policy and the medium-term expenditure framework for the budget; the control and management of the preparation, monitoring, and implementation of the budget; the management and control of government cash, banking, and payments arrangements; and the promotion and enforcement of transparency and sound management in respect of revenue, expenditure, assets, and liabilities of all government agencies.

The political head of the ministry of finance is the Minister of Finance, and the Financial Secretary is the administrative head and principal adviser to the Minister. The Ministry of Finance has the following main departments: Accountant-General, the

Budget Bureau, the Economic and Policy Research Unit, Aid Coordination Unit, and the Internal Audit. The Ministry of Finance and Economic Development accounted for about 2.2 % of the budgeted total recurrent expenditure of the government and about 50% of the total government revenue budget as at 2014. The Ministry of Finance has a budget committee that is made up of all departmental heads and the financial secretary is the chairman of the budget committee, and also the budget controller of the ministry.

The Ministry of Education, Science and Technology. The Ministry of Education, Science, and Technology (MEST) has as its mandate to provide opportunities for children and adults to acquire knowledge and skills, as well as nurture attitudes and values that help the nation grow and prosper. The Ministry has a strategic plan called the Education Sector Plan (ESP) with a theme titled *Learning to Succeed* as a blueprint for improving the nation's education system during the period 2014-2018. The ESP provides a framework within which the Ministry of Education, Science, and Technology (MEST) can work with various partners to address some of the challenges facing education in Sierra Leone. The ESP outlines three overriding goals: to improve access, equity, and completion, to improve the quality and relevance of education, and to strengthen the education service delivery system.

The Ministry of Education accounted for about 17% of the budgeted total recurrent expenditure of the government as at 2014. The political head of the ministry is the minister, and the administrative head is the permanent secretary, who is also the budget controller of the ministry. There are several professional heads overseeing the various departments of the ministry all of whom report to the permanent secretary. The

ministry of education has a budget committee that is made up of all departmental heads, and the permanent secretary is the chairman of the budget committee.

The Ministry of Information and Communication. The ministry of information and communication is the mouthpiece of the government. According to its strategic plan, the vision of the ministry is to transform Sierra Leone into a competitive and prosperous country, through the development, expansion and innovative use of information and communications technologies. The strategic plan of the ministry outlines the following main goals: to optimize the use of information and communication technologies in public and private sectors; to improve public access to national and international information; to provide the public with timely, accurate, clear, objective and complete information about government policies; to provide policy guidance and strategic direction on all matters concerning access to information and communication technology.

The minister of information and communication is the political head of the ministry, and the permanent secretary is the administrative head as well as the budget controller. The ministry has a budget committee that is made up of all departmental heads, and the permanent secretary is the chairman of the budget committee. The ministry of information and communication accounted for about 0.6% of the budgeted total recurrent expenditure of the government as at 2014.

The Ministry of Fisheries and Marine Resources. The mandate of the Ministry of Fisheries and Marine Resources (MFMR) is to plan, develop, rationally manage, and conserve all living aquatic resources of Sierra Leone. According to the strategic plan of the ministry, the fisheries and marine sector contributes about 10% of the Gross Domestic

Product (GDP) and is the most important economic activity along the coastline of Sierra Leone.

The minister of fisheries and marine resources is the political head of the ministry and the permanent secretary the administrative head as well as the budget controller. The ministry has a budget committee that is made up of all departmental heads, and the permanent secretary is the chairman of the budget committee. The ministry of fisheries and marine resources accounted for about 0.3% of the budgeted total recurrent expenditure of the government as at 2014.

The Ministry of Energy. The Ministry of Energy has a strategic plan dubbed as the energy sector strategy 2014-2017. This plan is serving as the basis for the huge reforms that the energy ministry is going through since the last few years to address the acute blackout prevalent especially in the rural communities of Sierra Leone. The main strategic goal is to attract foreign direct investments in three key areas: electricity generation, transmission and distribution network, and capacity building.

The minister of energy is the political head of the ministry and the permanent secretary the administrative head and also the vote controller. The ministry has a budget committee that is made up of all departmental heads and the permanent secretary is the chairman of the budget committee. The ministry of energy accounted for about 3% of the budgeted total recurrent expenditure of the government as at 2014.

The Ministry of Works, Housing and Infrastructure. The Ministry of Works, Housing and Infrastructure is responsible for all public works and infrastructural projects like roads, bridges, and other projects. The minister of works is the political head of the

ministry and the permanent secretary the administrative head and also the vote controller. The ministry has a budget committee that is made up of all departmental heads, and the permanent secretary is the chairman of the budget committee. The ministry accounted for about 56% of the total estimated domestic development expenditure for 2014.

The Ministry of Health and Sanitation. The strategic plan of this ministry outlines the following goals: to improve human resource for quality health care delivery; to reduce infant, under-five, and maternal mortality; to improve the availability of drugs and medical technology supply and strengthen health sector governance for quality health care delivery

The ministry has a budget committee that is made up of all departmental heads and the permanent secretary is the chairman of the budget committee. The minister of health is the political head of the ministry and the permanent secretary the administrative head and also the vote controller. The Ministry of Health and Sanitation accounted for about 1% of the domestic development budget and about 7% of the recurrent expenditure budget as at 2014.

Profile of the Sierra Leone House of Parliament

Section 73 (1) of the 1991 Constitution of Sierra Leone provides that there shall be a Legislature called the Sierra Leone House of Parliament. Parliament consists of the President, the Speaker, and Members of Parliament. Subject to the provisions of the Constitution, the legislative power of Sierra Leone is vested in Parliament. The function of Parliament is to make laws for the peace, security, order, and good government of Sierra Leone.

There were two political parties represented in Parliament: the governing All Peoples Congress (APC) and the opposition Sierra Leone Peoples Party (SLPP). The APC has majority seats in Parliament with a sitting President, Dr. Ernest Bai Koroma, who is serving a second and final term.

According to Section 111 (3) of the Constitution of Sierra Leone, the Sierra Leone House of Parliament has the primary responsibility for approving the annual budget and passing the Appropriation Bill into Law. Parliament is also responsible for monitoring and overseeing the implementation of the approved budget. In doing so, Parliament conduct whatever investigations it deems fit to examine the budget estimates before passing them. The two key statutory committees that deal with matters relating to state finance are the Public Accounts Committee (PAC) and the Parliamentary Finance Committee (PFC). The PAC has primary responsibility for the review of the year-end public accounts of the government prepared by the Accountant General. The PAC is also responsible for reviewing and taking action on the annual audit report on the government public accounts issued by the Auditor General.

The Parliament Finance Committee (PFC) has direct oversight of the government budgetary process. The Committee reviews the government budget and makes recommendations to the House of Parliament as to whether the budget should be approved or not. Sub- appropriation committees comprising of some members of the PFC as well as other Members of Parliament, carry out the actual detail review of the budget. The sub-appropriation committees report to the Finance Committee, which in turn reports to the House of Parliament.

Overview of the Budgetary Process of the Government of Sierra Leone

Section 112 (1) of the 1991 Constitution of Sierra Leone provides that the Minister of Finance shall cause to be prepared and laid before Parliament in each financial year estimates of the revenues and expenditures of Sierra Leone for the next following financial year. Section (2) of The Government Budgeting and Accountability Act (GBAA), 2005, describes a budget as the annual estimates of the revenues and other receipts and expenditures of the Government. The Act describes the medium-term expenditure framework budget as the 3-year rolling budget containing the budget estimates for the year to which it relates together with indicative budgets for the succeeding 2 years.

The Government Budgeting and Accountability Act (GBAA), 2005, outline the following primary responsibility of the minister of finance as regards the budget:

- To develop the Government's macro-fiscal policy and the medium-term expenditure framework for the budget.
- Control and manage the preparation, monitoring and implementation of the budget, including adjustments to the budget, and to ensure that all interested parties can participate fully in the decision taken on the budget within the medium-term expenditure framework; and
- Publish by Government Notice and by any other appropriate means, the progress of budget implementation on a quarterly basis.

Regarding the preparation and approval of the government budget, the Government Budgeting and Accountability Act (GBAA), 2005, provides as follows:

- The Budget Bureau, under the supervision of the Financial Secretary, handles the preparation and monitoring of the budget in collaboration with the budgetary agencies.
- Each budgetary agency shall establish a budget committee responsible for preparing the strategic plans and annual estimates of the agency, apportioning quarterly allocations and monitoring expenditure and results.
- The budget laid before Parliament include: a statement of the macro-economic conditions of Sierra Leone and the budget policies; the medium- term expenditure framework; summary of revenues and expenditures, including financing of the budget deficit, if any; estimates of the revenues and expenditure of each agency; a statement of government guarantees; and the appropriation bill for the implementation of the budget.

Concerning budget execution and control, the Government Budgeting and Accountability Act (GBAA; 2005) provides as follows:

- When Parliament approves the budget, public money becomes available for appropriation to the service of the different agencies and ministries.
- The approved appropriation for any agency shall be used only in accordance with the purpose described and within the limits set by the different classifications within the agency's estimates. Since 2013, the Budget Bureau allocates resources according to the government of Sierra

Leone Agenda for Prosperity. The Agenda defines the development path for the country for the period 2013–17, and comprises eight sectoral pillars: (a) economic diversification to promote inclusive growth; (b) managing natural resources; (c) accelerating human development; (d) promoting international competitiveness; (e) labor and employment; (f) strengthen social protection systems; (g) governance and public sector reforms; and (h) gender equality and women's empowerment.

The government has in place a Public Financial Management Reform Strategy whose goal is to ensure the continuous operation of a sound Public Financial Management (PFM), which supports fiscal discipline; the strategic, efficient and effective allocation of resources, and value for money and probity in the use of public funds. Some of the reforms already implemented include the following:

- Enactment of the Government Budgeting and Accountability Act in May 2005.
- The adoption of the Financial Management Regulation in June 2007.
- Enactment of the National Public Procurement Act 2004.
- The publication of the Annual Public Accounts, Audit reports and quarterly publication of unaudited accounts.
- The introduction of the Integrated Financial Management Information System (IFMIS).
- Formulation of a National Action Plan for Public Financial Management reform.

- Financial Administration Regulation for Local Councils.

The Medium-Term Expenditure Framework Process

According to the 2012 Revised Guidelines of the medium term expenditure framework (MTEF), MTEF is a tool for achieving the best social and economic outcomes from available government resources. The resources are first determined and then allocated in line with government policies and priorities to ministries, departments, and agencies (MDAs). The MTEF process requires the forecasting of revenues, expenditures, and macroeconomics over a 3-year period. Each year the medium-term budget is rolled forward by deleting the previous budget year and adding a new outer year. For instance, the 2015 budget will cover forward estimates for 2016 and 2017 while the 2016 budget will drop the 2015 budget; maintain the 2017 estimates and adds 2018 estimates as the new outer budget year.

The MTEF guidelines clearly delineate a strategic phase and a budget allocation phase and Figure 1 illustrate the linkage between national planning and the annual budget.

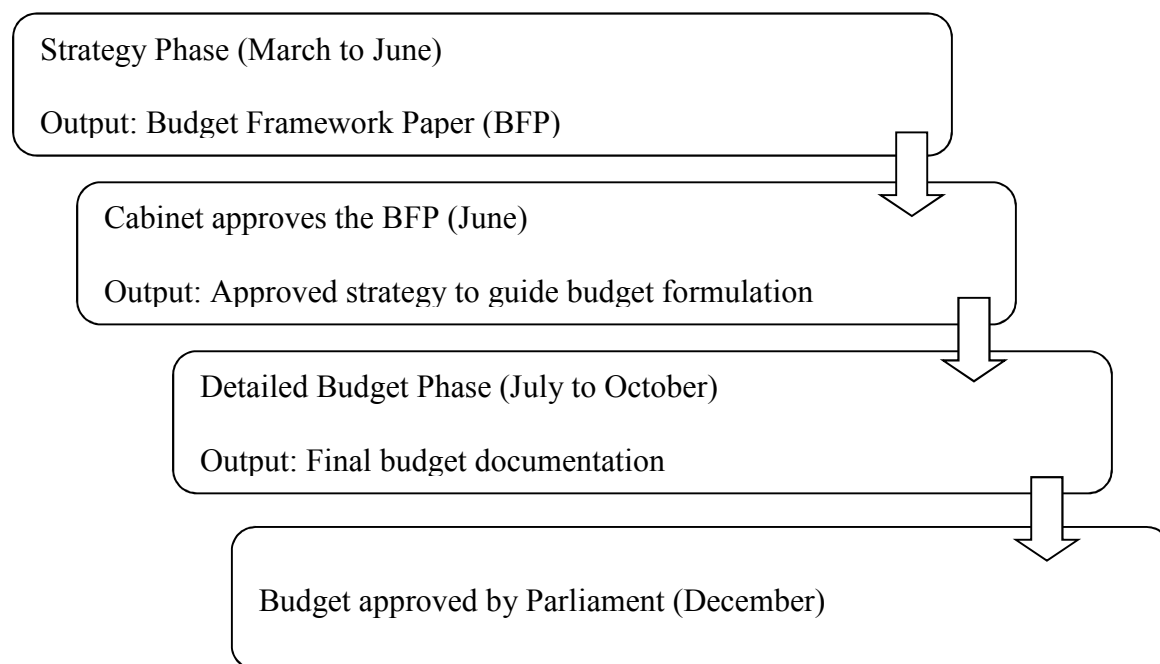


Figure 1. Linkage between strategic planning and budget.

The strategic phase of the MTEF deals principally with policy: fiscal policy and service delivery policy and priorities. The elements that comprise this phase include the national strategy, ministries' planning; macro-fiscal analysis and forecasting; public investment planning; external assistance planning; and the budget policy hearings. The outcome of these linked processes is a budget framework paper, which provides advice to the government on the strategy for the medium-term budget, including budget planning ceilings for each ministry and agency. The Cabinet discusses and approves the budget framework paper to establish top-down policy guidelines for the development of the detailed budget. The strategy phase has a target completion date of June each year.

At the budget formulation stage, detailed budget for each ministry is developed within the context established through the strategy phase. The elements that comprise this

phase include the preparation of the budget call circular, preparation of detailed estimates for each ministry and agency, analysis of these submissions by the Budget Bureau and preparation of briefing notes for budget discussions, and the consolidation of the budget for presentation by the minister of finance to the House of Parliament. The budget formulation phase has a target completion date of end October each year.

The ministry of finance prepares the budget call circular (BCC) following the approval of the budget framework paper (BFP) by the cabinet ministers. All agencies and ministries receive the BCC detailing all the instructions necessary for the preparation of the detailed budget. The BCC provides background information on the fiscal capacity and government priorities; the templates for budget submission; detailed instructions for the completion of the budget templates; and the indicative budget ceilings for each agency and ministry.

Each ministry of government is required to have an established budget committee. The budget committee is responsible for managing the ministry's strategic planning process and its budget formulation process. The budget committee is made up of heads of the different departments in each ministry. The budget committee meetings include discussions on the budget call circular. The ministries and agencies are then required to prepare their budget proposals for submission to the Ministry of Finance. The budget proposals are required to provide credible estimates of the future costs of programs/activities estimated for the budget year.

The budget proposal informs the participatory budget hearing held under the guidance of the Budget Bureau. The budget hearing represent a public forum for

discussing some of the issues that is critical to the finalization of the budget. At the completion of the budget discussions, the Ministry of Finance will have most of the information required to consolidate the ministries budget into the government budget. The final consolidated budget communicates to the Parliament and the country at large the strategic and operational intent of the budget. Table 1 shows the budget calendar of the government of Sierra Leone.

Table 1

Budget Calendar of the Government of Sierra Leone

	Budget Activity	Deadline Date
1	MoFED develops the macro-fiscal framework	Feb/March
2	Review and update of MDAs Strategic Plans	April/May
3	MoFED, HRMO and MDAs engage in manpower planning and budgeting consultative process	May
4	Public Investment Plan finalized for next budget year- cost of on-going projects and prioritized list of new ones.	May/June
5	MoFED holds discussions with development partners and NGOs on program and project support	May
6	MoFED finalizes the Budget Framework Paper (BFP)	Mid May
7	MoFED submits Draft Budget Framework Paper to IMF for review and comments	End May
8	Budget Policy hearings	May/early June
9	Resource envelope and indicative budget ceilings prepared by MoFED	June
10	MoFED prepares consolidated estimates of Development Partners funded activity for next medium-term	By early June

(table continues)

	Budget Activity	Deadline Date
11	MoFED submits draft BFP, resource envelope, and expenditure ceilings to Cabinet for review and approval	No later than end June
12	MoFED issues Budget Call Circular (BCC) to MDAs	Early July
13	MoFED and National Revenue Authority prepare draft Finance Bill	July and August
14	MDAs prepared detailed budget submissions in accordance with BCC and ceilings	July and August
15	Budget Bureau reviews, analyses and prepares briefing on MDAs budget submissions to inform budget discussions	Early September
16	MoFED holds budget discussions on MDAs strategic plans and Budget estimates	Late September
17	The Minister of Finance submits a cabinet paper on the budget to Cabinet	Mid October
18	MoFED, Law Officers Dept and Government Printing gazette Appropriation and Finance Bills	Mid October
19	MoFED compiles and finalizes the Budget Speech and Estimates	End October
20	The Minister of Finance presents the Budget to Parliament	End October

(table continues)

Budget Activity	Deadline Date
21 MoFED and other MDAs hold pre-legislative discussions with Parliament Finance Committee, Parliament Public Accounts Committee and Parliament Transparency Committee	November
22 Parliament debates and approves the budget and Finance Bill	Mid December
23 His Excellency the President signs the Appropriation and Finance Bill into law	By end December

Note. BFP = Budget Framework Paper, BCC = Budget Call Circular, MDAs= Ministries, Agencies and Departments, MoFED = Ministry of Finance and Economic Development, NGOs = Non-Governmental Organizations, HRMO = Human Resource Management Office

Study Results

Budgetary Variances

In fulfillment of the first research question, a computation was made of the variances between the approved budget and the year-end financial reports of the government in respect of four budgetary heads. These budgetary heads were personnel

expenditure, non salary and noninterest recurrent expenditure, domestic development expenditure, and domestic revenue collection.

On an annual basis, domestic revenue collection accounts for about 10% of the total budgeted revenue of the government. The total of personnel expenditure, non salary and noninterest recurrent expenditure, and domestic development expenditure accounts for about 80% of the total annual budgeted expenditure of the government. In the next section are the respective variances for each of the four budgetary heads.

Monetary Variances in Personnel Expenditure

Personnel expenditure accounted for a significant portion of government spending taking a share of 37.4% of the total budgeted expenditure of the government as at 2014. Appendix D shows a tabular computation of the absolute amounts that constituted the variances in personnel expenditure for the period 2010-2014 across the seven ministries. Table 2 shows the variances between the actual personnel expenditure and the approved budget expressed in percentage terms.

Table 2

Yearly Monetary Variances in Personnel Expenditures (%)

Government	2010	2011	2012	2013	2014
Ministry	Variance	Variance	Variance	Variance	Variance
Finance & Eco Dev	3%	-28%	-36%	-32%	-13%
Information & Comm.	41%	-24%	-33%	-11%	-7%
Education , Sc& Tech	9%	-40%	-49%	-51%	-18%
Health & Sanitation	159%	-52%	-45%	-49%	-13%
Marine Resources	4%	-16%	-8%	-7%	-15%
Energy	6%	-16%	-12%	-11%	-

Works, Infrast & Hous	-8%	-42%	-30%	-34%	-
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Note. Finance & Eco Dev = Finance and Economic Development; Information & Comm. = Information and Communication; Education, Sc& Tech = Education, Science and Technology; Works, Infrast & Hous = Works, Infrastructure and Housing.

In Table 2 the percentage variances represent the difference between the actual outcome and the budgeted amount expressed as a percentage of the budgeted amount. A positive variance represents overspending; that is, spending in excess of the budgetary provision and negative variances represent under-spending, spending below the budgeted amount.

The trend in monetary variances in respect to personnel expenditure. As Table 2 indicates, in 2010, the Ministry of Health over spent its personnel budget by 159% while the overspending for the Ministry of Information and Communication was 41%. Table 2 also evidenced that the other five ministries had variances that were within the acceptable 15% limit. In 2011, all seven ministries under spent their respective budgets with the ministry of health ranking highest at 52% followed by the ministry of education, which under spent its budget by 40%. The two ministries interchanged positions in 2012 with under-spending of 49% and 45%, respectively. Also, in 2013 and 2014, all ministries under spent their budget. The ministry of education ranked highest in both 2013 and 2014, under-spending its personnel budget by 51% and 18%, respectively.

Monetary Variances in Nonsalary, Noninterest Recurrent Expenditure

Nonsalary, noninterest recurrent expenditure also represented a significant portion of government spending accounting for about 25% of the total budgeted expenditure as at

2014. Appendix E shows a tabular computation of the absolute amounts that constituted the variances in nonsalary, noninterest recurrent expenditure for the period 2010-2014 across the seven ministries studied. Table 3 shows the variances between the actual personnel expenditure and the approved budget expressed in percentage terms.

Table 3

Yearly Monetary Variances in Nonsalary, Noninterest, Recurrent Expenditures (%)

Government	2010	2011	2012	2013	2014
Ministry	Variance	Variance	Variance	Variance	Variance
Finance & Eco Dev	102%	-16%	-10%	-29%	-2%
Information & Comm	1005%	-52%	-41%	-93%	-24%
Education, Sc& Tech	-7%	-17%	-15%	-33%	-21%
Health & Sanitation	-36%	-35%	-23%	-44%	-10%
Marine Resources	-27%	-44%	-43%	-45%	-70%
Energy	656%	-11%	-22%	3651%	-83%
Works, Infrast & Hous	-6%	-22%	-14%	-24%	-12%

Note. Finance & Eco Dev = Finance and Economic Development; Information & Comm= Information and Communication; Education, Sc& Tech = Education, Science and Technology; Works, Infrast&Hous = Works, Infrastructure and Housing.

Note: In Table 3 the percentage variances represent the difference between the actual amount and the budgeted amount expressed as a percentage of the budgeted amount. A positive variance represents overspending; that is, spending in excess of the budgetary provision and a negative variance represents under-spending, spending below the budgeted amount.

The trend in monetary variances in respect to non salary, noninterest recurrent expenditure. From Table 3, it is evident that in 2010, the ministry of information overspent its non salary, noninterest recurrent expenditure by an alarming 1005% followed by the ministry of energy which over spent its budget by 656% and the ministry of finance 102%. The other four ministries under spent their budget with the ministry of health recording under spending of 36%. From 2011 to 2013 there was under-

spending across all ministries except for a single instance in 2013, when the ministry of energy overspent its budget by an alarming 3651%. The highest under-spending of 93% was recorded in 2013 in the ministry of information, followed by 83% in 2014 in the ministry of energy.

Monetary Variances in Domestic Development Expenditure

Domestic development expenditure represented about 14% of total budgeted expenditures as at 2014. Appendix F shows a tabular computation of the absolute amounts that constituted the variances in domestic development expenditure for the period 2010-2014 across the seven ministries studied. These variances are shown in Table 4. Table 4 shows the variances between the approved budget and the year-end financial reports expressed in percentage terms in respect of domestic development expenditures.

Table 4
Yearly Monetary Variances in Domestic Development Expenditure (%)

Government	2010	2011	2012	2013	2014
Ministry	Variance	Variance	Variance	Variance	Variance
Finance & Eco Dev	-74%	-44%	-82%	-76%	-88%
Information & Comm.	-100%	-60%	-22%	-49%	-29%
Education, Sc& Tech	-75%	-23%	-129%	-48%	-96%
Health & Sanitation	-67%	-15%	-39%	-53%	-56%
Marine Resources	-83%	-100%	-5%	-13%	-11%
Energy	42%	-48%	-5%	-90%	-45%
Works, Infrast& Hous	-22%	-13%	-34%	-62%	-25%

Note. Finance & Eco Dev = Finance and Economic Development; Information & Comm. = Information and Communication; Education, Sc& Tech = Education, Science and Technology; Works, Infrast & Hous = Works, Infrastructure and Housing.

In Table 4, the percentage variances represent the difference between the actual amount and the budgeted amount expressed as a percentage of the budgeted amount. A positive variance represents overspending; that is, spending in excess of the budgetary provision and negative variances represent under-spending; that is, spending below the budgeted amount.

The trend in monetary variances in respect to domestic development expenditure. Table 4 shows that from 2010 to 2014, all seven ministries under spent their budget for domestic development expenditure except for one instance in 2010 when the ministry of energy over spent its budget by 42%. Throughout the period of the study, the highest under spending was recorded in 2012 in the ministry of education at a level of 129%, followed by 100% under- spending in the ministry of marine resources in 2011. The ministry of education ranked third-under spending its budget by 96% in 2014.

Monetary Variances in Domestic Revenue Collection

Domestic Revenue represented about 71% of total budgeted revenue and grants as at 2014. Appendix F shows a tabular computation of the absolute amounts that constituted the monetary variances in domestic revenue between the approved budget and the year-end financial reports. Table 5 shows the percentage monetary variances between the approved budget and the year-end financial reports in respect to domestic revenue.

Table 5

Yearly Monetary Variances in Domestic Revenue (%)

Government	2010	2011	2012	2013	2014
Ministry	Variance	Variance	Variance	Variance	Variance
Finance & Eco Dev	326%	-16%	-98%	-106%	-100%
Information & Comm.	818%	702%	294%	446%	-100%
Education, Sc& Tech	-100%	-	-	-	-
Health & Sanitation	348%	-47%	-71%	-99%	-100%
Marine Resources	87%	-1%	-43%	-43%	
Energy	-	-100%	-100%	-	-100%
Works, Infrast & Hous	59%	-82%	-100%	-100%	-100%

Note .Finance & Eco Dev = Finance and Economic Development; Information &Comm= Information and Communication; Education, Sc& Tech = Education, Science and Technology; Works, Infrast&Hous = Works, Infrastructure and Housing.

In Table 5 the percentage variances represent the difference between the actual amount and the budgeted amount expressed as a percentage of the budgeted amount. A positive variance means more collection of revenue above the budget and a negative variance means less revenue collection relative to the budget.

The trend in monetary variances in respect to domestic revenue. From Table 5, it is indicated that in 2010 except for the ministry of education alone, all other ministries collected more revenue than their respective budgetary provisions. For 2010, the ministry of information recorded the highest percentage change of 818% in terms of collecting more revenue than budgeted. From 2011 to 2013, except for the ministry of information alone, the actual revenue collected by all the other ministries was less than their respective budgeted provisions. The ministry of information consistently collected

more revenue than budgeted from 2010 to 2013 but in 2013, recorded lower revenue than budget by 100%.

Factors Responsible for the Significant Monetary Variances from 2010 to 2014

In this subsection, the factors responsible for the significant monetary variances are presented. These variances cover all the four budget heads studied: personnel expenditure; nonsalary, noninterest recurrent expenditure; domestic development expenditure; and domestic revenue. In fulfillment of the second research questions, the factors responsible for the variances have been presented to reflect the three stages of the budgetary process: budget preparation, budget approval, and budget execution.

According to the Performance Assessment Framework (PAF) used by international financial agencies in measuring the financial performance of governments, significant variances are variances greater than 15% or less than -15%. The findings are as follows.

Variances in Budget Planning and Preparation

- Scope and contents of the budget: There is inadequate institutional capacity in terms of a sufficient number of technically knowledgeable personnel in long-term planning and budget formulation in line ministries. This situation was made worse by the lack of a dedicated planning department or unit in all ministries. Also, there are no scientific models used for forecasting both revenue and spending in line ministries. Poor budget planning and preparation meant that budget estimates are not reliable, and this contributed to the huge monetary variances seen in personnel expenditure; non salary, noninterest recurrent expenditure; development expenditure; and domestic revenue collection.

- The medium term expenditure framework (MTEF): Further institutional weakness identified is the lack of detailed knowledge of the Medium-Term Expenditure Framework and its linkages with the annual Budget. Line ministries primarily focus on the annual budgetary process and even at that their budgetary estimates were not particularly reliable. There were wide disparities between the initial budget submitted by line ministries and the final budget approved by the Parliament.
- The introduction of activity-based budgeting in 2014 has posed additional challenges in budget preparation as almost all the ministries studied mentioned the difficulties in defining activities, outputs and outcomes to cover all functions and programs of their ministries.
- Even with the introduction of activity-based budgeting in 2014, ministries are constrained by their inability to develop measurable and achievable performance indicators for each outcome specified in their strategic plans.
- Inadequate time frame is allowed for budget planning and preparation in line ministries. While the Budget Calendar detailed in the MTEF specifies a period of about two months for ministries to review and update their strategic plan, in practice, ministries only have an average of one month to put their budget together for submission to the Budget Bureau. For instance, the Budget Call Circular for 2015-17, issued on the 30th July 2014 required ministries to submit their completed budget not later than 29th August 2014.

- The budget process: Line ministries officials manifested a lack of faith in the annual budgetary process. The main reason noted for this was that ministries' officials see the process as a waste of time as almost invariably actual allocation of funds are always far much lower than the budget. The Budget Bureau attributes this situation to the severe constraint posed by revenue and the tendency for the line- ministries to present a wish list instead of a financial plan.
- Further, line ministries were severely constrained by the tight budgetary ceilings imposed by the Budget Bureau. The situation was made worse by the intermittent imposition of downward revisions to budgetary allocations of line ministries by the political leadership completely outside the ambit of line ministries.
- In at least two one of the ministries, inadequate feasibility studies and poor planning caused significant cost overruns in major capital projects. Also, poor forecasts of the costs of major personnel reform programs also resulted in significant overspending.

Variances in Budget Approval

The findings relating to the variances associated with the budget approval processes are part of the findings under legislative budgeting in Sierra Leone. Legislative Budgeting in the Sierra Leone House of Parliament are presented in the second subsection following.

Variances in Budget Execution

- In several instances, political expediency overrode the need for budgetary control. The period 2010- 2012 had a significant number of cases involving

unbudgeted expenditures and extra-budgetary expenditures. Political considerations necessitated spending on certain activities that were outside both the annual budget and the Medium –Term- Budget- Framework. Further, the Ministry of Finance is in some instances not consulted in good time before major political pronouncements are made having huge budgetary implications. These expenditures were mainly prevalent in nonsalary, noninterest recurrent expenditure and development expenditures.

- Throughout the study period, the actual budgetary allocations made by the Budget Bureau for line ministries were always significantly lower than the approved budget of those line ministries. There were cases when the actual budgetary allocations were at least 50% lesser than the approved budget. Not only were funds inadequate for all the line ministries, but also, these allocations of funds were often made very late and resulted in the accumulation of payment arrears in line ministries . This situation gave rise to severe difficulties in the execution of the budget of the line ministries.
- Unbudgeted expenditures relating to both diplomatic appointments and recruitments of some government officials caused some of the huge variances in personnel expenditure. Multiple wage-tiers for civil servants of the same grade especially in 2010-2011 also contributed to the overspending in personnel expenditures.
- There were cases of huge under spending due to difficulties in implementing planned programs.

- Under budgeting for major expenditures like subscriptions payable to international organizations.
- In 2010, there were huge payments for the completion of certain long- term projects whose initial costs were not in the budget.
- Significant expenditures on unbudgeted infrastructural development projects.
- Unbudgeted procurements of major capital assets
- Cost overruns in major infrastructural projects like roads.
- In 2012, 2013 and 2014, there were major revisions to the approved budget that necessitated the submission of a supplementary budget to the Parliament. The supplementary expenditures were already incurred by the government and submitted to Parliament for ratification.
- Huge build-up of payment arrears from previous years.
- Inadequate feasibility studies for major capital projects relating to energy and roads reconstruction lacked realistic costing and resulted in huge cost overruns.
- MTEF exists, but in practice the budget is annual, and the medium- term forecasts are at best wild guesses with no clear linkages to approved policy or plans.
- The disproportionately higher amounts of mandatory expenditures relative to discretionary expenditure were a constraint on budget execution. In the 2014 budget, the mandatory expenditures including debt and interest payments accounted for more than 60% of the total budgeted income.

- The 2014 budget was particularly noted to have shown significant variances caused by two major shocks to the economy of Sierra Leone which resulted in non-achievement of planned programs. The Ebola Virus Disease epidemic and the unprecedented decline in the world market prices of iron ore, Sierra Leone's major export. The Ebola epidemic and the near collapse of the iron ore industry resulted in low revenue generation and the diversion of a significant amount of budgetary resources to end the epidemic. These adverse events contributed to the large budgetary variances in 2014 across all of the four budgetary heads covered in the study.
- A likely case of systematic under budgeting of revenues was observed given the overly conservative revenue targets set by line ministries. The yearly revenue targets represented marginal adjustments to historical amounts instead of a complete annual assessment of the likely revenue streams.
- The actual total domestic revenue collection was below the budgeted amounts in 2011 and 2014 in the amounts of Le 112 billion and Le 219 billion, respectively. The 2011 revenue shortfall was attributable to the non-achievement of planned revenue targets for newly legislated taxes. This situation was partly attributable to the lack of close coordination between policy formulation and the annual budgetary process as new taxes were introduced but not fully accounted for in the annual budget.
- Sierra Leone scored 39 out of 100 in the Open Budget Index for 2013.

Legislative Budgeting in the Sierra Leone House of Parliament

On Public Financial Management (PFM), the 1991 Constitution of Sierra Leone sets out the legal and institutional framework in Part VI sections 110 to 120 covering the supremacy of Parliament on matters of taxation and expenditure. Section 114 (2) c allows the President to authorize warrants under his signature for extra-budgetary expenditure when he considers that there is such an urgent need to incur the expenditure that it would not be in the public interest to delay.

Section 107 of the Constitution of Sierra Leone provides that the Minister of Finance shall cause to be prepared and laid before Parliament in each financial year estimates of the revenues and expenditures of Sierra Leone for the next following financial year. The responsibility of Parliament is to review and approve the budget by passing the Appropriation Bill. The Appropriation Act constitutes the legal authority for the government to use monies in the consolidated fund in fulfillment of the needs identified in the approved budget.

Following next are the findings on the adequacy and effectiveness of the role of the Sierra Leone House of Parliament in the budgetary process.

Institutional Arrangement

- In line with the practice in most jurisdictions, the Sierra Leone House of Parliament has a committee structure for dealing with all budgetary matters. This committee structure has two components: a central committee called the Parliament Finance Committee (PFC) responsible for overall budgetary matters; and Sub-Appropriation Committees responsible

various policy areas. This structure enables Parliament to have both control over the overall budget process and more specific in-depth inquiry into various government programs.

- The PFC meets to review the entire budget after the formal presentation of the budget to the entire House of Parliament by the Minister of Finance. The subcommittees conduct separate budget hearings covering different sectors of the government operations. The primary purpose of these hearings is to conduct due diligence on the government budget on a line-by-line basis for each government ministry, department, and agency. The different Sub-Committees carry out the detailed review of the budget and make a recommendation to the PFC. In turn; the PFC undertakes a further review of the budget and submits their recommendation to the House of Parliament. Members of Parliament then debate the budget and vote whether to pass the Appropriation Bill for the budget to be approved subject to the various issues that may have come up in the deliberations held at the Sub-Appropriation Committees.
- The parliamentary approval process considers the entire budgets at one go. This approach is contrary to best practice in some jurisdictions where, for purposes of overall expenditure control, the legislative approval process follows two stages. In the first stage, the legislature decides on the overall expenditure ceiling for the budget year. The second stage entails the

approval of the appropriations and the allocation of resources among government agencies.

- Other than the end of year Public Accounts, Parliament is not provided with periodic reports on the execution of the budget in the course of the year.

To assess the adequacy and effectiveness of the above institutional arrangement of the Parliament, I examined the legal authority and capacity of the Sierra Leone House of Parliament as follows.

Legal Authority

- There is no specific provision in both the 1991 Constitution of Sierra Leone and the Government Budgeting Act 2005, spelling out the exact powers of Parliament to amend the budget submitted by the government. Both of these instruments do not set out the parameters of the amendment power of Parliament, such as whether the legislature can revise the spending up or downward. Parliament can only amend the budgetary estimates downward. The authority of Parliament to amend the budget downward is set out in a Parliamentary Standing Order.
- Also, both the Constitution and the Budget Act contain no provision that demands that the government budget should be balanced nor is there any provision that imposes a limit on the level of budget deficit.

Capacity

Regarding the capacity of Parliament to analyze the budget, consideration was given to three factors: time, information, and expertise.

- Time: The government presents the budget to the Parliament late. Section 22 of the Government Budgeting and Accountability Act, 2005, stipulates that the budget should be laid before Parliament not later than two months before the beginning of the financial year. The budget presentation to Parliament is often in the first week of December. With an average time of one month available to Parliament to analyze and approve the budget, it stands to reason that time is not sufficient for the budget to be thoroughly reviewed by Parliament.
- Information: when it comes to information, Parliament is mainly reliant on the central government for information relating to the cost of government programs. Parliament has no independent mechanism for collecting information to enable a thorough evaluation of the government budget.
- Expertise: Parliament lack vital technical resources such as seasoned research staff of its own to aid the performance of the parliamentary budgetary function. The Parliamentarians depend entirely on their individual knowledge for analyzing the budget.

Parliament/Executive Relationship

On the relationship between Parliament and the Executive, the following were noted:

- There is an explicit schedule for presentation of the budget by the government and its consideration and approval by Parliament.
- There are procedures for the presentation and approval of supplementary budget
- There are no defined limits on the powers of the Parliament to amend the draft budget bill. In fact, the Parliament has no legal authority to amend the government budget except for a Parliamentary Standing Order. The Standing Order enables Parliament to withhold the budget of any government ministry if they are not satisfied with the provisions contained in the said budget.
- There is no opportunity for Parliament first to debate or approve the fiscal framework targets in advance of the detailed budget estimates.
- It is not the practice for the Parliament to make amendments to the annual government budget before adoption. In practice, Parliament occasionally does make suggestions for amendments to the budget and the government usually accepts.

Summary

The three expenditure categories—personnel expenditure; non salary, noninterest recurrent expenditure; and domestic development expenditure—all depicted huge variances both by way of overspending and under spending. The overspendings were much more prevalent. There was a tendency to underestimate revenue deliberately, hence, the frequent cases of under collection of revenue. Inconsistent personnel policies and the apparent lack of harmonization of the wage bill and other conditions of service across government ministries were largely responsible for the huge variances in personnel expenditure. These factors contributed to frequent instances of overspending.

The monetary variances in non salary, noninterest recurrent expenditure were attributable to weak planning at the budget preparation stage as well as the inadequate time accorded to the development of detailed strategic plans with clear linkages to the annual budget process. The variances in domestic development expenditure were mainly explained by a largely indiscipline budget execution process as political expediency took priority over budgetary control safeguards. The manner of executing the budget under these conditions caused huge cost overruns and the implementation of unplanned and unbudgeted programs as well as major infrastructural projects. The weak planning environment also resulted in instances of under-budgeting of certain major expenditures like subscriptions due to international organizations of which Sierra Leone is a member.

The lack of specific provision in both the Constitution of Sierra Leone and the Government Budgeting and Accountability Act (2005) specifying the exact powers of Parliament to amend the budget serves as a constraint on the effectiveness of the

parliamentary budgetary process. The capacity of parliament to analyze the budget is also severely limited as a result of the lack of research and other skilled staff specifically employed to aid Parliamentarians in their review of the budget. Also, the budget was in some cases presented to Parliament in less than the stipulated two months, thus leaving Parliament with insufficient time to thoroughly securitize the budget.

The 2014 budget was particularly problematic regarding its execution given the devastating impact of the Ebola Virus Disease. There was an adverse impact on domestic revenue and government expenditures largely diverted towards fighting the epidemic. The unprecedented decline in the world market price for iron ore, Sierra Leone's major export, made the situation worse.

In the final chapter, the implications of the above finding are discussed in terms of the credibility of the budget of the Government of Sierra Leone and recommendations made as to some of the reforms needed that could help correct the situation.

Chapter 5: Discussion, Conclusions, and Recommendations

The results of the study are discussed in this chapter as well as the accompanying conclusions and the recommendations thereof. The purpose of the study was to develop a budgetary reform agenda in support of some of the changes needed for enhancing the credibility of the budget of the government of Sierra Leone. The first and second research questions addressed the significant monetary variances between the approved budget and the end-of-year public accounts of the government and the main factors responsible for such variances. The third research question addressed the governance over the budgetary process as it relates to the adequacy and effectiveness of the role of the Sierra Leone House of Parliament in the budgetary process.

The section immediately following provides an interpretation of the findings as presented in the previous chapter. Next are the limitations of the study and the implications of the findings for practice and social change. Toward the end of the chapter are the recommendations regarding the reforms for addressing the weakening budget credibility.

Interpretation of Findings

The conceptual framework for the study presented in Chapter 2 depicted the NPM as an integrated administrative reform framework with the aim of reinventing government. NPM theorists seek leaner and better governmental performance by challenging agencies of government to do more with less. NPM places emphasis on economic efficiency and budgetary control as priorities for governments. Given the spate of spending on unbudgeted projects and the frequent instances of extra budgetary

expenditures, budgetary control is largely weak within the government ministries. Weak budgetary control is a recipe for inefficiencies in governmental performance as regards to the allocation and use of taxpayers' monies. Any budget operated in this type of environment would probably lack credibility as there are bound to be gaps between budgetary estimates and their actual outcomes.

Political expediency appeared to have taken priority over the need to attain economy and efficiency as seen in the level of cost overruns and overspending across all the three expenditure categories covered in the study. Also, contrary to a central theme in the NPM that calls for a leaner and efficient government, the composition and size of some expenditure category, especially in personnel expenditures and domestic development expenditure, suggests that the size of the government of Sierra Leone is increasing. An increase in the size of government administration demands a proportionate increase in the level of efficiencies required in the use of resources to assure budget credibility.

The sizes and frequency of overspending and spending on unbudgeted programs further suggest that the budget preparation lacked thoroughness. A well-prepared budget should, on the spending side, make provision for every single program, large and small. The budget should detail spending for each agency as well as each office within each agency. The primary purpose of this level of detail information presented is to make it possible for the legislature to review and oversee government spending.

Of the four dominant budgeting theories articulated in the earlier sections of the conceptual framework, I found that the budgetary practices of the Government of Sierra

Leone are akin to incremental budgeting. The current year's budgetary estimates for both revenue and expenditures were dependent on the previous years' estimates.

The introduction of activity-based budgeting in 2014 was yet to change the underlying incremental nature of the budgetary process as all ministries use the previous budgets as a base for making adjustments needed to arrive at the next year's budget. One deficiency of incremental budgeting is the risk of transferring the inefficiencies of the current budget to the next budget.

The conceptual framework outlined the three objectives of government budgeting as fiscal discipline, allocative efficiency, and technical efficiency. Fiscal discipline and allocative efficiency underpin budget credibility. Fiscal discipline requires overall expenditure control both at the aggregate level and at the level of individual agencies. To this end, fiscal discipline presupposes realistic revenue forecasts and the capacity to set budgetary targets and enforce them.

Strategic planning is weak in line ministries because of institutional weaknesses such as the lack of an adequate number of skilled personnel, the lack of scientific forecasting models, and the absence of dedicated planning departments. These weaknesses are likely to translate into inadequacies in the setting up of budgetary targets in line ministries. The prevalence of unreliable budgetary targets, especially in line ministries, suggests that fiscal discipline was a challenge hence the high level of overspending seen throughout the 5 year study period. Also, aggregate expenditure controls require defining of realistic and reliable budgetary targets at the budget preparation stage. Aggregate expenditure control poses a challenge given the largely

unreliable budgetary estimates submitted by line ministries. However, there existed strong institutional capacity within the ministry of finance as regards the preparation of the annual macroeconomic and fiscal framework governing each budget year.

As regards allocative efficiency, the government of Sierra Leone's Agenda for Prosperity provides a consistent framework for allocating resources among priority areas as well as deciding on sectoral financial envelopes. Since 2013, government ministries are required to align their medium-term strategic plans to the objectives and programs specified under their respective pillars in the Agenda for Prosperity. This prevalent structure is in conformity with the budgetary objective of allocating resources in line with government policy priorities thereby rendering the process credible.

Politics affects the attainment of aggregate fiscal discipline and the efficient allocation of resources. The many claimants to a government budget have different preferences over the manner in which the budget should be allocated, thereby creating pressure for increased expenditures. I found increased political intervention in both the allocation and the use of budgetary resources resulting in cases of overspending as well as the implementation of unbudgeted programs. This situation adversely affected budget discipline as explained by some of the variances between the budget and the actual outcomes. Across all four budget heads studied, there were, in the majority of cases, variances that exceeded the maximum threshold of 15% deviations from the approved budget. This level of variances partly explained the weakening credibility of the budget of the government.

While there is a MTEF governing the budgeting process of the government, medium-term budgetary estimates are only indicative and cover only broad expenditure aggregates. The lack of detailed medium-term budgetary estimates renders the budgetary process as being annual. There is less preference for detailed medium-term budgetary estimates that are the essential ingredients of long-term budgetary control. The absence of medium-term budgetary estimates that are detailed and reliable could contribute to the lack of fiscal discipline from a medium to long-term perspectives. The lack of budget discipline is a causal factor for weak budget credibility.

A detailed medium-term outlook is also necessary because the time frame of an annual budget is too short to allow for meaningful changes to expenditure priorities. At the time of budget preparation, most of the expenditures of the annual budget are already fully committed. For instance, the salaries of permanent civil servants, pension payments, and finance costs of debts are relatively fixed in the short-term, and these expenditures constituted the major portion of the annual budget. The other costs contained in the budget can be adjusted but only marginally. This situation means that any meaningful adjustment to expenditure priorities has to take place over several years, hence the justification for detailed medium-term estimates.

In several instances, the government did not implement the budget in conformity with both the financial and policy authorization granted by the Sierra Leone House of Parliament. A typical case was the implementation of unbudgeted programs by the government. Also, there were cases of policy changes that had budgetary implications,

but the relative changes were not initially envisaged or subsequently accommodated in the budget.

Budget overruns are partly attributable to the noncompliance of budget managers with the expenditure limits set in the budget when obligating expenditures. Given that there are controls over the cash allocated to ministries for approved expenditures, these overruns are likely to generate spending arrears as was the case identified in some of the ministries. Also, overruns can be attributable to deficiencies in the preparation of a budget. A typical deficiency is a failure to account for the impact of inflation on wages.

The cases of under spending identified did not mean that there was good fiscal discipline. In poor countries with weak system of governance, under spending of the approved budget may coexist with large amounts of off-budget spending. When there are overestimations of budgetary expenditures amid unrealistic revenue projections, there are bound to be pressure for budget revisions during budget execution. The existence of such pressure could explain the revisions to the approved budgets of 2012, 2013, and 2014.

The introduction of activity-based budgeting in 2014 represented an attempt at addressing some of the deficiencies of the traditional/line-item budgeting that had existed for ages. Activity-based budgeting is designed to strengthen the link between activity and budgets, and such linkages increases competition, enhances efficiency, and facilitates control. However, given the challenges on the part of the line- ministries in defining activities, the realization of the benefits of activity-based budgeting may take some time.

The lack of provisions in both the Constitution and the Budgeting Act as regards the power of the legislature to amend the government budget is a constraint on the

effectiveness of legislative budgeting in the Sierra Leone House of Parliament. This situation is made worse by the absence of legislative staff with skills in the operations of government budgeting to aid Members of Parliament in the appraisal of the government budget. The legislature will often exercise its decision-making power by reviewing the executive budget, gathering more information from the government, seeking public input, revising the budget based on legislative priorities, and passing the budget. The ability to revise the budget lies at the heart of legislative oversight and decision-making power, and this is missing in the Sierra Leone House of Parliament.

Legislative oversight also covers the budget execution phase involving two ways: periodic reporting and revision to the approved budget. The budget becomes binding on the government following enactment by the legislature, and the government cannot make any changes without prior legislative approval. For the budget execution to follow the approval granted by the legislature, the government has to submit periodic reports to the legislature (monthly, quarterly, and semiannually). The periodic reports by the government should cover actual revenue collection and spending, as well as a comparison with budgeted revenue and spending.

The Sierra Leone context revealed non-compliance with the mandatory periodic reporting to the legislature by the ministry of finance. Also, revisions made to the approved budget by the ministry of finance were only approved retroactively by the legislature. The legislature must give prior approval to all decisions involving revisions to the budget by the government. The legislature should not rubber-stamp decisions effectively taken already. The situation as highlighted in the findings suggests weak

legislative oversight, thereby contributing to undermining the credibility of the annual budget.

In terms of revenue, there appeared to be a consistent underestimation of revenue growth by a substantial margin. While the underestimation of revenue is arguably not a major concern, consistent underestimation over many years may indicate either very poor budgeting and forecasting skills or a deliberate underestimation of revenue collection, both of which pose a problem for the credibility of the budget.

The attainment of budget credibility requires fulfillment of the three budgetary functions of control, management, and planning. A good budgeting system maintains the right balance among these functions, and the findings suggest that the budgeting system of the government is lacking in meeting these functions. In practice, the actual time allocated for budget planning within line ministries is short; spanning about two calendar months. Also, the fragmented planning environment suggests that the budgeting system of line ministries is incapable of concisely determining government objectives as well as the evaluation of alternative programs for the attainment of such objectives. This situation partly explains the gaps evident between the initial budgets prepared by line ministries and the final budget recommended by the Budget Bureau to the Parliament.

In conclusion, it should be pointed out that because the budget relates to the future, changes are inevitable, and hence, the actual outcomes will almost certainly be different from the budget approved by the legislature. The government can, however, minimize the size of the variances in two main ways: the use of advanced scientific models to produce reliable forecasts for both revenue and spending and having a sizeable

reserve fund to cover unanticipated fiscal events. I found that scientific models are only available in the ministry of finance while line ministries have to determine manually their forecasts of future events. Hence, strategic planning and the budget formulation process are much more reliable only at the ministry of finance. As regards the size of reserve funds, it was noted that funds set apart for contingency events represent about 2% of the budgeted spending, and this was insufficient to accommodate major shocks such as the Ebola virus that emerged in the mid of 2014 and caused a reduction in the funding of existing programs.

Limitations of the Study

The findings of the study and their interpretations as outlined in the previous sections have limitations. Firstly, the sample size of seven government ministries was selected based on the ranking of variances that were computed using historical data. The trend in the respective variances may change depending on the parameter such as forecast spending instead of actual historical spending. Also, only four budget heads were examined, three of which are expenditure heads thus rendering the study more skewed towards expenditure budgeting. A study looking at the entire budget may yield different results and interpretations.

Secondly, the participants' selection was biased toward senior government officials with direct roles in the budgetary process. Middle level and junior government officials are also part of the budgetary process and may hold different views about the reasons underpinning the huge variances. Thirdly, the use of secondary data mainly in the form of the published reports of international agencies providing budgetary support to the

government has its bias. The underlying purposes of these published reports were different from that of this study.

Lastly, the main analytical framework for this study, the OECD baseline criteria and the OECD questionnaire for efficient government budgeting system, is based on the experience of other countries with contexts that are different to that of Sierra Leone. Thus, the conditions for and problems of government budgeting may be significantly different in Sierra Leone. Some of the features of least developed countries like Sierra Leone include a high rate of poverty, a narrow revenue base, and weak systems of governance. These factors together represent significant constraints on effective government budgeting systems in such countries (Schick, 2013). Despite these limitations, the baseline criteria have wider international applicability and endorsement by international financial institutions; hence, they constituted a useful benchmark for this study.

Recommendations for Further Studies

As this study represents one of the few academic initiatives which exclusively focus on the construct of budget credibility within the government of Sierra Leone, there is obvious need for further research in this area. Future researchers may want to broaden the scope of the study by involving more government ministries and recruiting participants that cut across all cadres of personnel. In particular, future researchers may want to give equal premium to both the revenue and expenditure components of the annual budget so as to provide a complete picture of the underlying variances and how they impact budget credibility. Also, following the roll-out of activity-based budgeting in

2015, future researchers can undertake a comparative study of the budgetary variances over a period covering pre and post activity-based budgeting.

One assumption underpinning the study was that policy formulation is an independent process of the budget preparation process albeit the two are interrelated. It would be worthy for future researchers also to investigate the link between policy formulation and budget preparation and how the interaction of the two impacts budget credibility. Finally, given the importance of the MTEF, there is the need for a separate study on the success and failures of the MTEF process itself.

Implications

Improving the credibility of the budget of the government of Sierra Leone requires major reforms to the budgeting process and rewriting of the current budget law guiding the budget process. A list of some of the reforms requiring consideration by the government is as follows:

- One of the most important reforms is to amend the Constitution of Sierra Leone and/or the Government Budgeting and Accountability Act to reflect the principle of balance of power. It is important to establish firmly that the Sierra Leone House of Parliament should have the decision-making power in the budgeting process. The Sierra Leone House of Parliament should be able to review, approve, amend, and veto the budget, as well as overseeing the execution of the budget. The government should only operate under the budget approved by the Parliament, and there should be provisions requiring sanctions against violation of the approved budget.

- For the Parliament to fulfill the above responsibility, the capacity of parliamentarians should be improved. Firstly, Parliament should have its legislative staff with skills and experience in the government budget process. Such staff should have the capacity to obtain independent information needed for the effective review of the budget submitted by the government. Also, Parliament should insist that the government submits the budget by the end of October so as to ensure adherence to the stipulated 2 months time frame for the review of the budget by Parliament.
- The budget law should introduce new fiscal provisions for a balanced budget rule and another rule that imposes the level of budget deficits.
- The current provision in the Government Budgeting and Accountability Act relating to the MTEF should be amended to reflect the increasing importance of MTEF as the strategic framework for incorporating government priorities into the annual budget. The existing provision that calls for only indicative estimates for the MTEF should be amended to include detailed and specific estimates based on realistic medium-term projections of both revenue and expenditures.
- There is the need to enhance the budgeting capacity of the line ministries. The thoroughness in the preparation of the budget is bound to impact on how well it is executed. There is a need for the accurate forecasting of both expenditure and revenue using advanced econometric models. Precise forecasting is a necessary and sufficient condition for minimizing

budget variances and is an important component that adds credibility to the budgeting process.

- The Budget Bureau should on a regular basis communicate all large variances to the line ministries with the view to aiding budget execution and control.
- There is a need for a review of the budget preparation processes to ensure that the budget proposal submitted by the government to the Parliament is comprehensive and detailed. A comprehensive budget includes all government revenue sources and expenditures items, both on budget and off budget. A detailed budget provides information on all spending at different levels. It is only when the government budget is comprehensive and contains in-depth fiscal information will it serve to hold the government accountable, and enable Parliament to exercise its oversight authority effectively.
- Concerning budget execution, the Budget Bureau needs to furnish information periodically (at least every month) to the Sierra Leone House of Parliament about spending and revenue figures based on the originally approved budgeted figures. Such updates will tell the Parliament whether the government is executing the budget according to the approval granted by the Parliament. A consistent form of reporting the budget execution to Parliament will help to hold the government accountable for its spending,

and also give the Parliament time to prepare for necessary changes to the original budget.

- Since 2002, with the help of the European Union (EU), the UK Department for International Development (DfiD), the African Development Bank (AfDB) and the World Bank, the government has made good progress in strengthening its public financial management framework and systems. This progress has resulted in significant public financial management achievements over the years, including the establishment of the legal and regulatory framework for budgeting, and the implementation of a financial management information system in the Accountant General's Department. Basic budgeting, procurement, accounting, and reporting procedures are in existence across ministries. As a result, despite the very low starting point at the end of the civil war, the scores from the Public Expenditure and Financial Accountability (PEFA) assessment for Sierra Leone carried out in 2007, and 2010 show some apparent improvements, 30 percent of the indicators in 2010 improved on their scores in 2007.
- The re-establishment of crucial governance institutions like the National Revenue Authority, the Audit Service, and the Anti-Corruption Commission has contributed to improvements in public financial management practices. To build on the progress of reforms achieved to date and to respond to the inherent challenges; the government has

prepared a comprehensive program of public financial management reform strategy for the period 2014-2017.

- Despite the above progress made in public financial management, the findings reveal a significant gap between the existing public financial management policies, rules and procedures, and their actual implementation in practice in line ministries. Budget credibility was at a low point in the few years to 2010 but improved in 2010 before receding again in 2011 - 2012. The particular problems identified include budget credibility and predictability, fiscal management challenges, weaknesses in expenditure control; particularly development expenditure, and low levels of transparency in budget execution. Also, there are issues relating to the incomplete collection and reporting of revenues; fragmentation between the budget and planning process; the recurring high level of off-budget expenditures, and a budget system largely based on inputs rather than the achievement of outputs. These weaknesses create inefficiencies in the allocation and management of public finances; both of which are primary activities in the annual budget process.
- The Ebola outbreak and the sharp drop in iron ore prices impacted negatively the economy of Sierra Leone. The epidemic disrupted economic activities, and the sharp drop in iron ore prices compounded these difficulties by shuttering the main iron ore mines. These twin shocks prompted a severe slump in economic activity. According to the

International Monetary Fund (IMF) predictions, Gross Domestic Product (GDP) for 2016 is set to contract by some 21.5% to about 5%. Therefore, the government needs to focus policy on generating fiscal space to tackle the lingering impact of the Ebola epidemic, and contend with the effects of the collapse in iron ore production.

- Further, the budgeting process of the government has exhibited weaknesses, which undermine the sustainability of the development benefits underpinning budgetary support from budget support institutions like the World Bank, and the African Development Bank. The relatively poor record on the mobilization of domestic revenues is a serious weakness. The government needs to increase its level of revenue collection so as to be able to finance the recurrent cost of infrastructure and services.
- The poor quality of public procurement processes is another critical weakness. The Performance Assessment Framework (PAF) used by the budget support partners of the government reported that in 2013, 72% of public contracts were sole-sourced. The Auditor General has regularly identified irregularities in public procurements.
- Significant problems in budget credibility have also emerged since 2010, with the 2014 Public Expenditure and Financial Accountability (PEFA) assessment reporting that deviations between the actual and budgeted levels of aggregate expenditure averaged 21% per year over 2010-2013, as

compared with 8% over 2006-2009. The findings suggest that although the volatility of iron ore prices has clearly been a constraining factor especially in the execution of the 2014-15 budgets; there is also evidence of political directives for significant changes to the budget during the process of implementation.

- The persistence of the above weaknesses means that, notwithstanding the genuine benefits achieved with budgetary support from development partners, the fiduciary risks on the part of the government remain high, while the sustainability of the benefits is uncertain. The government, therefore, has to focus on ways to address these persistent weaknesses, while maximizing the potential benefits associated with external budgetary support. To this end, the following are worth consideration by the government.
- The budgeting process should be partnership based, serving to reinforce government ownership and responsibility for results. Thus, it is essential that a high-level political commitment to a shared set of objectives underpins the budgeting process and the approved annual budget. High level political engagement in the annual budget process is necessary for the attainment of efficient budget execution and budgetary control. There is a need for a regular reaffirmation at the political level of all the technical discussions involved in the budget process. There is a need for a high-level political commitment by the Government to a modern, effective

budgeting system incorporating an efficient and fair revenue collection process.

- The budgeting process must enhance the predictability of resources and reduce their volatility. The significant variances suggest that the government budget is highly volatile over the medium term while annual disbursements have been less predictable than desirable. Attention to this issue will require a firmer commitment by the budget support partners like the International Monetary Fund (IMF) and the World Bank to medium term disbursement targets, as well as steps to simplify disbursement requirements.
- The budgetary objectives and the supporting budgeting processes should focus on poverty reduction as its primary goal. In principle, the annual budget document laid in Parliament has always focused on poverty reduction as its main objective but in practice, the implications of this commitment have not always been given due consideration. According to the 2015 IMF report on the performance of the economy, one of the main constraints to more successful poverty reduction in Sierra Leone has been a lack of strategy. While the government Poverty Reduction Strategy Paper II (PRSP II) and the Agenda for Prosperity (AfP) identify high-level objectives and broad lines of action, the two documents do not address the detailed strategic requirements at the sector level for setting out specific inputs into the annual budget.

- The budgetary support from international agencies should be big enough in scale to make a difference but not so big as to create excessive risks to sustainability. While external budget support should be big enough in scale to help the government take advantage of its development agenda, yet, it must not reach a size where it would create a major fiscal crisis in the event of premature termination.
- The government needs to ensure that external budget support is replaceable in the medium term through increased domestic revenue collections. In the meantime, though, there is every need for the government to re-establish the national budget as a credible planning and control instrument. One aspect that is vital to the attainment of such a goal is the development of stronger linkages between the political leadership of government and the technicians of the ministry of finance.
- Further, a clear decision-making nexus has to be created between the ministry of finance and the line ministries. The findings suggest that the focus of the budget dialogue is at the senior technical level within the ministry of finance. For operational purposes, this is appropriate, but it is not adequate when there is a need for a whole of government commitment to meet agreed targets in the strategic plans.
- The government needs to create a sustainable domestic revenue base. For reasons of sustainability and self-reliance, it is essential for the Government to establish a viable domestic revenue base by upgrading the

current revenue mobilization strategies. For instance, there is need to consolidate the responsibility for the collection of all sources of domestic revenue within the designated agency of government. To this end, the government, through the ministry of finance, has to strengthen revenue policy and oversight of revenue collection with the view to improving the efficiency and integrity of revenue administration.

- The government needs to re-establish the credibility of its budget as a tool of planning and expenditure control. The following measures may be necessary to establish control over the approved budget. Introduce improvement to the design of contingency budgeting arrangements so as to deal with uncertainty in revenue flows.
- Establish and impose limitations on the introduction of new activities or projects during the implementation of the approved budget.
- There is a need to action all decisions affecting the wage bill before the finalization of the budget, rather than during the process of execution.
- There is a need for reforms in the processes associated with public procurement. Public procurement is one of the high-risk areas within the system of budgetary control and execution. There is a need for a fundamental re-think of current policies on procurement, as line ministries are only subject to ex-post controls on procurement decisions. I recommend that the Government should work with its budget support

partners to review the current system thoroughly and to establish a new action plan for procurement reforms.

- There is the need to strengthen policy design and implementation in line ministries. A strong policy formulation framework provides the baseline for the development of comprehensive and sustainable budget parameters.
- There is a need to enhance the predictability of the budgetary disbursements made by the ministry of finance to line ministries. Such predictability would reduce the annual volatility and improve the timeliness and consistency of disbursements of funds to line ministries. The related changes would require the ministry of finance to streamline the administrative procedures for disbursements of approved budgetary allocations to line-ministries.
- The government may consider the introduction of incentives for enhanced domestic revenue mobilization. In the medium to long term, budget support will be unsustainable unless the government can raise its domestic revenue mobilization to a meaningful level. There is an urgent need for the government to pursue vigorously revenue reforms and revenue collection targets.
- The annual accumulation of arrears owed to various suppliers for goods and services of previous budget years suggests that government is facing serious challenges with the management of its cash. It is indicative that the periodic budget allocations are made to line ministries without adequate

cash cover at the treasury thereby resulting in such arrears. There is, therefore, need for a review of the processes underpinning allotment and cash management so as to exercise improved controls and strengthened cash planning.

- The EPRU has to strength budgetary and macro-fiscal planning and forecasting.
- The Budget Bureau needs to strengthen the budget framework and formulation.
- The Accountant General together with the Internal Audit Department need to devise measures that will improve financial systems controls, accounting and reporting.
- The Sierra Leone House of Parliament need to enhance the legislative oversight of the Public Accounts Committee (PAC) and the Finance Committee (FC) to carry out their functions effectively.

One of the biggest challenges facing the government of Sierra Leone is convincing the international financial institutions providing budgetary support to Sierra Leone that the government not only has a sound budget but will also carry it out. This study contributes to the promotion of good budgeting practices by highlighting the problems undermining the credibility of the annual budget of the government as well as proposing reforms for addressing the same. The study serves as a basis for promoting sound public financial management practices by way of refined budgetary practices that promote budget credibility. From a theoretical standpoint, the significance of this study is

that it may be the first academic initiative to articulate in details the construct of budget credibility in the context of the government Sierra Leone. Improvement in the credibility of the annual budget of the government would mean improvements in value-for-money in the use of taxpayers' monies by the government. It would also mean improvements in the procedures, processes, and goals that the annual budget is expected to achieve. In turn, these improvements could contribute to the overall reform efforts of the government in developing a stronger public financial management organization causing improved economic and financial reporting, thereby promoting positive social change for the people of Sierra Leone. The ultimate positive impact could be in government efforts at reducing the high-level of poverty in a country that still ranks in the bottom 10 of the United Nations Human Development Index.

Conclusions

Despite many reforms implemented in Sierra Leone's public financial management over the past 10 years, the government's budget still exhibits a lack of credibility. Most evident are the large variances between the budget as approved by the Sierra Leone House of Parliament and end-of -year public accounts of the governments. The factors underpinning these variances include institutional weaknesses in line ministries, political influence in the budget execution process; and the inadequate capacity of the Sierra Leone House of Parliament. Some of the potential reforms needed to enhance budget credibility include rewriting of the country's budget law, the use of scientific models in forecasting, the recruitment of legislative staff for Parliament, and the

enhanced use of detailed medium-term budget framework for long-term budgetary control.

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Appendix A: Questionnaire for the Ministry of Finance

Introduction

This questionnaire is the eproduct of some changes made to the OECD Questionnaire for evaluating the technical efficiency of government budgeting system. The questionnaire is intended as a tool for budget reformers, to analyze the current budgeting system of the government of Sierra Leone with the view to proposing reforms. Most questions demand a “yes or no” answer, and a negative answer suggests that actions should be considered to produce the situation described in the question.

Budget Legislation

Do the constitution and budget laws:

1. Provide a clear and comprehensive definition of public money and
 - a. Determine that all of it is to be managed in accordance with the budget law?
 - b. Limit the creation of extra-budgetary funds to special cases, authorized by separate statute?
 - c. Authorize the government accounts into which all public money must be paid and from which expenditures are made only by appropriation of the parliament?
2. Establish a relationship between parliament and the executive?
3. Establish the following elements of intergovernmental fiscal relations?
 - d. The basic principles of supervision, intervention and audit responsibilities, and of revenue sharing arrangements, if any?
 - e. Ministries of government are allowed to borrow only from the central government?
 - f. That their borrowing is subject to approval by ministry of finance?

- g. The budget accounting classifications are coherent and common to all levels of government?
4. Establish the scope of the budget as described in Item c)?
 5. Establish the form and structure of the annual budget law (or finance bill) to be voted by parliament, including the definition of main headings or accounts that are controlled by parliament.
 6. Establish a definition of the budget deficit and surplus which excludes borrowings from receipts, and excludes repayments of principal from expenditure?
 7. Provide a legal basis for the formulation and execution of the budget including the role and authorities of the ministry of finance.

Parliament/Executive Relationships

Do the constitution and other budget laws provide:

1. An explicit schedule for presentation of the budget by government and for its consideration and approval by the parliament?
2. Procedures and schedules for the presentation and approval of supplementary spending authorities during the year if needed?
3. Defined limits on the powers of the parliament to amend the draft budget bill (such as requiring a spending increase to be offset by reductions in other expenditures)?
4. For interim funding to continue normal government business when parliament has not approved the Budget in time for the start of the fiscal year (such as monthly release of 1/12 of prior year appropriations)?
5. Restrictive conditions on the government's use of reserve funds and emergency spending, such as requiring approval by the minister of finance and full reporting to parliament?
6. For the mandatory presentation by government of an essential minimum of budget documentation which specifies fiscal policy objectives,

the macroeconomic framework, the policy basis for the budget, and major identifiable fiscal risks?

7. That new legislation with fiscal implications comes into force *only* after it has been included in an approved budget?
8. The timetable for reporting to the parliament during the year end in the final account and arrangements for external audit of government accounts?
9. For an external auditor or in the form of a supreme audit institution which is independent of the executive government and reports to the parliament?
10. A special parliamentary committee to study the final account and external audit reports?
11. A special parliamentary committee (e.g. budget committee or finance committee) to review the budget and fiscal policy generally?
12. Authority for the budget committee to overrule, or at least coordinate, the recommendations of sectoral committees?
13. An opportunity for parliament to debate, or to approve, the fiscal framework targets in advance of the detailed budget estimates?

Scope of the Budget

1. Does the annual budget law include:
 - a) Clearly defined appropriations for all spending authorities to be voted?
 - b) All transactions of statutory extra-budgetary funds with the budget?
 - c) All fiscal transfers to ministries and other agencies of government for general and special purposes?
 - d) All investments, transfers or other transactions between the budget and state-owned enterprises?
 - e) Asset and liability transactions by type and with full details of major items?

f) A borrowing clause to authorize the new ceiling on government debt for the fiscal year?

2. Does the budget documentation submitted to parliament include:

- a) Fiscal policy objectives, the macroeconomic framework, the policy basis for the budget, and major identifiable fiscal risks?
- b) Complete information on past and projected spending under any permanent appropriations which are not annually voted?
- c) Complete information on financial plans and operations of statutory extra-budgetary funds?
- d) All financing from aid donors and other international agencies providing budgetary support to the government?
- e) A statement of contingent liabilities resulting from state guarantees of third party debts and an estimate of payments likely to be required under those guarantees during the budget year?

Medium-Term Fiscal and Budget Frameworks

- a. Is there a medium-term fiscal framework (MTFF) and/or a medium-term budget framework (MTBF), which projects aggregate revenue and expenditure targets over a three-to-five year horizon, consistent with the macroeconomic targets?
- b. Does the MTFF link macro-economic and budget projections and include the financial plans of extra-budgetary funds?
- c. Does the MTFF provide Medium-term budgetary objectives in terms of balance or surplus, and the path of adjustments in the deficit and debt ratio?
- d. Are the economic forecasts and fiscal targets made public and widely disseminated?

- e. Doesthemedium-termframeworkincludespenditureprojections bybroadprogrammingand/or prepared by line ministries?
- f. Is the MTFF updated annually?
- g. Isthepolicyandplanningprocesstightlylinkedtotheannualbudgetprocesstoensur eaffordability?
- h. Areconflictsbetweenresourceneedsandavailabilityreferredtothecou ncilofministersfor discussion with sufficient time for resolution?

The Budget Process

Setting the Framework.

1. Macroeconomic and expenditure forecasting

- a) Is this responsibility assigned to the ministry of finance?
or
if divided between ministries/agencies, are roles precisely defined?
- b) Arefiscalforecastsupdatedatspecifiedintervals?
- d) Dotheexpenditureforecastsincludebothannuallyvotedfundsandperman ent/standing appropriations (if any)?
- e) AretheforecastsusedtoformulatervenueandexpenditureassumptionsforaMTFF/M TBF?
*Or*an annual framework of fiscal targets?
- f) Arethesameeconomicassumptionsgiventospendingunitstobeusedintheirbudgetestim ates?
- g) Are the fiscal targets sent for approval by the cabinet of ministers?

2. Ministries envelopes/ceilings ;

- a) Arebudgetceilingsforaggregatespendingandforsectorministriesrecommendedbyth e ministry of finance?

- b) Are the ceilings for sector ministries approved by the council of ministers?
- c) Do they cover both current and capital components of the budget?
- d) Are they communicated to spending units prior to the preparation of their estimates submissions?
- e) Are sector ministers able to re-allocate expenditures among their agencies within the sector ceiling (recognizing that changes to specific programs may be reserved to the council of ministers)?

Estimates Process and Documents.

1. Is there a well-defined, and widely accepted, sequence of steps in the budget process?
2. Does the schedule allow practical intervals for the work at each stage?
3. Is there an annual budget circular or regulation issued by the ministry of finance and does it provide:
 - A clear set of rules for the budget process and the main forms to be used in estimates submissions?
 - The macroeconomic assumptions to be used in estimates?
 - Information on government priorities?
 - Spending ceilings or targets?
4. Are new policy proposals excluded from estimates submissions until they have been approved through the normal policy decision process?
or
Does the budget process include a well-defined procedure for obtaining decisions on new policy proposals?
5. Is there a clear role for the ministry of finance in analyzing and assessing estimates submissions prior to inclusion in the draft budget?

6. Does the ministry of finance staff have the necessary information and skills in order to conduct microeconomic, financial, and policy analysis of estimates submissions?
7. Is there a clear role for the financial management staff of line ministries in analyzing and assessing estimates submissions of subordinated agencies?
8. Does the financial management staff of line ministries have skills in accounting, microeconomic analysis and financial management?
9. Are there established rules or practices to guide the ministry of finance negotiations with line ministries?
10. Are there clear arrangements for arbitration, by the _____ president or the council of ministers, of remaining differences between the ministry of finance and spending units (particularly desirable when there are binding top-down ceilings)? Or are there clear _____ authorities for the _____ minister of finance to negotiate differences bilaterally with other ministers (preferable in the absence of such spending ceilings)?
11. Personnel costs
 - a) Are cost estimates supported by a dependable system of control on employee headcounts, either by the ministry of finance or by line ministries themselves?
 - b) Are forecast increases in salaries and benefits required to be consistent with the ministry of finance assumptions or regulations?
 - c) Are funds for all bonuses and special allowance identified separately within the personnel costs subhead of the estimates?
 - d) Are there controls to prevent the unauthorized transfer of funds from salaries budget to other budgets like allowances and bonuses?

Presentation to Parliament.

Does the draft budget show the following information:

- a. Documentation of fiscal policy objectives, the macroeconomic framework, the priorities for the budget, and the major identifiable fiscal risks?
- b. A clear and comprehensive plan for all public spending, including all levels of government and all extra-budgetary funds?
- c. The linkage of appropriations to organizations and the hierarchy of accountability among persons and organizations to be entrusted with appropriated funds?
- d. The linkage of expenditures to specific organizations, objectives and activities?
- e. Identification of funding for new policy initiatives, clearly separated from the funding for continuation of existing programs?

Preparation of Capital Investments Programs.

1. Are line ministries required to carry out ex-ante technical and economic appraisal of capital investment projects?
2. Are current and capital investment budgets integrated into a single process?
or
Are there recurrent cost implications of investments calculated and the results incorporated in the annual budget and MTBF?

Budget Execution and Monitoring.

Cash management or treasury function

1. Are there laws, regulations and procedures which ensure that:
 - a) All public revenues are deposited directly:
– to the treasury single account under control of the ministry of finance or treasury?
 - b) If separate bank accounts are permitted, the ministry of finance is responsible for opening, closing, and either directly operating them or monitoring their operation?

- d) Payments are made:
- through the central treasury, which authorizes and processes payment orders from spending units?
 - or*
 - by spending units, from their subaccounts within the financial limits authorized by the ministry of finance for the subaccounts?
- e) Where separate subaccounts are permitted, budget credits are released to them only after a ratification required for payments obligations?
- f) Information on actual expenditure is available to the ministry of finance/treasury in time for effective monitoring?
- g) The ministry of finance/treasury controls cash balances daily relative to borrowings?
- h) The ministry of finance/treasury makes daily/weekly/monthly forecasts of cash spending against which it monitors actual spending?
- i) Spending units report to the ministry of finance/treasury on their commitments (obligations) to ensure that expenditures do not exceed budget?
- j) There are procedures to report and correct overspending?

Legal and policy framework

3. Are there laws, regulations or policies which:
- a) Limit and define the authorities at each level of the administration for transferring funds (Virement) within the approved budget?
 - b) Prevent transfers, in both directions, between personnel costs and other subheads of the budget?

- c) Specify how budget funds that are unspent at the end of the fiscal year should be treated?
- d) Establish sanctions for overspending?
- e) Define the permitted uses of the budget reserves and the decision-making authorities for approving allocations from the reserves?

Distribution of responsibilities

1. Is the ministry of finance (and/or the council of ministers) empowered to:
 - a) Issue (normally through the treasury) the warrants, or equivalent, which authorize spending units to begin spending their budget appropriations?
or
Approve budget implementation plans of spending units, with discretion to impose delays or conditions on specific elements in the plans?
 - b) Reduce authorizations below the level of parliamentary appropriations if revenues fall below expectations?
 - c) Give prior approval for transfers of funds between chapters within the same budget heading, and to set rules for transfers among items within chapters?
 - d) Control the release of investment funds from official donors and obtain reports on execution?
 - e) Make regulations in all areas of budget preparation and execution, accounting and reporting, fees and charges, financial management, management control, internal audit, cash and debt management, public procurement etc.?
2. Are the line ministries required to:
 - a) Maintain accounting and control systems to ministry of finance standards?

- b) Make forecasts of monthly cash flows for the budget year and submit for the ministry of finance/treasury approval?
- c) Make regular reports to the ministry of finance/treasury on spending in comparison to budget and cash flows in comparison to forecast?
- d) Review, approve, and monitor direct disbursement programs by official donors in their sector?

4. Is the Parliament responsible for :

- a) Reviewing periodic reports on economic and financial performance relative to the budget?
- b) Revising targets and/or policies as required by the changed circumstances?
- c) Approving supplementary budget bills, if required, including proposals to transfer funds between main headings of the approved budget?
- d) Approving supplementary budget bills, if required, including proposals to transfer funds between main headings of the approved budget?

Accounting and reporting

1. Is there a unified accounting and budgeting classification system regulated by the ministry of finance/treasury?
2. Does the budget classification include an administrative category plus economic and functional categories?
3. The chart of accounts should be comprehensive. Does it integrate accounts containing assets, liabilities, government equity, revenues and expenditures to facilitate the preparation of financial statements?

4. Does the accounting system define eligible expenditures, commitments, payments, etc?
5. Is the accounting system coherent and common to all levels of governments so as to allow a consolidated presentation of the state of public finances?
6. Are there effective and up-to-date manuals setting out procedures and regulations for the accounting system?
7. Are expenditure statements produced during the fiscal year for the council of ministers and tabled in parliament?
8. Are the final accounts produced, audited and tabled in parliament shortly after the end of the fiscal year?

Appendix B: Questionnaire for Other Ministries of Government

Introduction

This questionnaire is the product of some changes made to the OECD Questionnaire for evaluating the technical efficiency of government budgeting system. The questionnaire is intended as a tool for budget reformers, to analyze the current budgeting system of the government of Sierra Leone with the view to proposing reforms.

Most questions demand a “yes or no answer”, and a negative answer suggests that a action should be considered to produce the situation described in the question.

The Budget Process

Setting the Framework.

1. Macroeconomic and expenditure forecasting

a) Is this responsibility assigned to the ministry of finance?

or

if divided between ministries/agencies, are roles precisely defined?

b) Are fiscal forecasts updated at specified intervals?

d)

Do the expenditure forecasts include both annually voted funds and permanent/standing appropriations (if any)?

e)

Are the forecasts used to formulate revenue and expenditure assumptions for an MTF/MTBF?

or an annual framework of fiscal targets?

f)

Are the same economic assumptions given to spending units to be used in their budget estimates?

g) Are the fiscal targets sent for approval by the cabinet of ministers?

5. Ministries envelopes/ceilings ;

a)

Are budget ceilings for aggregate spending and for sector ministries recommended by the ministry of finance?

b) Are the ceilings for sector ministries approved by the council of ministers?

c) Do they cover both current and capital components of the budget?

d) Are they communicated to spending units prior to the preparation of their estimates submissions?

e) Are sector ministers able to re-allocate expenditures among their agencies within the sector ceiling (recognizing that changes to specific programs may be reserved to the council of ministers)?

Estimates Process and Documents.

1. Is there a well-defined, and widely accepted, sequence of steps in the budget process?

2. Does the schedule allow practical intervals for the work at each stage?

3. Is there an annual budget circular or regulation issued by the ministry of finance and does it provide:

- A clear set of rules for the budget process and the main forms to be used in estimates submissions?
- The macroeconomic assumptions to be used in estimates?
- Information on government priorities?
- Spending ceilings or targets?

4. Are new policy proposals excluded from estimates submissions until they have been approved through the normal policy decision process?

or

Does the budget process include a well-defined procedure for obtaining decisions on new policy proposals?

5. Is there a clear role for the ministry of finance in analyzing and assessing estimates submissions prior to inclusion in the draft budget?

6. Doesthemistryoffinancestaffhavethenecessaryinformationandskillsinordertoconduct microeconomic, financial, and policy analysis of estimates submissions?
7. Isthereaclearroleforthe financialmanagementstaffoflineministriesinanalyzingandasessing estimates submissions of subordinated agencies?
8. Doesthefinancialmanagementstaffoflineministrieshaveskillsinaccounting, microeconomic analysis and financial management?
9. Arethereestablishedrulesorpracticestoguidethemistryoffinancenegotiationswithline ministries?
10. Aretherecleararrangementsforarbitration, bythe president of the council of ministers, of remaining differences between the ministry of finance and spending units (particularly desirable when there are binding top-down ceilings)? *or* are there clear authorities for the minister of finance to negotiate differences bilaterally with other ministers (preferable in the absence of such spending ceilings)?
11. Personnel costs
 - a) Are cost estimates supported by a dependable system of control on employee headcounts, either by the ministry of finance or by line ministries themselves?
 - b) Are forecast increases in salaries and benefits required to be consistent with the ministry of finance assumptions or regulations?
 - c) Are funds for all bonuses and special allowances identified separately within the personnel costs subhead of the estimates?
 - d) Are there controls to prevent the unauthorized transfer of funds from salaries budget to other budgets like allowances and bonuses?

Preparation of Capital Investments Programs.

1. Are line ministries required to carry out ex-ante technical and economic appraisals of capital investment projects?
2. Are current and capital investment budgets integrated into a single process?
or
Are there recurrent cost implications of investments calculated and the results incorporated in the annual budget and MTBF?

Budget Execution and Monitoring.

Cash management or treasury function

1. Are there laws, regulations and procedures which ensure that:
 - a) All public revenues are deposited directly:
 - to the treasury single account under control of the ministry of finance or treasury?
 - b) If separate bank accounts are permitted, the ministry of finance is responsible for opening, closing, and either directly operating them or monitoring their operation?
 - d) Payments are made:
 - through the central treasury, which authorizes and processes payment orders from spending units?
 - or*
 - by spending units, from their subaccounts within the financial limits authorized by the ministry of finance for the subaccounts?
 - e) Where separate subaccounts are permitted, budget credits are released to them only at a rate required for payments obligations?
 - f) Information on actual expenditure is available to the ministry of finance/treasury in time for effective monitoring?
 - g) The ministry of finance/treasury controls cash balances daily relative to borrowings?

- h) The ministry of finance/treasury makes daily/weekly/monthly forecasts of cash spending against which it monitors actual spending?
- i) Spending units report to the ministry of finance/treasury on their commitments (obligations) to ensure that expenditures do not exceed budget?
- j) There are procedures to report and correct overspending?

Distribution of responsibilities

.Are the line ministries required to:

- a) Maintain accounting and control systems to ministry of finance standards?
- b) Make forecasts of monthly cash flows for the budget year and submit for the ministry of finance/treasury approval?
- c) Make regular reports to the ministry of finance/treasury on spending in comparison to budget and cash flows in comparison to forecast?
- d) Review, approve, and monitor direct disbursement programs by official donors in their sector?

Appendix C: Questionnaire for Members of Parliament

Introduction

This questionnaire is the product of some changes made to the OECD Questionnaire for evaluating the technical efficiency of government budgeting system. The questionnaire is intended as a tool for budget reformers, to analyze the current budgeting system of the government of Sierra Leone with the view to proposing reforms. Most questions demand a “yes or no answer”, and a negative answer suggests that a action should be considered to produce the situation described in the question.

Budget Legislation

Do the constitution and budget laws:

8. Provide a clear and comprehensive definition of public money and
 - h. Determine that all of it is to be managed in accordance with the budget law?
 - i. Limit the creation of extra-budgetary funds to special cases, authorized by separate statute?
 - j. Authorize the government accounts into which all public money must be paid and from which expenditures are made only by appropriation of the parliament?
9. Establish a relationship between parliament and the executive?
10. Establish the following elements of intergovernmental fiscal relations?
 - k. The basic principles of supervision, intervention and audit responsibilities, and of revenue sharing arrangements, if any?
 - l. Ministries of government are allowed to borrow only from the central government?

- m. That their borrowing is subject to approval by ministry of finance?
- n. The budget accounting classifications are coherent and common to all levels of government?

11. Establish the scope of the budget as described in Item c)?
12. Establish the form and structure of the annual budget law (or finance bill) to be voted by parliament, including the definition of main headings or accounts which are controlled by parliament.
13. Establish a definition of the budget deficit and surplus which excludes borrowings from receipts, and excludes repayments of principal from expenditure?
14. Provide a legal basis for the formulation and execution of the budget including the role and authorities of ministry of finance?

Parliament/Executive Relationships

Does the constitution and other budget laws provide:

14. An explicit schedule for presentation of the budget by government and for its consideration and approval by the parliament?
15. Procedures and schedules for the presentation and approval of supplementary spending authorities during the year if needed?
16. Defined limits on the powers of the parliament to amend the draft budget bill (such as requiring a spending increase to be offset by reductions in other expenditures)?
17. For interim funding to continue normal government business when parliament has not approved the budget in time for the start of the fiscal year (such as monthly release of 1/12 of prior year appropriations)?
18. Restrictive conditions on the government's use of reserve funds and emergency spending, such as requiring approval by the minister of finance and full reporting to parliament?
19. For the mandatory presentation by government of an essential minimum of budget documentation which specifies fiscal policy objectives, the macroeconomic framework, the policy basis for the budget, and major identifiable fiscal risks?

20. That new legislation with fiscal implications comes into force *only* after it has been included in an approved budget?
21. The timetable for reporting to the parliament during the year and in the final account and arrangements for external audit of government accounts?
22. For an external auditor in the form of a supreme audit institution which is independent of the executive government and reports to the parliament?
23. A special parliamentary committee to study the final account and external audit reports?
24. A special parliamentary committee (e.g. budget committee or finance committee) to review the budget and fiscal policy generally?
25. Authority for the budget committee to overrule, or at least coordinate, the recommendations of sectoral committees?
26. An opportunity for parliament to debate, or to approve, the fiscal framework targets in advance of the detailed budget estimates?

Does the budget documentation submitted to parliament include:

- a) Fiscal policy objectives, the macroeconomic framework, the policy basis for the budget, and major identifiable fiscal risks?
- b) Complete information on past and projected spending under any permanent appropriations which are not annually voted?
- c) Complete information on financial plans and operations of statutory extra-budgetary funds?
- d) All financing from aid donors and other international agencies providing budgetary support to the government?
- e) A statement of contingent liabilities resulting from state guarantees of third party debts and an estimate of payments likely to be required under those guarantees during the budget year?

Presentation to Parliament.

Does the draft budget show the following information:

- I. Documentation of fiscal policy objectives, the macroeconomic framework, the priorities for the budget, and the major identifiable fiscal risks?
- II. A clear and comprehensive plan for all public spending, including all levels of government and all extra-budgetary funds?
- III. The linkage of appropriations to organizations and the hierarchy of accountability among persons and organizations to be entrusted with appropriated funds?
- IV. The linkage of expenditures to specific organizations, objectives and activities?
- V. Identification of funding for new policy initiatives, clearly separated from the funding for continuation of existing programs?

Is the Parliament responsible for:

- I. Reviewing periodic reports on economic and financial performance relative to the budget?
- II. Revising targets and/or policies as required by the changed circumstances?
- III. Approving supplementary budget bills, if required, including proposals to transfer funds between main headings of the approved budget?

Appendix D: Monetary Variances in Personnel Expenditures

	2010	2010	2010	2011	2011	2011	2012	2012	2012	2013	2013	2013	2014	2014	2014
Government															
Ministry	Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance
Finance & Economic Development	6 143	6 328	185	15 375	11 012	(4 363)	23 373	15 038	(8 335)	25 352	17 286	(8 066)	26 109	22 703	(3 379)
Information & Communication	382	539	157	1 270	962	(308)	2 170	1 450	(720)	7 596	6 786	(810)	9 440	8 802	(638)
Education, Youths & Sports	154 012	167 547	13 535	389 349	234 443	(154 906)	611 163	309 045	(302 118)	672 131	326 374	(345 757)	490 677	404 185	(86 492)
Health & Sanitation	24 434	63 369	38 935	157 915	76 375	(81 540)	162 149	89 380	(72 769)	208 962	106 217	(102 745)	144 534	125 857	(18 677)
Maine Resources	545	566	21	674	563	(111)	842	777	(65)	951	884	(67)	1 267	1 082	(185)
Energy & Water resources	2 713	2 879	166	3 564	2 992	(572)	5 017	4 390	(627)	7 695	6 879	(816)	5 450	5 450	-
Works, Housing & Infrastructure	1 815	1 665	(150)	3 203	1 848	(1 355)	3 343	2 345	(998)	3 879	2 551	(1 328)	3 845	3 845	-

Appendix E: Monetary Variances in Non Salary, Non Interest, Recurrent Expenditures

	2010	2010	2010	2011	2011	2011	2012	2012	2012	2012	2013	2013	2013	2014	2014	2014
Ministry	Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance	
Finance & Economic Development	7 734	15 649	7 915	18 463	15 539	(2 924)	21 803	19 730	(2 073)	38 264	27 088	(11 176)	48 286	47 514	(772)	
Information & Communication	1 067	11 790	10 723	4 248	2 025	(2 223)	4 423	2 605	(1 818)	37 262	2 595	(34 667)	5 322	4 032	(1 290)	
Education, Science & Technology	69 828	64 806	(5 022)	95 247	78 850	(16 397)	157 929	134 064	(23 865)	217 607	145 803	(71 804)	217 877	171 753	(46 124)	
Health & Sanitation	43 525	27 655	(15 870)	46 856	30 481	(16 375)	63 489	48 953	(14 536)	64 706	36 179	(28 527)	121 358	109 460	(11 898)	
Marine Resources	771	559	(212)	1 279	719	(560)	1 119	639	(480)	1 004	556	(448)	1 629	490	(1 139)	
Energy & Water resources	5 945	44 957	39 012	15 675	14 011	(1 664)	15 746	12 322	(3 424)	1 043	39 125	38 082	2 887	497	(2 390)	
Works, Housing & Infrastructure	5 149	4 831	(318)	9 911	7 735	(2 176)	12 842	11 050	(1 792)	7 537	5 757	(1 780)	9 204	8 088	(1 116)	

Appendix F: Monetary Variances in Domestic Development Expenditures

	2010	2010	2010	2011	2011	2011	2012	2012	2012	2013	2013	2013	2014	2014	2014
Ministry	Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance
Finance & Economic Development	38,463	10,111	(28,452)	5,001	2,796	(2,205)	5,160	953	(4,207)	7,500	1,807	(5,693)	18,804	2,249	(15,835)
Information & Communication	22,800	-	(22,800)	3,000	1,200	(1,800)	9,798	7,611	(2,187)	9,250	4,699	(4,551)	18,709	13,325	(5,384)
Education, Youths & Sports	17,041	4,274	(12,767)	2,602	2,002	(600)	940	(276)	(1,216)	1,244	644	(600)	2,707	107	(2,600)
Health & Sanitation	37,887	12,517	(25,370)	28,945	24,744	(4,201)	3,010	1,836	(1,174)	6,703	3,143	(3,560)	9,466	4,196	(5,270)
Marine Resources	16,679	2,881	(13,978)	800	-	(800)	7,102	6,753	(349)	5,003	4,329	(674)	10,328	9,163	(1,165)
Energy & Water Resources	76,721	108,733	32,012	113,840	59,479	(54,361)	104,401	99,784	(5,617)	792,117	77,307	(714,870)	117,423	64,813	(62610)
Works, Housing & Infrastructure	179,342	140,430	(38,912)	184,555	161,476	(23,079)	355,607	236,468	(119,139)	567,049	213,550	(353,499)	489,521	366,093	(123,428)

Appendix G: Monetary Variances in Domestic Revenue

	2010	2010	2010	2011	2011	2011	2012	2012	2012	2013	2013	2013	2014	2014	2014
Ministry	Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance
Finance & Economic Development	111	473	362	241	202	(39)	256	5	(251)	256	(15)	(271)	250	-	(250)
Information & Communication	582	5 342	4 760	1 539	12 338	10 799	1 636	6 444	4 808	3 271	17 875	14 604	2 000	-	(2 000)
Education, Youths & Sports	11		(11)			-			-			-	-	-	-
Health & Sanitation	248	1 112	864	2 963	1 568	(1 395)	3 150	929	(2 221)	3 150	38	(3 112)	3 860	-	(3 860)
Marine Resources	6 571	12 298	5 727	11,994	11 850	(144)	13 848	7 880	(5 968)	13 848	7 954	(5 894)	-	2 935	2 935
Energy & Water Resources		156	156	449	-	(449)	478	-	(478)			-	620	-	(620)
Works, Housing & Infrastructure	369	588	219	4 685	846	(3 839)	4,980	20	(4 960)	4 980		(4 980)	3 350	-	(3 350)

Appendix H: Letters of Cooperation from the Director of Budget Bureau and the Deputy

Speaker of Parliament

Tel: (232-22) 222211
 Fax: (232-22-) 228472
 E-mail: minfin@sierratel.sl



**Ministry of Finance
 Ministerial Building
 George Street
 FREETOWN
 Sierra Leone**

21st September, 2015

Dear Patrick Saidu Conteh,

We refer to your letter addressed to the Financial Secretary requesting cooperation with the Ministry of Finance and Economic Development in providing relevant data for your Thesis. Based on our review of the excerpts of your research proposal, we give permission for you to conduct the study titled 'The Credibility of Government Budget: A Case of Sierra Leone' covering the following government ministries: Ministry of Finance and Economic Development; Ministry of Education, Science and Technology; Ministry of Information and Communication; Ministry of Health and Sanitation; Ministry of Marine Resources; Ministry of Works, Housing and Infrastructure; and the Ministry of Energy. As part of your study, we authorize you to collect the following data:

- Government Budget and Statement of Economic and Financial Policies
- Report and Annual Statement of Public Accounts
- Fiscal Reports
- Budget Call Circulars
- Budget Framework Paper
- Any other budgetary related data and documentation relevant to your study

We understand that our organization's responsibilities include the provision of the above needed documentation, accommodating you in our offices for purposes of direct interview of the undersigned and other staff you consider relevant for your study. The participation of the undersigned as well as any other government official is entirely voluntary.

You will be responsible for complying with government policies regarding confidentiality and any regulation and policies that may be applicable to your study.

We confirm, authorize and approve the conduct of your research in line with the practices and policies of the Government of Sierra Leone.

Sincerely,

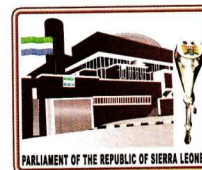
Mr. Matthew Dintie
Director of Budget Bureau
 Ministry of Finance and Economic Development
 +23276788413



OFFICE OF THE DEPUTY SPEAKER OF PARLIAMENT
PARLIAMENT BUILDING
OAU DRIVE, TOWER HILL
FREETOWN

Tel: 232-88-802-020

E-mail: sierraleoneparliament@hotmail.com



21 September 2015

Dear Patrick Saidu Conteh,

Based on my review of excerpts of your research proposal, I hereby give you permission to conduct the study titled "The Credibility of Government Budget- A Case of Sierra Leone" within the Sierra Leone House of Parliament. You have my permission to collect any document or data which you may consider relevant for your study including but not limited to the Minutes of Parliamentary Committee Meetings, Parliamentary Hanzards, Votes and Proceedings, the Standing Orders amongst others.

I understand that our institution's responsibilities will include the provision of the documentation that you may need, accommodating you in our offices for purposes of direct interviews of myself and other Members of Parliament you consider relevant for your study. Please note that my participation and that of any other Member you may wish to interview is entirely voluntary.

You will however be responsible for complying with Parliamentary policies and practices regarding confidentiality that may be applicable to your study

I confirm that I have the authority to approve the conduct of your research in line with the practices, procedures and policies of the Sierra Leone House of Parliament. Whilst I wish you well in your exercise, I remain.

Yours sincerely,

A handwritten signature in blue ink, appearing to be 'Chernor R. M. Bah'.

Hon. Chernor R. M. Bah
Deputy Speaker
Sierra Leone House of Parliament

Appendix I: Consent Forms

CONSENT FORM
Officials of Government Ministries

You are invited to take part in a research study about the credibility of the budget of the government of Sierra Leone. The researcher is inviting budget/vote controllers and heads of finance in government ministries to be in the study. This form is part of a process called “informed consent” to allow you to understand this study before deciding whether to take part.

This study is being conducted by a researcher named PatrickSaiduConteh, who is a doctoral student at Walden University based in the United States of America.

Background Information:

The purpose of this study is to develop a budgetary reform agenda in support of some of the changes that could enhance the credibility of the budget of the government of Sierra Leone.

Procedures:

If you agree to be in this study, you will be asked to:

- engage in a face to face interview with the researcher in at most two different sessions with each session lasting not more than 30 minutes
- provide answers to questions relating to the budget process at the level of line ministries
- make available a copy of the strategic plan and current budget of the ministry you work for

Here are some sample questions:

Ministries envelopes/ceilings;

- a) Are budget ceilings for aggregate spending and for sector ministries recommended by the ministry of finance?

b) Are the ceilings for sector ministries approved by the council of ministers?

c) Do they cover both current and capital components of the budget?

d) Are they communicated to spending units prior to the preparation of their estimate submissions?

Voluntary Nature of the Study:

This study is voluntary. Everyone will respect your decision of whether or not you choose to be in the study. No one at the Ministry of Finance and for that matter the entire government of Sierra Leone will treat you differently if you decide not to be in the study. If you decide to join the study now, you can still change your mind later. You may stop at any time.

Risks and Benefits of Being in the Study:

Being in this type of study does not pose any risk to you personally.

The findings of the study could provide a basis for budgetary reform with the view to strengthening public financial management, thereby causing improvements in the economic and social well-being of the people of Sierra Leone.

Payment

No payment either in cash or kind will be made to you for participating in this study

Privacy:

Any information you provide will be kept confidential. The researcher will not use your personal information for any purposes outside of this research project. Also, the researcher will not include your name or anything else that could identify you in the study reports. Data will be kept for a period of at least 5 years, as required by the university.

Contacts and Questions:

You may ask any questions you have now. Or if you have questions later, you may contact the researcher via email at patrick.conteh@waldenu.edu. If you want to talk privately about your rights as a participant, you can call Dr. Leilani Endicott. She is the Walden University representative who can discuss this with you. Her phone number is +1 612-312-1210. Walden University's approval number for this study is **11-25-15-0172998** and it expires on **11-24-2016**.

The researcher will give you a copy of this form to keep.

Obtaining Your Consent

If you feel you understand the study well enough to make a decision about it, please indicate your consent by signing below

Printed Name of Participant

Date of consent

Participant's Signature

Researcher's Signature

Patrick SaiduConteh

CONSENT FORM

Members of Parliament

You are invited to take part in a research study about the credibility of the budget of the government of Sierra Leone. The researcher is inviting Members of Parliament in the Parliament Finance Committee to be in the study. This form is part of a process called “informed consent” to allow you to understand this study before deciding whether to take part.

This study is being conducted by a researcher named Patrick Saidu Conteh, who is a doctoral student at Walden University based in the United States of America.

Background Information:

The purpose of this study is to develop a budgetary reform agenda in support of some of the changes that could enhance the credibility of the budget of the government of Sierra Leone.

Procedures:

If you agree to be in this study, you will be asked to:

- engage in a face to face interview with the researcher in at most two different sessions with each session lasting not more than 30 minutes
- provide answers to questions relating to the budget process in the Sierra Leone House of Parliament

Here are some sample questions:

Parliament/Executive Relationship

Does the constitution and other budget laws provide:

27. An explicit schedule for presentation of the budget by government and for its consideration and approval by the parliament?
28. Procedures and schedules for the presentation and approval of supplementary spending authorities during the year if needed?

Is the Parliament responsible for:

1. Reviewing periodic reports on economic and financial performance relative to the budget?

Voluntary Nature of the Study:

This study is voluntary. Everyone will respect your decision of whether or not you choose to be in the study. No one at the Ministry of Finance and for that matter the entire government of Sierra Leone will treat you differently if you decide not to be in the study. If you decide to join the study now, you can still change your mind later. You may stop at any time.

Risks and Benefits of Being in the Study:

Being in this type of study does not pose any risk to you personally.

The findings of the study could provide a basis for budgetary reform with the view to strengthening public financial management, thereby causing improvements in the economic and social well-being of the people of Sierra Leone.

Payment

No payment either in cash or kind will be made to you for participating in this study

Privacy:

Any information you provide will be kept confidential. The researcher will not use your personal information for any purposes outside of this research project. Also, the researcher will not include your name or anything else that could identify you in the study reports. Data will be kept for a period of at least 5 years, as required by the university.

Contacts and Questions:

You may ask any questions you have now. Or if you have questions later, you may contact the researcher via email patrick.conteh@waldenu.edu. If you want to talk privately about your rights as a participant, you can call Dr. Leilani Endicott. She is the Walden University representative who can discuss this with you. Her phone number is +1 612-312-1210. Walden University's approval number for this study is **11-25-15-0172998** and it expires on **11-24-2016**.

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Obtaining Your Consent

If you feel you understand the study well enough to make a decision about it, please indicate your consent by signing below

Printed Name of Participant

Date of consent

Participant's Signature

Researcher's Signature

Patrick SaiduConteh

Appendix J: Research Ethics Training Certificate



Certificate of Completion

The National
Institutes of Health
(NIH) Office of
Extramural Research
certifies that **Patrick
Conteh** successfully
completed the NIH
Web-based training
course “Protecting
Human Research
Participants”.



Date of completion:
09/13/2015

Certification
Number: 1851345

