

ARTICLE

The politics of public financial management in Ghana: what can a political settlements approach offer?

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Abstract

There is growing consensus among academics and development practitioners about the need to do development differently, one that emphasizes the importance of knowing the context in which reform policies and institutions are to be introduced and implemented. Designing appropriate public sector reforms, it is increasingly recognised, should not be based merely on what external actors deem desirable, but more on what is likely to be feasible within particular political and historical contexts. Yet, there remain important challenges in the ability of donors to move beyond merely thinking politically to actually designing and implementing reforms in ways that put politics at the centre, not least because development practitioners have little in the way of operational guidance on how ‘best-fit’ solutions are to be identified. Drawing insights from public financial management reforms in Ghana, this article argues that thinking of countries in terms of their political settlements dynamics can enable development practitioners to distinguish meaningfully between different country contexts by identifying potential priority areas, programming approaches, and potential partners with whom they are likely to have traction. The article concludes by highlighting how the Ghanaian experience can help us think and work differently in reforming public agencies from a political settlements approach.

KEYWORDS:

politics, political settlements, neopatrimonialism, bureaucracy, public sector reforms, Ghana.

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1 | INTRODUCTION

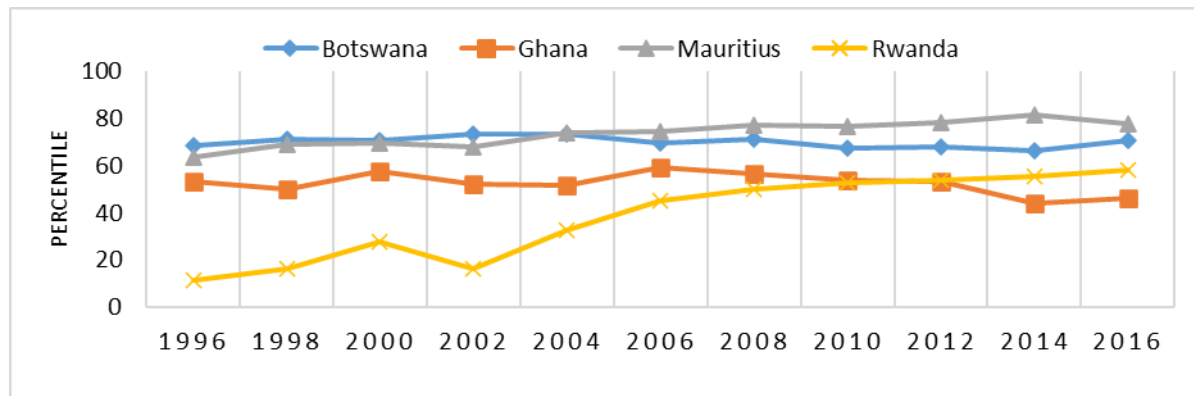
Although there is consensus that impartial public organizations are critical for building effective states, the conditions under which such organizations can be created and sustained have continued to attract academic debates (Fukuyama, 2015). After several decades of donor-funded public sector reforms (PSR), the quality of public service institutions in much of sub-Saharan Africa remains disappointing (Cruze and Keefer, 2015), although with substantial variations both across and within countries depending on the PSR node in question. A growing consensus has emerged that most reform efforts have failed to deliver expected results because they did not take into account the political economy environment within which reforms are being pursued (Levy, 2015). Despite the growing recognition that building an impartial and competent public bureaucracy has always

been ‘a profoundly political process of change’ (Grindle, 2012: 141), our knowledge of the specific ways in which politics and political economy dynamics shape the adoption and implementation of PSR in sub-Saharan Africa remains limited (Yanguas and Bukenya, 2016).

Most political explanations of failure often blame the so-called neo-patrimonial nature of African states, arguing that the prevalence of patronage-based political systems means that there is often little or no political constituency for reforming the public services as to make them a more effective and efficient Weberian bureaucracy (Pitcher et al., 2009). Neo-patrimonialism is an extended version of Weber’s concept of patrimonial authority in traditional societies where the distribution of power and resources by political rulers is grounded in ‘the subject’s claim to reciprocity’ (Weber, 1978: 1010). Yet, as Richard Crook has noted, ‘the currently dominant neo-patrimonial model of African governance is not a convincing explanation either for lack of political commitment to public service improvement or for general developmental failure’ (Crook, 2010: 489). The neo-patrimonial model cannot explain, for example, why some PSR efforts succeed while others fail even within the same political environment, nor can it help us understand the substantial variations in the effectiveness of bureaucratic institutions in Africa.

Ghana has been hailed as an African success story in the practice of competitive democracy. However, evidence from the World Bank’s Worldwide Governance Indicators shows that Rwanda’s authoritarian political regime has been able to build a more effective public bureaucracy than Ghana, although Rwanda’s performance has consistently remained below that of Botswana which has been ruled by one political party since independence. Mauritius, a country usually branded as a democratic and economic model for its African peers, currently has Africa’s most effective and business friendly public bureaucracy. These variations of institutional effectiveness (See Figure 1) cannot be understood through the lens of neopatrimonialism, not least because scholars who have focused on successful reforms have confirmed that the relatively more effective countries are just as much infused with patronage-based political relationship as other African states (Kelsall, 2011; Pitcher et al., 2009). Therefore, under what political conditions do public sector reform efforts succeed in neo-patrimonial African states?

FIGURE 1 Government Effectiveness in four African countries



Source: The World Bank Group: Worldwide Governance Index, 1996-2016

In this article, we draw on the experience of Ghana to argue that the nature of a country’s political settlement, defined as ‘the balance or distribution of power between contending social groups and social classes, on which any state is based’ (di John and Putzel, 2009: 4), can offer a more persuasive account of the politics of PSR success and failure. Ghana provides an interesting context for exploring the politics of PSR in Africa. Although heralded as one of Africa’s democratic success stories, Ghana has ‘failed to achieve transformation in public sector effectiveness’ (Yanguas, 2017: 9), with the country’s public administration system once described as one ‘that does not work’ (Whitfield, 2010: 735). Indeed, the International Country Risk Guide assessments shows that Ghana’s measure of bureaucratic quality has stagnated for a decade (since 2006), suggesting that the improvement in democratic governance has not translated into improved bureaucratic quality and government effectiveness. Importantly, unlike most African countries, Ghana inherited a public bureaucracy that was widely acknowledged to be effective and efficient at independence (Price, 1975). Why has Ghana been unable to build an effective bureaucracy in a context of an increasingly consolidated democratic polity? What role, if any, has Ghana’s increasingly competitive electoral environment played on the implementation of public sector reforms? We address these questions by focusing on two specific nodes of public

financial management (PFM) reforms where success has been particularly disappointing, namely public procurement and public sector auditing.

Our evidence shows that the nature of the political settlement in Ghana, described as ‘competitive clientelist’, is central to understanding the country’s limited success in improving the effectiveness of public institutions. Faced with a credible threat of losing power to excluded elite factions in competitive elections, the imperative of political survival takes precedence over the goal of improving the performance of the bureaucracy in the long-term. Short time horizons and excessive politicization have undermined policy and institutional continuity across administrations, undermining the impact of reform initiatives that require a longer-time horizon to bear fruit. Competitive clientelism also manifests itself through the crafting of formal-legal rules in ways that facilitate personalization of public organizations, particularly through patronage-based appointments.

Where some modest gains have been made in recent years, as in the case of public sector auditing, these have resulted mainly from new forms of citizen activism associated with the work of OccupyGhana – a powerful but short-lived civil society group that was able to exploit the opportunities created by the democratic space to challenge the clientelist rules and behaviour within the state and champion reforms that promote the creation of impersonal public organizations. This suggests that even in difficult governance settings such as those underpinned by competitive clientelist political settlements, multi-stakeholder initiatives can provide opportunities for building coalitions capable of achieving gains in public sector performance.

This narrative is based on primary data obtained from 45 semi-structured interviews with public servants and officials of civil society organisations, the administration of questionnaires to officials performing public procurement functions (80 respondents in 18 ministries), and documents from public agencies (including Parliamentary Hansards) and international development organisations.

The rest of the article is structured as follows. Section 2 presents a theoretical framework on the politics of PSR, drawing from the political settlements literature. Section 3 discusses the nature of Ghana’s contemporary political settlement dynamics. Section 4 discusses the impact of Ghana’s political settlement dynamics on PFM reform, focusing specifically on public sector procurement and public sector auditing. Section 5 discusses how the Ghanaian experience can help us think and work differently in reforming public agencies from a political settlements approach. Section 6 concludes.

2 | POLITICAL SETTLEMENT THEORY AND PUBLIC SECTOR REFORMS

The ‘good governance’ approach that dominated PSR in African countries was intended to break down patron-client relations through the adoption of ‘best-practices’ institutions that are noted to have worked well in more advanced countries (Grindle, 2017; Hirvi and Whitfield, 2015). However, the limitations of ‘best-practices’ approaches to governance reform have now become so apparent (Andrews, 2012, 2013; Levy, 2015; Grindle, 2017) that most development scholars and practitioners are shifting attention towards ‘best-fit’ approaches that ‘work with the grain’ of existing institutions in developing countries (Srivastava and Larizza, 2013; Booth and Cammack, 2013; Levy, 2014).

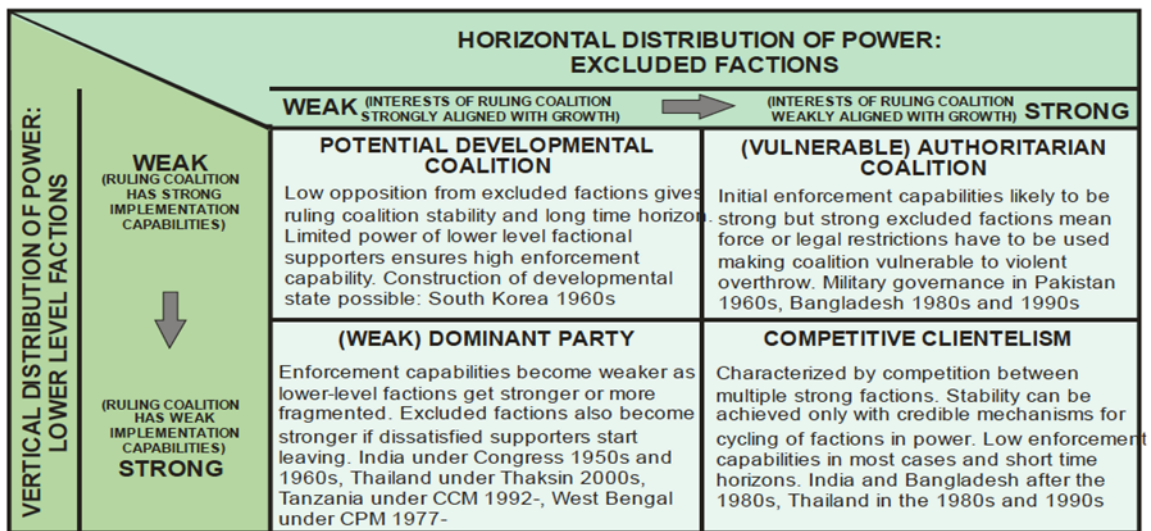
This growing shift away from technocratic best-practice solutions towards more politically-attuned approaches to understanding the success and failure of governance reforms in developing countries is best captured by the emerging literature on political settlements which highlights the critical role of power relations and informal institutions in shaping governance reforms and their outcomes in developing countries (see Khan, 2018). Khan (2010: 1) argues that a ‘political settlement emerges when the distribution of benefits supported by its institutions is consistent with the distribution of power in society, and the economic and political outcomes of these institutions are sustainable over time’. A central message in this theory is the observation that behind institutions lie power and politics: effective institutional (and policy) reform requires coming to grips with the underlying configuration of power that shape the ways in which institutions emerge and are enforced as well as the ways in which institutions change overtime (Fritz et al., 2009). In contrast to the ‘good governance’ agenda and its emphasis on the adoption of ‘best-type’ institutions – an approach inspired by the logic of neopatrimonialism (Pitcher et al., 2009)–political settlement theory pushes development thinking beyond an institutionalist approach by focusing on the underlying power arrangements that underpin the emergence, stability and performance of institutions (Khan, 2018; Kelsall et al 2022).

An important contribution of this framework is the primacy it accords informal institutions for understanding governance and development outcomes in developing countries, where the clientelistic and personalized nature of politics is widely acknowledged. As Khan (2010) reminds us, all developing countries remain ‘characterized by significant informality and informal institutions’ (p. 127). This means that policy outcomes in most developing countries are shaped not so much by the formal ‘rules

of the game', but, more importantly, 'by the significant exercise of power based on informal organizations, typically patron-client organizations of different types' (ibid, p. 5).

Khan (2010) argues that although the imperatives of political stabilization and the maintenance of power through clientelism are a common feature of all developing countries, the organisational structure of patron-client networks does vary across and within countries over time and this variation is determined by the horizontal distribution of power between the ruling coalition and powerful excluded elite coalitions, and the vertical distribution of power between higher and lower factions within ruling coalitions. Based on the nature of organizational power, Khan(2010) categorizes political settlements in developing countries into four types: dominant party, competitive clientelism, vulnerable authoritarianism, and potential developmental coalition (see Figure 2; also Levy, 2015).

FIGURE 2 Classification of Political Settlements



Source: Khan, 2010, p.65

This theory implies that the highest levels of state capacity for development is likely to occur where the vulnerability of ruling elites is low due to the absence of powerful factions that are horizontally excluded and the inclusion of strong lower-level factions within the ruling coalition. Where there is a high degree of regime security, those in power are more likely to adopt a longer-term time horizon. Conversely, where there is a credible threat to the ruling coalition from powerful excluded groups who may be able to wrest power through elections, and where lower-level factions are strong enough to make multiple demands on the centre, then the prospects for building long-term public institutional capacity are diminished. Thus, political settlement theory emphasizes that differences in the horizontal distribution of power between coalitions of ruling elites, and vertical power relations between the ruling elite and lower-level actors in society, explain variations in public institutional effectiveness across and within countries. Variations in power configurations in different types of clientelist political settlements can help us understand variations in the effectiveness of African public bureaucracies and also help understand why some reform initiatives are more likely to succeed in some contexts than others.

In competitive clientelist political settlements, the ruling coalition faces strong excluded political factions, and internally, the ruling coalition not only involves strong lower-level factions but is also characterized by fragmentation among ruling elites. This situation occurs in countries where power is significantly dispersed across political factions within the ruling coalition and outside it.

In such contexts, the incentives facing ruling elites are not conducive for building state capacity in the long-run because there is a high degree of vulnerability and a high degree of contestation for power among elites. This credible threat of being removed from power implies that there is often 'little incentive for political leaders to invest in the long-term task of building

bureaucratic capability’ (Levy, 2014: 40). Here, short-term political survival strategies of ruling elites often involve placing cronies in leadership positions in ways that undermine institutional stability and effectiveness.

In competitive clientelist settlements, change from patron-client politics to Weberian public administration systems would depend on the interaction between the horizontal distribution of power between the ruling coalition and excluded political coalitions, on the one hand, and, the vertical distribution of power between the ruling elite and civil society actors (Grindle, 2012; Cruz and Keefer, 2015; Levy, 2015). Levy (2015: 245) hypothesized that in countries characterized by competitive clientelism, comprehensive public management reforms can be effective only when ‘political competition is between programmatically oriented political parties, which differ in the details of their platforms but have a shared incentive to build and support a capable public sector.’ This hypothesis echoes recent quantitative research findings that suggest that the relationship between clientelism and reform outcomes is mediated by the character of political parties (Cruz and Keefer, 2015). We explore these observations in the context of Ghana where the political settlement is characterized by competitive clientelism, and where electoral competition is dominated by non-programmatic political parties in a *de facto* two-party state.

3 | A BRIEF POLITICAL CONTEXT OF GHANA

Observers concur that competitive clientelism has been the prevailing political settlement in Ghana since the return to multi-party democracy in 1992 (Abdulai and Hickey, 2016; Hirvi and Whitfield, 2015). Following a period of dominant party rule during the 1980s, Ghana transitioned back to multi-party politics in 1992, and has since conducted eight rounds of increasingly competitive elections. Three of these elections resulted in alternation of power (in 2000, 2008 and 2016) between the country’s two dominant political parties: the New Patriotic Party (NPP) and the National Democratic Congress (NDC). While these parties claim to be ideologically distinct, with the NPP regarding itself as a pro-market, pro-business party as opposed to the NDC’s ‘social democratic’ orientation (NPP, 2012; NDC, 2004), observers note that these parties are generally non-programmatic and clientelist appeals remained part of their political survival strategies (Abdulai and Hulme, 2015; Abdulai, 2021).

With each electoral cycle, the NDC and NPP have become increasingly competitive, as the margin of votes between these two parties has declined significantly over time, from nearly 30% in 1992 to less than 0.5% in 2008. The most recent elections in 2020 produced a hung parliament, demonstrating the intensity of electoral competition between the two dominant political parties. Thus, irrespective of which of these parties is in power, every ruling coalition is confronted by a high degree of vulnerability, incentivizing ruling elites to prioritize reforms that contribute to their short-term political survival. Competitive clientelist tendencies have undermined prospects for the emergence of a national reform agenda in Ghana, as the national interest has increasingly become fragmented along party lines (Gyimah-Boadi and Prempeh, 2012). However, as we will see, although Ghana’s competitive democratic environment has undermined reforms in many areas of the public sector, it also provided opportunities for the emergence of new reform coalitions between state actors and strong civil society organizations that have contributed to positive reform outcomes in some dimensions.

4 | PUBLIC SECTOR REFORMS IN GHANA

Ghana has a very long history of implementing donor-sponsored public sector reforms. In this section, we do not seek to provide a narrative of these reforms and their outcomes. Rather, the aim is to explore the wider consequences of competitive clientelism on PSR in Ghana, focusing specifically on reforms around public sector procurement and public sector auditing. We observe some differences in reform outcomes in these two domains and argue that such differences are largely due to differences in the organization of power across reform domains.

4.1 | Public procurement reforms

For nearly two decades, international donors have provided financial and technical support to Ghana for reforms in the public procurement system to ensure value for money in public expenditure. In 2003, the Public Procurement Act (Act 663) was enacted to ensure transparency in procurement processes. As part of this Act, a 10-member Public Procurement Board (PPB) was established, and each procurement entity was legally mandated to establish a tender committee to ensure that prescribed procedures are followed at every stage of the procurement process. All members of the PPB are to be appointed by the president, while the tender committees in various ministries and local government authorities are chaired by ministers and chief executives

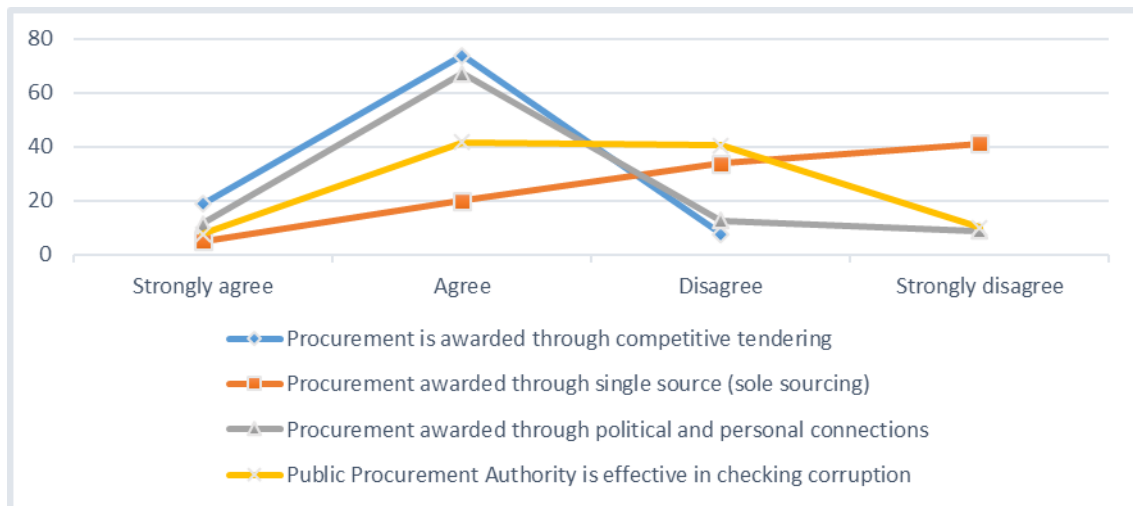
appointed by the president, or a person appointed by an appointee of the president. The organisational structures of the public procurement system is therefore deliberately packed with government political appointees to favour the distribution of public contracts to party financiers, loyalists and clients.

External development partners and civil society groups that participated in various workshops and meetings in Ghana to discuss draft of the 2003 Public Procurement Bill tried, unsuccessfully, to influence the creation of politically independent public procurement structures (World Bank, 2003). World Bank consultants and experts recommended modifications to the chairmanship position of the PPB and the entity tender committees in order to ensure their impartiality (World Bank 2003: 9). The World Bank recommended that the Chairperson of the PPB be selected from the private sector, and that the most senior administrative official in each entity should be made to chair the entity's tender committee (World Bank, 2003: 15-6) as a way of ensuring greater independence of the Board in procurement decision-making. Importantly, this recommendation was in line with the initial draft of the PPB that subsequently got deleted in the process. Since 2003, both the NPP and NDC governments have refused to change the chairmanship of the tender committees from the political head of a public agency to the most senior administrative official.

Although the *de jure* default of public procurement in Ghana is competitive tendering, in reality, restricted tendering and single-source (or sole source) procurements have now become the *de facto* mode of procurement in the public sector. Recent estimates suggest that at least 80 percent of public procurement of goods and services in Ghana is done through sole sourcing (Appiah and Abdulai, 2017). At the level of local government, the Public Accounts Committee of Parliament (PAC) has repeatedly observed that most procurement irregularities occur through sole sourcing and restrictive tendering (Parliamentary debates, 24 May 2016, Col.419), which have become the life-blood of financing political parties. The formal rules of single-source procurement and restricted tendering have been widely used by government officials to reward party loyalists with contracts, who in turn pay 'kick backs' into the coffers of the ruling political party.

As part of the data collection processes for this article, we surveyed the opinions of public officials involved in public procurement processes within eighteen (18) public sector ministries to understand the extent to which the public procurement structures promote competitive, transparent and non-partisan procurement process. The responses of eighty (80) procurement officials are presented in Figure 3.

FIGURE 3 Competitive Clientelism in Ghana's public sector procurement



As the Figure shows, 92.6 percent of the public procurement officials surveyed either agreed or strongly agreed that their ministries procure goods and services through competitive tendering. However, 78.5 percent of the respondents also indicated that political and personal connections influence the award of procurement contracts. Our findings suggest that the compositions of the PPB, the tender committees, and the tender review boards is an important causal mechanism through which political favouritism occurs in the award of procurement contracts under the so-called competitive tendering mode. With these boards and committees packed with politically appointed chairpersons, it is almost impossible for private businesses to win contracts

through competitive tendering without some form of political manoeuvrings. While the Public Procurement Act provides a system for redress of grievances and complaints in respect of corruption or unfair treatment, the PPB has rarely ever sanctioned any public entity, even in contexts where the Board established that complainants had been unfairly treated.²

As part of the IMF conditionalities attached to the extended credit facility granted to Ghana in 2015 (IMF, 2015), the government was required to implement a package of public financial management reforms. A new public procurement amendment bill was drafted in 2015 to correct imbalances in the procurement structures. In passing the bill in 2016, NPP and NDC MPs voted unanimously to revise upwards the low procurement thresholds in the 2003 Public Procurement Act, but then rejected suggestions that procurement tender committees be chaired by bureaucrats rather than politically appointed heads of public agencies. Increasing the thresholds of public procurement without dealing with the structural weaknesses that undermine impartiality in the public procurement processes is more likely to lead to an increase in the thresholds of patronage that have become necessary for the maintenance of ruling coalitions in power.

Competitive tendering in public procurement has largely become a competition among party loyalists and financiers who use both formal and informal rules that favour members of the ruling coalition to win procurement contracts. Political parties in government who benefit from the ‘extractive institutions’ of the public procurement system have little or no incentive to change the formal rules of sole-sourcing because they create huge economic rents used by governing parties to satisfy their clients. A procurement officer in one of the ministries explained that procurement bureaucrats are powerless in ensuring strict adherence to the formal rules of competitive tendering because ‘Once you have a political master who can influence your hiring, transfer, promotion and firing then you should know your hands are tied’. Procurement and contract irregularities at all levels of the public sector is a recurring theme in the annual reports of the Auditor General. Our analysis here shows that the problem of political patronage in public procurement has little to do with low levels of technical capacity among procurement practitioners within the public sector, as often argued (PPA) (see PPA Electronic Bulletin, May-June, 2014, p.4); but, it is more the product of the inherent organization of power that promotes competitive clientelism and undermines genuine competitive tendering, transparency and accountability in procurement processes.

4.2 | Public sector auditing reforms

Public sector auditing is seen as an important anti-corruption mechanism in public financial management (World Bank, 2020). This section discusses the politics of public sector auditing in Ghana, focusing on both internal and external auditing arrangements. The overall evidence here shows that weaknesses in Ghana’s auditing system stem mainly from the nature of organizational power that enables political elites suffocate impartial auditing by manipulating the appointment of officials within the internal and external auditing structures.

The politics of internal auditing

In 2003, as part of a World Bank-sponsored public financial management reform programme, parliament passed the Internal Audit Act 658, which mandates public agencies to create internal audit units for the purposes of internal auditing. The Act also created a central agency, the Internal Audit Agency (IAA), to co-ordinate, facilitate, monitor and supervise internal auditing activities within public agencies to secure quality assurance. The head of the IAA and all nine (9) members of the Board of the IAA are appointed by the President. The IAA does not have the power to disallow and surcharge expenditure made by public agencies. However, according to section 17 of Act 658, the IAA ‘may upon examination of an internal audit report, take such action as it considers appropriate including recommendation of prosecution and disciplinary action in respect of any breaches found.’

All public agencies are required to establish an internal audit unit which shall constitute a part of the public agencies; and, not a part of the IAA. Consequently, the IAA does not have control over the management of the personnel of internal auditing units of public agencies. An internal audit unit established in a public agency shall follow the standards and procedures provided by the IAA, and shall submit reports on the internal audit it carries out to the Director-General of the IAA. Public agencies have usually used their power to control the reports submitted by their internal auditing units to the IAA.

Public agencies were required by the Internal Audit Act to establish Audit Report Implementation Committees (ARICs) for the implementation of all audit recommendations. The ARICs were expected to play a critical role in the fight against corruption in public agencies. Here again, however, the ARICs were mainly headed by the politically appointed heads of public agencies, who have little desire to implement audit report findings against themselves. In general, the ARICs are packed with persons

from the same agency whose activities are to be audited. In 2003, during parliamentary debates about the structuring of internal auditors, one MP asked rhetorically:

Can this person as the internal auditor perform creditably without any fear or favour? I ask this because he is supposed to report on every activity within their organisation to management, and management is supposed to sit on this report and act on it appropriately. . . . this is where for some of us, our doubts, our fears, lie. (Parliamentary Debates Report, 26 Nov. 2003, Col. 1761-2).

As another MP remarked:

We know what happens in this part of the world. When you want to report on somebody who is trying to commit fraud on government revenue, you know the victimisation that you go through. . . . If a minister is involved, who is there in the ministry to be bold enough to report him? (Parliamentary Debates Report, 27 June 2003, Col. 1887-8)

The organization of bureaucratic authority matters for independent internal auditing and implementation of audit reports. The nature of composition of the ARICs, as well as the position of the internal auditor as subordinate employees of the organisation whose head chairs the ARIC, stifled the objectivity of internal auditors in fighting corruption. At almost every level of organisational structure, the auditing system was suffocated by political appointees of the executive on the ARICs.

External auditing of public agencies by the Auditor-General, and the implementation of the Auditor-General's reports, have been generally undermined by weak internal auditors and ARICs. The implementation of the recommendations in the Auditor-General's report is often usually a matter of choice for many heads of public agencies. The hijacking of ARICs by heads of the same agencies also undermined the willingness of internal auditors to write objective reports about corrupt officials within their organisations, not least as internal auditors are not 'insulated from all forms of harassment and intimidation by managers of those organisations involved.' (Parliamentary debates, 26 Nov. 2003, Col. 1762). In explaining why the recommendations in the report of the Auditor-General, endorsed by parliament, rarely get implemented, one MP remarked:

The ARIC is made up of the senior officers of the institutions that were audited and the institutions that committed all this financial indiscipline. So, in effect, we are asking them to punish themselves. The result is that, on all the reports that we have had, we make all the right noises in this House and yet nothing happens. (Parliamentary Debates, 28 June, 2012, Col. 2085.

Moreover, with the ARICs headed by political appointees, the election of a new government usually leads to changes in members of ARICs. Public agencies therefore have to spend money to train new members of the ARIC almost every four years.

In 2016, as part of efforts aimed at fulfilling the reform conditionalities attached to the IMF extended credit facility, the government enacted a new PFM Act, Act 921. This new law replaced the dysfunctional ARICs with Audit Committees that have majority of members appointed by external actors, and which are to be chaired by persons 'elected from among the independent members of the Committee' (see Section 87 of Act 921). However, section 86(2) gives powers to the Minister for Finance to specify (a) the number of Audit Committees to be established in each sector; (b) the funding of Audit Committees; and (c) the procedure for meetings of an Audit Committee. While it may be too early to know whether the new Audit Committees can overcome political manipulation by heads of public agencies and ministers to deliver impartial auditing and reporting, the wide-ranging powers granted to the Finance Minister under the new PFM Act are also likely to comprise the independence of the Audit Committees.

The politics of external auditing

The 1992 Constitution of Ghana creates a supreme audit institution headed by an Auditor-General, who is appointed by the president, and charged with the responsibility of auditing the accounts of various public offices.

The Auditor-General is given the authority to 'disallow any item of expenditure which is contrary to law and surcharge the amount of any expenditure disallowed upon the person responsible for incurring or authorizing the expenditure'. This power was never exercised by any Auditor-General until 2018 after a new Auditor-General appointed by an outgoing government assumed office.

This new reform-minded Auditor General, Daniel Yaw Domelevo, demonstrated his independence by enforcing the power of disallowance and surcharge of public expenditure. In 2018, Domelevo exercised the power of disallowance and surcharge against sixty-two (62) entities, including public officials and private businesses alleged to have misappropriated public funds.

It is important to acknowledge, however, that strong civil society activism played a major role in pushing the office of the Auditor-General to exercise the power of disallowance and surcharge for the first time in 2018. A newly formed civil society group called OccupyGhana championed the fight for the office of the Auditor-General to enforce the formal rules of disallowance and surcharge against numerous cases of misappropriation of public funds contained in the Auditor-General's reports. OccupyGhana resorted to available means in the judicial system to compel the Auditor-General to exercise the power of disallowance and surcharge. OccupyGhana realized that the Rules of Court Committee had not yet made the 'Rules of Court' required by the High Courts to judge any appeals that may be brought by persons aggrieved by a disallowance or surcharge made by the Auditor General. Led by its Director, a renowned lawyer, OccupyGhana drafted the Rules of court for the consideration of the judiciary. The Rules of Court Committee accepted the drafted rules, with minor modifications, and enacted them into the High Court (Civil Procedure) (Amendment) (No.102) Rules, 2016. In June 2016, OccupyGhana sued the Auditor-General at the Supreme Court to compel the latter to enforce the rules of disallowance and surcharge that had remained unenforced since 1992. The Supreme Court ruled in favour of OccupyGhana in June 2017. The Supreme Court issued consequential orders directing the Auditor-General to take steps to recover from public and private persons any disallowed public expenditure. The Auditor-General welcomed the Supreme Court ruling as clarifying his authority and strengthening his independence in the exercise of the powers of disallowance and surcharge.

The independence of the office of Auditor-General is constitutionally guaranteed such that the terms for removing an Auditor General from office are the same as the terms 'relating to the removal of a Justice of the Superior Court of Judicature'.

Article 187 (7a) of the 1992 Constitution further states that '*In the performance of his mandated functions, the Auditor-General is not subject to the direction or control of any other person or authority*' (1992 Republican Constitution). Yet, in practice successive presidents have regularly exploited their appointment powers over the Auditor-General to interfere with the day-to-day operations of the Audit Service. Even though the Constitution guarantees the Auditor-General a security of tenure by placing his removal from office at the same level as the Justice of the High Court, different strategies are normally deployed by ruling coalitions to get Auditor-Generals appointed by previous governments out of office. Almost all newly elected presidents often ask serving Auditor-Generals to proceed on leave and subsequently to retirement to pave way for the appointment of persons loyal to their cause. For instance, in 2001, following J.A. Kufour's assumption of office, the then Auditor-General, Osei Tutu Prempeh, who was appointed by J.J Rawlings was forced to proceed on leave. When the NDC party led by Prof Mills gained power in 2009, Dua-Agyeman who was appointed to replace Osei Tutu Prempeh and served as Auditor-General from 2001 to 2009 was asked to proceed on leave. Following his departure, Richard Quartey was appointed by Prof Mills in 2009.

However, the most blatant form of political interference occurred more recently under the current NPP ruling coalition. On the eve of the December 2016 elections, the John Mahama-led NDC administration appointed Daniel Yaw Domelevo as Auditor-General. The NDC lost the elections to the NPP and the new government, led by President Nana Akuffo Addo did not immediately dismiss Domelevo from office. However, when relations between him and the government in general and Mr. Yaw Osafo Marfo (then Senior Minister) in particular turned sour, the presidency took steps to get the Auditor-General removed from office. Just at the inception of the AG's investigation into an alleged corrupt deal involving a high-ranking government official, the Office of the President requested the AG to proceed on a prolonged accumulated leave (Citinews, 29 June 2020). When the Auditor-General raised concerns about this Presidential order, arguing among others, that several other public office holders had not taken their annual leave, the Presidency issued a new directive that increased Domelevo's leave from 123 to 167 (Graphic Online, 3 July 2020). Subsequently, in March 2021, the AG was directed by the Office of the President to retire and hand over power to his deputy (Office of the President 2021).

The precursor to these developments was a \$1 million surcharge issued by the Auditor-General against the Senior Minister, Mr Yaw Osafo-Maafa. In 2017, the Senior Minister, on behalf of the government, signed a contract with Kroll and Associates for the firm to do value-for-money auditing on some projects, identify wrongdoers and recover the assets of the said wrongdoers. Based on the contract's terms, Kroll was expected to be paid against the value of assets identified and recovered for the state. However, through a special audit conducted by Daniel Domelevo, it was brought to light that the actual contract was signed in September 2017 without Public Procurement Authority (PPA) or Parliamentary approval as required by law. Moreover, payments were made to Kroll even before the actual contract came to fruition, implying that Kroll Associates Ltd had been paid for no work done. In fact, the audit investigation disclosed that during the period, a total amount of about \$1,031,460.50 was paid to Kroll. In an attempt to recover the lost funds for the state, the Auditor-General then invoked his power of disallowance and

surcharge to propel individuals and institutions involved in the contract including the key architect, the Senior Minister to refund the full payment made to Kroll (The Fourth Estate, 23/04/2021). Importantly, shortly after Domelevo's deputy took over as the new Auditor-General, the Audit Service cleared the Senior Minister of any wrongdoing in respect of the surcharge that was made on him by Mr. Domelevo. On 26 October 2020, a coalition of nine civil society organizations filed a writ at the Supreme Court to challenge the directives and actions of the president against Mr Domelevo (Ghana Center for Democratic Development and Others vs Attorney-General, Writ No. J1/01/2021). It took almost three years for the Supreme Court to determine the case on 31 May 2023, partly due to delays by the Attorney General in filing its statement of the case in response. The Supreme Court ruled that 'The directive of the President requesting the Auditor-General to proceed on leave under sections 20 and 31 of the Labour Act 651 violated the functional and institutional independence of the Auditor-General.' The court also declared as 'constitutionally untenable' the appointment of an Acting Auditor-General during the tenure of a substantive Auditor-General. Bewel et al (2022: 48) describe Domelevo's removal from office as 'a clear case' of Ghanaian president's openly abusing their appointment 'powers to the detriment of the general good of the public'.

These developments occurred despite constitutional guarantees of the Auditor-General's independence and vigorous opposition to the removal of Domelevo from a coalition of civil society organizations and opposition party elites who criticized the president's directives as an affront to the Office's autonomy (Arkorful et al 2022). This case study underscores the explanatory power of political settlements theory, especially with regards to the theory's emphasis of the overwhelming influence of informal institutions in developing country contexts and of the primacy of power relations over institutions in shaping the direction and impact of policy reforms. As Khan (2010: 4) argues, the nature of power distribution is more critical than institutions in shaping policy reforms and their outcomes 'because if powerful groups are not getting an acceptable distribution of benefits from an institutional structure, they will strive to change it'.

5 | TOWARDS SUCCESSFUL PUBLIC SECTOR REFORMS: THINKING AND WORKING WITH POLITICAL SETTLEMENTS

There is growing consensus among development scholars and practitioners about the need to do development differently, one that emphasizes the importance of knowing the context in which reform policies and institutions are to be introduced. Designing appropriate reforms, it is now recognised, should not be based merely on what external actors deem desirable, but more on what is likely to be feasible within a particular country political and historical context (Grindle, 2011: 415). To this extent, a number of major donors have increasingly incorporated a closer understanding of and engagement with politics in the design and implementation of their programmes (Laws and Marquette, 2018). The focus on politics and power in the 2017 World Development Report (World Bank, 2017) is a clear manifestation of the growing interest in politically-informed programming among donors.

However, there remain important challenges in the ability of donors to move beyond merely thinking politically to actually designing and implementing reforms in ways that put politics at the centre (Yanguas and Hulme, 2015). This is partly because, as Srivastava and Larizza (2013: 474) have argued, 'development practitioners have little in the way of operational guidance on how 'best-fit' solutions are to be identified'.

This article has argued that thinking of countries in terms of their political settlements dynamics can enable development practitioners to distinguish meaningfully between different country contexts by identifying potential priority areas, programming approaches, and potential partners with whom they are likely to have traction (Kelsall, 2016). This means that designing and implementing programmes successfully would need to take into account of, and be responsive to the prevailing political settlement in the country in question. For example, in competitive clientelist settlements where political power is dispersed among several principals both within and outside of ruling coalitions, working politically in an effective way might call for a particular emphasis on locally-led reform programmes that draw together programme staff and networks with strong political relationships and the ability to leverage those relationships in order to influence policy (Denney, 2016).

Our analysis of reform efforts in the areas of auditing and public procurement in Ghana suggests that the nature of the distribution of organizational power in each reform domain of the state is key in contributing to the differences in reform outcomes. In the procurement domain where governments have monopoly over appointments of officials and choice of procurement processes, governments have supported reforms that increases the size of the financial threshold for awarding contracts through sole sourcing and restrictive tendering. However, governments have opposed reforms that seek to create independent procurement

structures that give power to bureaucrats to control the distribution of benefits. Elite commitment to implementing the competitive bidding procurement processes required by the public procurement law has been weak because such processes would create 'open access' to economic resources to regime opponents, providing opportunities for excluded elite factions to wrestle power from ruling coalitions. The short term logic of competitive clientelism makes it imperative that the creation of impartial public organizations would require the design of enforceable formal rules of impartiality and an independent enforcement agency beyond the influence of the ruling coalition. Political consensus achieved in the creation of an independent enforcement agency could enable the emergence of bureaucratic officials who are committed to impartial enforcement of formal rules.

Research by Grindle (2012) on the politics of PSR in competitive clientelistic environments in Latin America suggests that impartial and independent organizations are likely to 'be introduced when the balance among political parties represented in a legislature suggests that alternation in power is likely' and that the jobs of partisans in government positions will be in jeopardy' (p.193). The reform approach will require a "carefully negotiated agreement that tried to avoid great resistance from parties or officials within government" (Grindle, 2012: 193).

While the evidence in this article helps underscore the usefulness of a political settlements approach to understanding the politics of PSR, they also underscore the need for the political settlements literature to 'move beyond an elitist frame of analysis to show how popular uprisings, or at least the threat of them, can also shift elite commitment towards more popular concerns' (Hickey, 2013: 13). The pioneering role played by OccupyGhana towards the creation of a more effective Auditor-General clearly shows that configurations of organizational power at the macro-level and micro-level of society do matter in shaping, sustaining and reforming public institutions and organizations in competitive clientelist political settings. There is the need for more research to understand the conditions under which effective civil society groups like OccupyGhana can emerge in developing countries to propel reforms that improve public sector effectiveness.

6 | CONCLUSION

This article has argued that in order to understand why PSR in developing states succeeds or fails, and why the same reforms could have varied outcomes in different country contexts, we need to understand the incentives generated by a country's political settlement dynamics. The political settlements approach helps understand what key reform actors are likely to have the incentives to be committed to achieving, and hence the kinds of reforms that are likely to be pursued with some chance of success in different political contexts. From this approach, what ruling elites are willing and able to do depends so much on the horizontal distribution of power between ruling elites and excluded political factions, as well as the vertical distribution of power between the ruling coalition and societal actors.

The long-held interparty consensus that procurement boards be headed by political appointees along with the unsuccessful attempts by the World Bank in creating politically independent public procurement structures in Ghana is a stark reminder of the limits of external actors in pushing for reforms that threaten the survival of ruling political elites. As a number of observers have already noted, the chances of successful PSR are likely to be maximized if reform initiatives support modest changes that 'work with the grain' of existing institutions and elite incentives (Kelsall, 2011; Srivastava and Larizza, 2013; Booth and Cammack, 2013; Levy, 2014). Drawing evidence from Senegal, Johnson (2015: 798) concludes that 'donors can help induce political efforts to create effective bureaucratic offices when donor incentives are compatible with domestic political calculations'.

An important policy lesson from our analysis is that even in difficult governance settings such as those in countries characterized by competitive clientelism, multi-stakeholder initiatives can provide opportunities for building coalitions capable of achieving gains in public sector performance. In our analysis of the politics of PSR in Ghana, some limited success has been achieved in the domain of external auditing where the actions of an outgoing government, a powerful civil society group, and an independent judiciary converged to create an independent Auditor-General with the commitment to enforcing the rules of disallowance and surcharge in an impartial manner. The limited success occurred without the influence of donor financial and technical support, suggesting that international development actors can make a greater impact on designing and implementing Weberian state-building projects if they focus attention on 'fostering engagement with multiple stakeholders with the incentive and influence to support reform' (Levy, 2015: 244).

However, even with the kind of a multi-stakeholder approach proposed by Levy, we argue that the incentives generated by competitive clientelism can be so perverse that reformers are likely to make a better impact if attention is focused on building specific bureaucratic 'pockets of effectiveness' via incremental approaches rather than trying to engage in a wide-ranging, comprehensive set of public sector reforms. Focusing on building bureaucratic pockets of effectiveness is the most promising way

of dealing with the pressures generated by competitive clientelist political settlements where the vulnerability of ruling coalitions make elite commitment to long-term institutional building particularly difficult. This suggestion is relevant not only to Ghana but also to most developing countries, not least as competitive clientelism has been the most common form of political settlement in the developing world since the beginning of the third wave of democratization.

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