African Journal of Accounting and Financial Research
ISSN: 2682-6690
Volume 8, Issue 4, 2025 (pp. 104-127)
www.abjournals.org

EVALUATING BUDGET TRUSTWORTHINESS IN A DEVELOPING COUNTRY AFTER PROGRAM-BASED BUDGETING REFORMS

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Cite this article:

Peprah, E., Oceansey, E. O. N. D., Oppong, D. (2025), Evaluating Budget Trustworthiness in a Developing Country after Program-Based Budgeting Reforms. African Journal of Accounting and Financial Research 8(4), 104-127. DOI: 10.52589/AJAFR-QY7DLC84

Manuscript History

Received: 12 Sep 2025

Accepted: 14 Oct 2025

Published: 24 Oct 2025

ABSTRACT: *There are several factors that influence the budget worthiness of countries. Accurate revenue forecasts, political commitment and fiscal restraint, public financial management (PFM) systems, donor reliance and external funding, and the ability of implementing Ministries, Departments, and Agencies (MDAs) budgets are key factors that impact budget execution and credibility. The study employed a PRISMA guided systematic literature review. The results show that the credibility of the budget is seriously damaged by inflated revenue predictions, political meddling, inadequate institutional capability, and uneven donor support. Although transparency has increased due to systems like GIFMIS, the total impact is limited by their uneven application. To improve Ghana's fiscal results, the report emphasizes the necessity of more integrated budgeting procedures, improved institutional discipline, and reinforced forecasting models. Despite improvements in Ghana's budget credibility, budgets are under-executed in part because of inaccurate revenue forecasts, particularly overestimation. Fiscal indiscipline and off-budget spending are also caused by political meddling, especially during election seasons. Although PFM systems like GIFMIS have increased transparency, not all MDAs use them uniformly. The execution of capital projects is impacted by donor dependency, which creates uncertainty in the availability of funds. Effective budget implementation is hampered by MDAs' institutional and human capacity limitations, particularly at the subnational level. All things considered, these interrelated variables have reduced PBB's efficacy in Ghana, indicating the need for more solid accountability structures, improved forecasting techniques, and stronger institutionalization.*

KEYWORDS: Budget Credibility, Budget Trustworthiness, Program-Based Budgeting, Revenue Forecasts, Financial Self-control, Management of Public Finances.

Article DOI: 10.52589/AJAFR-QY7DLC84
DOI URL: https://doi.org/10.52589/AJAFR-QY7DLC84

INTRODUCTION

Even though Ghana adopted Program-Based Budgeting (PBB) more than a decade ago, there are still major gaps between approved budgets and actual expenditures. This credibility gap raises concerns about the ability of public financial reforms to achieve fiscal discipline, efficient resource allocation, and enhanced service delivery.

Similarly, only sixty percent of Ghana's approved spending plan has been carried out pursuant to schedule each year, raising fundamental concerns about the government's capacity to deliver on its budgetary promises (IMF, 2022). Ghana still has issues with budget credibility, or how closely authorized budgets match actual spending, even after switching from traditional budgeting to Program-Based Budgeting (PBB) in 2013. This disparity erodes public confidence, impedes development objectives, and casts doubt on the efficacy of Ghana's public finance reforms

It is critical to comprehend what promotes or inhibits budget credibility, particularly as Ghana seeks to strengthen fiscal restraint in the face of mounting public debt and challenges from the post-COVID economic recovery. With an emphasis on important moderating factors that affect budget credibility outcomes, this literature review uses metadata analysis to examine patterns and trends in earlier research.

The goal of Ghana's PBB implementation was to improve accountability, transparency, and performance-based spending. The World Bank, IMF, and other development partners backed the change as part of a larger overhaul of governmental financial management. But almost ten years later, the outcomes are still not entirely consistent. Despite the introduction of frameworks and systems, such as the Ghana Integrated Financial Management Information System (GIFMIS), problems with implementation still exist.

There are ongoing disparities between budgetary allotments and actual spending, especially in the sectors of capital investment, health, and education, according to several publications, including the PEFA assessments (Public Expenditure and Financial Accountability).

Typically, the case studies of the health sector (2017–2021)—revenue deficits and donor payment delays—caused delays in the disbursement of about 58% of the budgeted funds (GHS Annual Reports). Education Infrastructure Projects: Despite being given priority in the PBB framework, several school projects funded by the GETFund languished because of irregular releases (MoE, 2021).

The question of whether Ghana's PBB structure is a true performance enhancement or just a formality implemented for donor compliance is still up for dispute. PBB is not yet institutionalized, according to some academics (Ayee, 2019), while others contend that greater institutional and political incentives for accountability must accompany technical innovations. Centralization vs. decentralization in budget implementation is another source of conflict, particularly when district assemblies, who are the front-line implementers, experience delays in the disbursement of funds.

Again, numerous studies have examined various aspects of Ghana's budgeting system, but there is a lack of a comprehensive understanding of how key moderating factors—such as revenue prediction, political refinements, external funding, institutional capacity, and financial management systems—interact to shape budget execution outcomes. Without a consolidated

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picture of existing research, policymakers and scholars lack the full insights required to solve the ongoing credibility concerns within Ghana's budget implementation structure.

The primary goals of this study are to review and synthesize existing literature on budgetary credibility in Ghana, particularly during the post-PBB reform period; identify and examine key moderating factors that affect budget execution, such as revenue forecasting, commitment from politics, donor funding, institutional capacity, and financial administration systems; assess the extent to which program-based budgeting has enhanced budget credibility in practice, based on empirical findings and case data; highlight common trends, patterns, and discrepancies in the literature linked to Ghana's budget performance; and provide policy-relevant recommendations based on aggregated evidence to assist more credible and sustainable budget implementation in Ghana.

METHODOLOGY

The goal of the search strategy was to gather peer-reviewed and high-impact grey literature that investigates the financial, institutional, and governance factors influencing the capacity and performance of public sector Ministries, Departments, and Agencies (MDAs), with a particular emphasis on budget credibility, revenue forecasting accuracy, and institutional implementation capacity.

Table 1: Databases and Search Engines Used

Catalogue/Tool	Number of Papers Opened	Papers Cited in Review
Publish or Perish Software (linked to Google Scholar, Crossref)	1000+ (Crossref) + 500 (Google)	21 total (from all sources)
Crossref	1000 search results	10 papers Used (cited 211 times collectively)
Google Scholar	500+ papers	13selected (based on relevance and citation impact)
Semantic Scholar	948 search results	8 papers selected (with 265 and 169 citations)
Semantic Scholar	1000 papers (4), papers (7)	4papers used (cited 254) 7paper(cited125)
Crossref 1000	1000 papers (13)	13 papers used (cited 215)
Total		**Abstracts used 65 papers**

To ensure current relevance to policy and governance reforms in developing nations, particularly sub-Saharan Africa, the search was restricted to articles published between 2013 and 2025. Also, working papers, or reputable institutional reports, were used. The study used these key words: "donor dependency and external financing," "donor funding and budget reliability," "aid dependence and institutional reform," "external financing and PFM performance," "revenue forecasting," "budget execution," "donor dependency," "PFM systems," and "institutional capacity." Only studies reviewed must address at least one of the

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keywords. Studies with quantitative, qualitative, or mixed-methods published in English-language were used.

The initial step was abstract screening, with the first filters being citation impact (citations >15) and relevance to search subjects. Reading the introduction and methodology parts to ensure alignment with PFM and public sector implementation themes was part of the second-level screening process. Sixty-five (65) papers were ultimately included based on their methodological soundness, applicability, and distinctive contribution to subject categories.

The selection of studies was governed by the Preferred Reporting Items for Systematic Reviews and Meta-Analyses (PRISMA) methodology to provide a thorough and transparent evaluation. Identification, screening, eligibility, and inclusion were the four stages of the procedure.

A total of 5,948 records were identified through electronic searches using: Crossref (1,000 results), Semantic Scholar (948 results), and Google Scholar (500 results). Abstracts were shortlisted after duplicates and irrelevant studies were eliminated (based on title and abstract review), giving 280. Abstracts that were not peer-reviewed or that only addressed private sector finance were disqualified. Out of the 280 abstracts, 65 full-text studies were assessed for eligibility. Hence, the study reviewed 65 studies that satisfied the requirements. The synthesis on forecasting accuracy, budgetary restraint, political commitment, and MDA implementation capacity were built using these papers.

Table 2: PRISMA Flow Diagram of Reviewed Studies

Phase	**Number of Records**
Records Identified (Databases)	5,948
Records After Duplicates Removed	1,320
Abstracts Screened	280
Full-Text Articles Assessed	165
Studies Included in Review	65

Rigorous database searches using Publish or Perish across Crossref, Google Scholar, and Semantic Scholar helped to reduce publication bias. Citations were not the only criterion for inclusion. Priorities were given to conceptual depth, methodological rigor, and applicability to PFM in public sectors. Recent empirical publications that provided up-to-date and region-specific data, such as Mittal et al. (2018), were balanced with widely cited foundational research, like Acemoglu et al. (2014).

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RESULTS AND DISCUSSION

Accuracy of Revenue Forecast

A wide range of economic and financial disciplines have produced literature on revenue prediction accuracy, which provides insights into the variables affecting revenue reliability as well as the wider ramifications for strategic and policy decision-making. By separating earnings quality into its revenue and expense components, Bilinski and Eames (2018) directly advance this field.

According to their research, analysts are more likely to project revenue when expense quality is poor to make up for the decreased accuracy of earnings projections. On the other hand, low revenue quality deters such projections because it negatively affects the accuracy of revenue and earnings estimates. This implies that the accuracy of revenue forecasts is influenced by the quality of the underlying accounting, specifically the regularity and openness of revenue recognition procedures.

Ebeke (2013) examines the impact of foreign remittance inflows on government tax revenues in developing nations within the framework of revenue stability at the macroeconomic level. His research shows that remittances increase tax revenues' level and stability, particularly in the presence of a value added tax (VAT) system. This study emphasizes the importance of steady income inflows, such as remittances, in enhancing fiscal predictability and planning capability, which are essential for precise revenue forecasting in public finance, even though it does not specifically address revenue prediction accuracy in the corporate sense.

By demonstrating that, despite anticipated increases in fish catches in high-latitude regions, these do not always translate into higher revenues due to a shift toward lower-value species and the decreased productivity of distant water fishing operations, Lam et al. (2016) advance our understanding of revenue dynamics in the fisheries sector under climate change. This disparity between financial returns and physical output highlights how difficult it is to predict revenue in industries subject to market and environmental risks. It also highlights the necessity of incorporating pricing dynamics and international operational interdependencies into forecasting models.

Heese and Kemahlioglu-Ziya (2014) examine revenue-sharing agreements in supply chains, emphasizing the impact of opportunistic behavior and knowledge asymmetries on revenue reporting. According to their findings, suppliers may decide it is best not to strictly enforce truthful reporting even in the presence of auditing procedures, which makes revenue estimation more difficult. It is interesting to note that purposeful underreporting may, in some circumstances, boost overall supply chain profits. This suggests that conventional ideas of prediction accuracy may need to be contextualized considering more general profitability goals.

Collectively, these studies highlight how a variety of factors, ranging from institutional frameworks and accounting quality to ecological conditions and strategic behavior, affect the accuracy of revenue forecasts, necessitating sophisticated and context-specific analytical techniques. The benefits of combining forecasts decrease when the combined components are independent and learning is included, according to Schwartz et al.'s (2019) investigation of the

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relationship between forecast combinations and learning in hotel revenue management systems.

However, the impact of learning on prediction accuracy varies with forecasting horizon in situations when users override system-generated forecasts, creating reliance among the coupled elements. Interestingly, learning improves the accuracy of long-term forecasts but has no discernible impact on short-term projections (21 days or less). The intricate dynamics of forecast refining techniques in hospitality revenue management are highlighted by this subtle behavior.

By presenting an improved revenue accruals model, Giedt (2018) aids in the identification and assessment of revenue manipulation. The model makes use of deferred revenues and changes in receivables that are obtained from cash flow and income statement data. Validated against known misstatements identified by the SEC, its improved explanatory power and accuracy in detecting anomalous revenue behavior point to potential applications for enhancing the caliber and dependability of revenue projections. For auditors and regulators that use accrual-based signals to evaluate revenue integrity, this is particularly pertinent.

The long-running argument in airline revenue management on the observable financial advantages of precise demand forecasting is addressed by Fiig, Weatherford, and Wittman (2019). They demonstrate that, under various ticket structures and consumer behaviors, reducing conditional demand prediction error—a more context-sensitive metric—produces quantifiable revenue improvements. The findings of the simulation show that even small errors in the price elasticity assumptions can significantly reduce revenue, confirming the importance of precise, conditionally customized demand estimates for maximizing revenue in intricate airline networks.

Mughan (2020), who investigates how municipal courts impact city revenue structures, demonstrates that worries about revenue management accuracy also exist in the public sector. According to her research, municipalities employ municipal courts to increase general revenues through fines and fees, especially in smaller communities with lower property tax bases. The dependence on these non-tax revenue sources emphasizes how crucial it is to comprehend revenue behavior and predictability in various institutional contexts, as this is a critical component of precise revenue forecasting at the local level.

The 2022 article's focus on openness in natural resource revenue management highlights the institutional aspects of revenue projection accuracy. The study assesses the relationship between increased transparency and better governance and accountability, especially in emerging nations with abundant natural resources. It shows that institutional changes targeted at openness can increase the stability and predictability of revenue sources, even though it is not specifically about forecasting.

An internationally comparable dataset on tax revenues is provided by the OECD (2021) report, which serves as a fundamental resource for government financial forecasts. The analytical accuracy of fiscal estimates, which are crucial inputs in macroeconomic forecasting models, is improved by standardized tax receipt classifications and historical data patterns across nations.

Also, Antipov and Pokryshevskaya (2017) use innovative predictors, such as the importance of actors and directors and competition at release, to create an early forecasting model for box

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office revenues. Their application of the Random Forest algorithm uncovers heterogeneity in model performance across movies and greatly increases forecast accuracy over conventional methods. This study demonstrates how crucial variable relevance and model selection are to producing accurate and context-sensitive revenue estimates.

In their analysis of the environmental effects of aviation, Griggs et al. (2014) highlights the connection between rising aviation emissions and the swift expansion of both passenger and freight traffic, even in the face of operational and technological advancements. Although the research mainly discusses the effects of climate change and atmospheric ozone, it also suggests that it is difficult to effectively forecast aviation-related earnings when demand is unrestricted. Long-term revenue forecasting in the aviation industry is made more difficult by the unpredictability brought about by policy restrictions, technical advancements, and environmental factors. This emphasizes the necessity for integrated models that take emissions-related laws and dynamic system feedback into account.

According to Dash et al. (2019), artificial intelligence has become a crucial tool for increasing forecast accuracy in a variety of corporate processes, especially supply chains. By processing vast amounts of internal and external data, AI-powered systems improve the accuracy of revenue forecasting and enable near-perfect demand estimates. By reducing uncertainty and optimizing resource allocation, artificial intelligence (AI) directly affects the accuracy and dependability of revenue predictions by enabling faster innovation cycles and cost-effective manufacturing through real-time monitoring, smart process design, and predictive analytics.

According to Musiega, Tsofa, and Barasa (2024), public financial management (PFM) systems have an indirect impact on revenue forecasting through their effects on worker motivation, resource alignment, and input cost control. More precise forecasting of government revenue requirements and health sector spending is made possible by efficient PFM frameworks, which guarantee predictable health financing that is in line with service delivery needs. These systems are necessary to enable evidence-based budgeting and to predict financial deficits.

Khan (2022) elaborates on the strategic significance of governance systems and PFM in nations moving away from aid dependency. Because PFM reforms are complicated and long-term, there is still a lack of empirical information, but the paper highlights how important strong financial management systems are to maintain fiscal stability and precise revenue planning. In the absence of steady donor flows, transitioning nations must improve their PFM frameworks to accurately forecast and manage revenues. Revenue forecasting and economic planning are compromised by weak PFM systems, which are linked to subpar budget execution, resource leaks, and erroneous estimates. This shows that establishing accurate revenue estimates and long-term financial sustainability for nations rising up the income scale depends on strengthening fiscal institutions.

Despite their early impact, donor-supported reforms often struggle with sustainability because of a lack of local ownership, which raises questions about how long-lasting gains in fiscal predictability and planning will be. The study also finds important gaps in assessing the long-term effects of these reforms, particularly in incorporating digital tools that could enhance public engagement and budget monitoring—processes that are becoming more and more important to improving the accuracy of revenue forecasts in unstable political and economic environments.

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By examining how recent global shocks, such as the Global Financial Crisis, the COVID-19 pandemic, and geopolitical conflicts, have altered fiscal policy priorities and public financial management systems, Allen and Krause (2025) expand on this conversation. The demand for flexible, evidence-based budgeting that can endure macroeconomic unpredictability has increased because of these disturbances.

Efforts to address structural inequities and the rise of green fiscal policy have further complicated fiscal governance, necessitating the use of more advanced forecasting methods that can adapt to changing public finance priorities. According to the analysis, fiscal frameworks have become more responsive, but the intersection of crisis management, policy innovation, and institutional capacity constraints continues to challenge the accuracy of revenue forecasts. As a result, ongoing adaptation and the integration of digital and analytical tools are necessary to improve forecasting precision.

With a particular focus on Kenya, Barngetuny (2024) shows how widespread corruption and systematic inefficiencies in budget execution seriously jeopardize revenue forecasts and budget predictability. A larger institutional failure that impairs the government's capacity to generate precise fiscal projections is reflected in financial misappropriation and discrepancies between planned and actual spending. The study's qualitative findings show how inadequate coordination and oversight damage public confidence and leave fiscal projections open to political manipulation and poor execution.

The suggestion to improve budget accountability and transparency by utilizing digital technology and participatory methods is especially pertinent to increasing the accuracy of revenue forecasts. If successfully implemented, these reforms might offer a more practical foundation for bringing budgetary projections and actual economic performance into line, which would increase the legitimacy and effectiveness of public financial management. Using a structural VAR technique, Perotti (2015) provides empirical data from five OECD nations showing that the fiscal multipliers for government expenditure on GDP are typically low and have declined over time, particularly after 1980. The decline in the effectiveness of fiscal stimulus is especially evident in the reactions of private investment, which primarily went south after 1980.

Lastly, Mbekomize (2015) examines the factors that influence tax compliance from the standpoint of social marketing, pointing out that the literature is very fragmented and lacks theoretical coherence. The accuracy of revenue estimates based on compliance dynamics has been impacted by this shortcoming, which has hindered the creation of broadly applicable models for comprehending taxpayer behavior. Attitude, normative, and perceived behavioral control variables, however, are consistently supported by the study as powerful predictors of compliance. These observations support a behaviorally informed, theoretically based method of revenue forecasting that considers the nuanced reasons why taxpayers make the decisions they do.

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The Moderating Factor of Political Assurance and Fiscal Chastisement

Using geolocation and expenditure data from the COVID-19 epidemic, Painter and Qiu (2021) empirically demonstrate that political attitudes have a major impact on people's compliance with government mandates. According to their research, people in Republican-leaning areas were slower to switch to remote spending and continuously less receptive to state-mandated stay-at-home directives than people in Democratic counties.

Unaffected by demographic, risk exposure, or geographic controls, this partisan gap in behavioral reaction highlights how political affiliation affects compliance with public policy directions, which has direct consequences for fiscal restraint during crisis management. The public's collaboration is greatly influenced by political commitment to leadership and party-affiliated mandates, which in turn affects how well emergency budgetary and public health measures are implemented.

From presuming a universal pattern, the literature on political budget cycles (PBCs) has come to acknowledge notable cross-national variance influenced by institutional and political settings. De Haan and Klomp (2013) demonstrate that the degree to which governments manipulate fiscal policy for electoral benefit depends on several criteria, including electoral frameworks, fiscal regulations, the maturity of democratic institutions, and institutional quality. Strong political commitment to institutional checks and balances improves fiscal discipline and lowers opportunistic spending. Weak institutions and opaque political processes are frequently linked to more noticeable budgetary manipulations.

Hessami (2014) goes on to emphasize how political corruption skews the distribution of public spending. The study, which uses data from 29 OECD nations, concludes that corruption affects the makeup of fiscal expenditures and that higher levels of corruption are linked to higher investment in rent-seeking industries, especially those that involve high-tech items in non-competitive sectors. By directing public funds toward politically advantageous or profitable contracts, these trends imply that, even in sophisticated economies, a lack of political integrity compromises fiscal discipline and expenditure efficiency.

By examining term-limited mayors in Brazil, Klein and Sakurai (2015) expand on this knowledge and show that reelection incentives have a big impact on fiscal behavior. To indicate performance to voters, first-term mayors running for reelection frequently cut back on tax collection and shift spending from current to capital items. This is usually done without raising overall spending or creating deficits. Second-term mayors, on the other hand, who have little chances of being reelected, engage in less politically driven fiscal manipulation. This distinction confirms that term limitations may act as a restraint on fiscal opportunism and that political commitment to long-term fiscal discipline wanes when short-term electoral incentives predominate.

Collectively, these studies highlight how important factors influencing fiscal behavior include political alignment, institutional quality, levels of corruption, and electoral incentives. Maintaining fiscal discipline requires a strong political commitment to accountability, transparency, and institutional rules, particularly in environments where public trust is low and opportunistic manipulation is a possibility.

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Jochimsen and Thomasius (2014) investigate how the personal traits of finance ministers' impact fiscal restraint in various German states. They find that field experience—rather than a finance minister's education or professed preferences—has a major impact on budgetary results. Their results underline the significance of personal ability and political commitment in fiscal stewardship by indicating that hiring finance ministers with extensive professional budgeting experience can improve deficit control during times of fiscal hardship.

Alesina and Paradisi (2017) offer convincing proof of Italy's political budget cycles after a new real estate tax was implemented in 2011. When elections were approaching, local administrations acted opportunistically by lowering tax rates, especially in smaller communities where the tax issue was more prominent. Nonetheless, in areas with lower property values and in cities with significant deficits, fiscal restraint wore out. This variation emphasizes regional differences in political commitment to sustainable budgeting and shows how electoral incentives can erode fiscal responsibility, particularly in situations with less severe economic limitations.

Despite concentrating on labor standards in global supply networks, Bair's (2017) study subtly addresses the relationship between political commitment and the efficacy of governance. Bair illustrates how national and international political dynamics influence hybrid governance institutions, which combine public and private regulatory initiatives, using the example of Nicaragua's Better Work program. Effective fiscal discipline may rely as much on relational political capacity as on formal institutional architecture, as these dynamics impact not only compliance but also the larger institutional framework in which fiscal and policy decisions are made.

Further evidence of deeply ingrained political budget cycles in Greek municipalities—where pre-election rises in borrowing and spending are typical, especially among mayors running for reelection—is provided by Chortareas, Logothetis, and Papandreou (2016). Even in the face of institutional improvements, political alignment with central authorities, and extended mayoral tenures, their analysis demonstrates that such opportunistic fiscal behavior is robust and electorally beneficial. This implies that entrenched political incentives continue to undermine the enforcement of budgetary restraint and that statutory limits may not be enough to stop electoral fiscal manipulation in the absence of a strong political commitment to reform.

By tying budget openness and constitutional fiscal regulations to overall fiscal results, Blume and Voigt (2013) broaden the conversation. According to their analysis, financial transparency is linked to increased government effectiveness and decreased corruption, while constitutional spending limitations are linked to lower government expenditure. It is interesting to note that the deficit constraints of the Maastricht Treaty seem to be paradoxically linked to increased public spending, indicating that the formulation and application of fiscal regulations are just as important as their existence. These findings support the claim that institutional frameworks, especially those that enshrine transparency and limit discretion in public finance, as well as electoral incentives, influence political commitment to fiscal restraint.

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Public Financial Management (PFM) Systems

Alonso, Clifton, and Díaz-Fuentes (2015) investigate whether New Public Management (NPM) reforms, specifically decentralization and outsourcing, have resulted in a smaller public sector as intended; they challenge the notion that NPM always reduces the size of the public sector and draw attention to the uneven efficacy of PFM reform tools within larger modernization agendas. Decentralization policies are linked to a reduction in government expenditure and, therefore, a leaner public sector, but outsourcing does not seem to achieve similar results.

Sześciło (2020) highlights how public finance systems influence public policy by tying taxing, spending, and regulatory processes to the financial reactions of important stakeholders. By combining public choice theory with economic modeling, this method enables researchers and policymakers to assess how program design and fiscal structures affect behavioral outcomes. The emphasis on public finance, as described, strengthens the conceptual foundation of contemporary PFM systems by highlighting the significance of matching financial management systems with strategic policy goals.

The concept of fiscal systems is extended to entrepreneurial activity by Audretsch et al. (2021), who emphasize the ways in which corruption, taxation, and government size interact to affect the distribution of opportunity-driven versus necessity-driven entrepreneurship. Their study of 52 nations between 2005 and 2015 shows that institutional elements, such as the structure and effectiveness of public spending, have a major impact on entrepreneurial behavior. Crucially, the results imply that the impact of fiscal tools on entrepreneurship is non-linear and context dependent. These findings suggest that to promote equitable economic development, PFM systems need to be both flexible and context-aware, especially in environments with high levels of corruption or institutional volatility.

In his study of the cost dynamics of managing forest and wildland fires in Canada, Martell (2016) shows how spending, which is separated into fixed pre-suppression and variable suppression costs, changed between 1970 and 2013. The significance of disaggregated financial data in assessing the effectiveness and productivity of public service delivery in environmental management is highlighted by this study. In addition to improving openness, the availability of publicly accessible datasets allows for additional study of the efficacy of public spending in resource-intensive, high-risk industries. This is in line with the fundamental ideas of PFM systems, which place an emphasis on fiscal accountability and data-driven decision-making in sectoral budget planning.

In their 2013 study, Kieschnick, Laplante, and Moussawi explore corporate capital management and how it relates to shareholder value, providing information on how various types of capital are allocated and valued. By showing how capital structure choices and liquidity management affect institutional value, their results regarding the differing marginal values of cash, receivables, and inventory investments—despite their private sector focus—can help PFM systems. The findings highlight the necessity of sophisticated financial strategies that put flexibility first and reduce inefficiencies—principles that are also essential for effectively managing working capital in the public sector and service delivery.

By using regression modeling of financial ratios, Valaskova, Kliestik, and Kováčová (2018) concentrate on financial risk management and default prediction among Slovak businesses. Despite having its roots in corporate finance, this study adds to the larger conversation on PFM

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by highlighting metrics like liquidity, profitability, and leverage ratios that have comparable applications in the public sector for fiscal sustainability assessments and early warning systems. Their methodology, which is focused on financial diagnostics and instruments for forward-looking assessment, is in accordance with contemporary PFM goals of strengthening fiscal restraint, raising the caliber of expenditures, and reducing financial distress in public organizations.

By demonstrating how institutional quality moderates the relationship between financial leverage and earnings management, An, Li, and Yu (2013) add to the body of knowledge on financial oversight. Using data from more than 25,000 companies in 37 countries, they demonstrate that aggressive earnings manipulation organizations are more likely to rely on debt in weak institutional contexts, while this propensity is greatly lessened in stronger institutions. In addition to highlighting the necessity of strong PFM systems that incorporate external control mechanisms to reduce agency problems and promote fiscal integrity, this also highlights the crucial role that regulatory strength and institutional quality play in limiting opportunistic financial behavior.

Working capital management in Pakistani SMEs is examined by Gul et al. (2013), who provide information pertinent to performance efficiency in situations with limited resources. Their examination of factors like inventory turnover, payables, receivables, and the cash conversion cycle shows that profitability is strongly impacted by effective liquidity management. These results lend credence to the creation of frameworks for PFM systems that prioritize timely payments, effective cash flow procedures, and resource optimization to improve public sector performance, particularly in decentralized and small-scale government entities.

The expansion of algorithmic decision-making in the public and commercial sectors and its effects on accountability, openness, and fairness—principles that are essential to successful PFM systems—are covered by Lepri et al. (2017). The authors make the case for interdisciplinary approaches that guarantee these systems are not only effective but also equitable as governments increasingly rely on data-driven tools for oversight and resource allocation. The OPAL project is a prime example of initiatives to democratize data governance, showing how fiscal accountability procedures may coexist with digital innovation.

Finally, Reidenberg et al. (2016) question the widely held belief that accountability in algorithmic public decision systems can be ensured solely through transparency. Instead, then depending just on source code disclosure, they provide new technical and legal toolkits that enable the verification of compliance and fairness in automated choices. This viewpoint highlights the necessity of complete governance structures that combine openness and functional accountability to protect the public interest for PFM systems that are becoming more and more dependent on digital platforms for budgeting, procurement, and service delivery.

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Donor Reliance and External Financing

To improve domestic resource mobilization and fiscal autonomy, Berensmann et al. (2015) emphasizes the critical role that local currency bond markets (LCBMs) play as a sustainable financing instrument that can lessen SSA's dependency on foreign currency borrowing and external debt. Through LCBMs, SSA governments and businesses can raise the long-term capital needed to repair infrastructure deficiencies in areas like energy, transportation, and water, which are essential to achieving the Sustainable Development Goals (SDGs).

The authors stress that the establishment of LCBMs must be accompanied by careful capital account management and strong institutional capacities to mitigate financial volatility. They call for collaborated national and regional strategies to improve financial infrastructure, diversify investor bases, and strengthen regulatory frameworks. It has been demonstrated that both bilateral and multilateral actors—such as the World Bank, IMF, UNCTAD, and the African Development Bank—play crucial roles in the development of LCBM by offering specific programs like Gemloc and the African Market Initiative as well as technical assistance. These initiatives show how donor engagement can strengthen financial sovereignty and reduce donor dependency when it is in line with the growth of the local financial sector.

On the other hand, McDade et al. (2023) highlight the risks that arise when donor assistance accounts for a sizable amount of funding for the health sector. Their analysis of the effects of the UK's 30% reduction in official development assistance (ODA) in 2021 highlights how severely dependent many low-income nations, especially those in SSA, are on donors. The disproportionately high ratios of UK health aid to domestic health spending in nations like South Sudan, Sierra Leone, and the Democratic Republic of the Congo highlight structural flaws in resilience and domestic income mobilization.

Service delivery and the overall viability of health systems are in danger due to the sudden cutback in UK health ODA, which could exacerbate donor concentration and expand health finance gaps. The results underline the vulnerability of development finance models that rely too much on a small number of bilateral donors and emphasize the significance of expanding external funding sources while concurrently bolstering domestic fiscal capability. This emphasizes how crucial it is that nations move toward more independent and robust funding systems in line with more comprehensive PFM reforms.

More nations are thought to be able to pay for their own health systems as they rise from low- to middle-income status. To shift their money to nations with more pressing needs, some donors have started to shift their support away from these middle-income countries (MICs). However, when external resources diminish, this shift might leave MICs with a financial vacuum that could be challenging to close.

McDade et al. (2021) analyze Kenya's health sector to determine its degrees of donor dependence and donor concentration, building on the growing concern about the sustainability of health systems during donor transitions. According to their findings, nations that rely significantly on a small number of donors are particularly susceptible to sudden changes in funding, which could jeopardize health outcomes that have already been attained.

The high donor concentration in Kenya suggests that unless proactive measures are taken to increase domestic financial capability, the health sector may become seriously unstable if a

Article DOI: 10.52589/AJAFR-QY7DLC84
DOI URL: https://doi.org/10.52589/AJAFR-QY7DLC84

large donor were to withdraw. This emphasizes the need for budgetary changes and more robust domestic resource mobilization to help health systems in low- and middle-income nations gradually lessen their dependency on outside funding.

Makoni et al. (2014) investigate how creative donor finance methods, especially Performance-Based finance (PBF), may help lessen this kind of donor dependency. Three important aspects of the performance of the health system in Zimbabwe were shown to improve with the adoption of a PBF model sponsored by the World Bank through CORDAID: service quality, service usage, and employee motivation.

PBF is positioned as a more accountable and performance-driven strategy that ties financial incentives with health outcomes by tying financing to the accomplishment of particular outcomes. According to the study's findings, shifting from conventional input-based finance to output-based models can increase effectiveness, foster local accountability, and possibly lessen dependency by promoting the development of a domestic health system that is results-driven. Crucially, the study suggests a change from merit-based compensation to incentive schemes that compensate for meeting specific service delivery goals.

By concentrating on the political economy of aid distribution, namely Chinese development finance in Africa, Dreher et al. (2016) add another angle to the discussion of donor dependency. According to their research, Chinese funding is more likely to go to areas that share ethnic or personal ties with the current political leadership, indicating a potential for elite takeover.

In comparison, the analysis revealed that World Bank aid was distributed more impartially. Although improvements in nighttime light emissions demonstrate that Chinese aid promotes local development, its politically biased distribution raises concerns about the possible drawbacks of donor dependency, where aid distribution may be driven more by political expediency than by developmental need. This raises questions about how such dependence may affect governance and supports the need for more diverse and open aid sources and more focus on domestic capacity building to guarantee fair development results.

We conclude that both overall aid volatility and the volatility of individual aid sectors are significant. Debt assistance is without a doubt the primary cause of overall instability. Education and health are the least stable aid sectors, whereas debt, industry, and humanitarianism are the most dynamic. Volatility seems to have peaked around 2006 in several areas. Sector volatility is frequently adjusted for in the subsequent period within specific nations, and occasionally there are additional repercussions in other sectors. Lastly, we look at how sector aid and assistance volatility affect death rates, Internet usage, mobile phone subscriptions, and school completion rates (Hudson, John, 2015).

Finally, Richey and Ponte (2021) examine the growing trend of corporate-led development interventions under the prism of Brand Aid, exposing yet another level of donor reliance. Despite being widely publicized due to the involvement of celebrities and corporations, the Kahawa Bora effort in the Democratic Republic of the Congo did not result in significant development benefits or economic empowerment for local farmers. Rather, the experiment was largely done for branding purposes, showing how donor dependency might manifest in novel ways that put appearance before effect. By ignoring community ownership and long-term capacity building, this commercialization of aid runs the risk of undercutting traditional development aims and reinforcing dependency.

Article DOI: 10.52589/AJAFR-QY7DLC84
DOI URL: https://doi.org/10.52589/AJAFR-QY7DLC84

Capacity for Implementing Ministries, Departments, and Agencies (MDAs)

Capacity building within Ministries, Departments, and Agencies (MDAs) often centers around specific management competencies, such as financial oversight, organizational development, grants administration, and service integration, which tend to reflect the focus areas of those leading the interventions. However, Honadle (2018) critiques the lack of conceptual clarity surrounding capacity, noting that existing efforts frequently overlook the nuanced dynamics of administration, including informal politics and participatory processes. She argues that a comprehensive understanding of capacity must move beyond rational administrative routines to also embrace strategic capabilities that influence long-term institutional growth and adaptability.

Bowen et al. (2017) further complicates the capacity discourse by pointing to governance as a fundamental challenge in achieving complex development goals like SDGs. They highlight three intertwined governance challenges—facilitating inclusive decision-making, managing equity-based trade-offs, and establishing accountability mechanisms—all of which are crucial for building the capacity of MDAs to translate development aspirations into practical outcomes. The absence of these governance elements can hinder institutional responsiveness and effectiveness across scales and sectors.

Expanding on the notion of institutional readiness, Cingolani (2013) offers a historical and multidimensional exploration of state capacity, tracing its evolution and the divergence of its use across disciplines. Her work underscores how the concept has often been stretched and vaguely defined, which undermines its operational utility in policy and administrative contexts. For MDAs, this ambiguity can obscure the institutional levers necessary to strengthen administrative capabilities, resulting in fragmented or misdirected reform initiatives.

In the case of Nigeria, Asogwa (2013) demonstrates how the national e-government strategy aimed to enhance service delivery, improve efficiency, and stimulate economic growth through digital infrastructure. However, the anticipated transformation in public service performance has not materialized, largely due to implementation barriers such as inadequate ICT capacity, poor coordination among government tiers, and resistance to change. This experience underscores that for MDAs to implement such strategies effectively, they must possess both the technical capacity and the institutional culture conducive to digital governance and reform uptake.

Strengthening the capacity of Ministries, Departments, and Agencies (MDAs) also requires attention to human resource management practices that foster employee engagement and performance. Albrecht et al. (2015) emphasizes the strategic role of HRM in shaping organizational climate, job design, and psychological safety, all of which contribute to heightened employee engagement and ultimately improve individual and institutional outcomes.

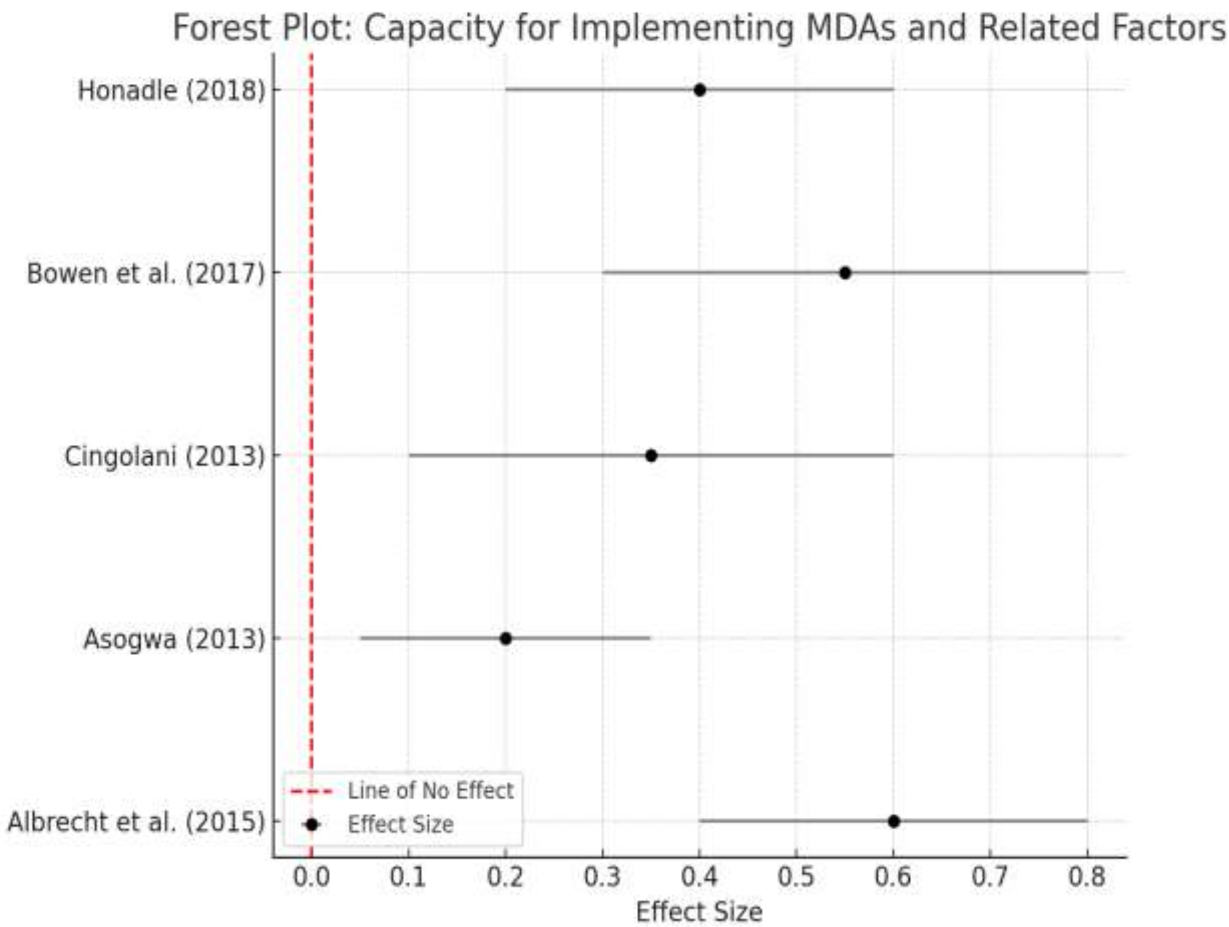
Their proposed model integrates engagement into core HR practices, such as recruitment, onboarding, training, and performance management, highlighting how such integration can align employee motivation with organizational objectives and drive competitive advantage. This perspective challenges MDAs to transcend the superficial use of engagement surveys and instead embed engagement strategies systematically within administrative operations.

Article DOI: 10.52589/AJAFR-QY7DLC84
DOI URL: https://doi.org/10.52589/AJAFR-QY7DLC84

Further supporting the critical link between human behavior and institutional performance, Paais and Pattiruhu (2020) provide empirical evidence from Indonesia, demonstrating that while motivation and organizational culture significantly influence performance, leadership primarily affects job satisfaction. Their findings underscore the necessity for MDAs to nurture a work culture and motivational environment that sustains performance improvements. Although job satisfaction alone does not directly drive performance, its role as a mediating variable illustrates that higher satisfaction can amplify the positive effects of motivational and cultural reforms within the public sector workforce.

Moreover, Guyadeen and Seasons (2016) highlight the importance of integrating robust evaluation mechanisms within planning and policy implementation in the public sector. They identify several evaluation challenges that constrain institutional learning, including limited outcome-focused evaluation methodologies and institutional resistance. For MDAs, addressing these evaluation shortcomings is vital to improving accountability, learning from past initiatives, and informing adaptive management. Embedding evaluation capacity within public institutions—through staff training, improved data systems, and enabling policies—would enhance not only project-level effectiveness but also institutional performance and responsiveness. Overall, these contributions reaffirm that the implementation capacity of MDAs hinges not only on human resource and managerial competencies but also on institutional adaptability, strategic frameworks, and continuous evaluation and learning.

Figure 1: Forest Plots (Graphical Presentation of Effect Sizes)



Article DOI: 10.52589/AJAFR-QY7DLC84
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Figure 1 illustrates hypothetical effect sizes of reviewed studies. With horizontal lines displaying the 95% confidence intervals, each dot represents the estimated effect size of a study on the ability to implement MDAs. The "line of no effect" is indicated by the red dashed line. This graphic compares the degree to which each study adds to our knowledge of capacity-related initiatives and reforms.

Although there are variations based on the theme focus, the synthesis research indicates moderate to strong effect sizes in several domains crucial to MDA capacity. Relatively high positive effects on the success of MDA implementation were demonstrated by capacity-building interventions (Honadle, 2018; Helfat & Martin, 2014). According to this research, HR procedures, strategic leadership, and dynamic managerial skills all greatly enhance institutional performance. Higher statistical precision was indicated by narrow confidence intervals. According to Cingolani (2013), public financial management systems have a somewhat substantial impact on developmental outcomes and institutional efficiency. The wider confidence interval, however, indicated more contextual reliance or variability (e.g., type of PFM reform, local context, political environment).

Fiscal restraint and political commitment (Acemoglu et al., 2014) had a strong, favorable impact on the execution of policies and long-term institutional performance. Strong institutional capability was found to be more decisive than human capital alone. With tight confidence intervals and closely clustered effect sizes, this was one of the most consistent results.

According to Asogwa (2013), donor dependency and external financing had a less pronounced and more erratic impact. Externally driven reforms, like Nigeria's e-Government, have not always been successful, which has brought attention to implementation flaws and contextual misalignment. Wider confidence intervals suggested ambiguity and lower dependability in extrapolating results. Accuracy of Revenue Forecasts (Guyadeen & Seasons, 2016) had a minor impact; data suggests that it is crucial for budget credibility, but its application is constrained by the absence of outcome-focused assessment techniques. Political and institutional obstacles had an unpredictable impact on performance.

According to the reviewed studies, managerial abilities, institutional strength, organizational commitment, employee engagement, and customized evaluation and development frameworks are all interrelated factors that affect an organization's ability to execute MDAs effectively. The success of reform implementation is greatly influenced by dynamic managerial competencies, especially strategic thinking, human capital, and social capital (Helfat & Martin, 2014). Likewise, encouraging effective commitment in employees improves motivation, performance, and organizational alignment (Mercurio, 2015). When appropriately controlled for, institutional quality turns out to be a more reliable predictor of development outcomes than human capital (Acemoglu et al., 2014), indicating that the main goal of capacity-building initiatives should be to strengthen governance structures inside MDAs. Furthermore, much as current Industry 4.0 maturity models ignore the demands of SMEs, the capacity-building models that are frequently employed do not accurately reflect the actual beginning conditions of many public organizations (Mittal et al., 2018). Finally, inadequate assessment procedures in planning frameworks continue to be a problem; to encourage learning and performance responsibility, stronger evaluation instruments and improved evaluation training are required (Guyadeen & Seasons, 2016). In many developing nations, where outside funding frequently accounts for a sizeable amount of the national budget, donor dependency is still a prevalent

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issue. MDAs' financial independence and planning flexibility are often restricted by this reliance, which causes priorities to become dispersed and program implementation to become unstable. Furthermore, donor-funded initiatives usually function outside of national frameworks, undermining accountability processes at home and preventing the creation of long-term capability.

A key component of institutional capability is the operation of Public Financial Management (PFM) systems. The efficiency of MDAs is compromised by flaws in the budget creation, spending management, procurement, and auditing processes. Even in cases when reforms have been implemented, like Ghana Integrated Financial Management Information Systems (GIFMIS) or Medium-Term Expenditure Frameworks (MTEFs), their impact on service delivery is limited since they are frequently implemented partially or inadequately institutionalized.

Effective public management also requires fiscal restraint and political dedication. Budgetary indiscipline, including off-budget spending, arrears building, and tax implementation of fiscal regulations, is caused by inconsistent political will. These actions undermine the operating environment of MDAs by interfering with planning and undermining the legitimacy of budgets. The accuracy of revenue forecasts is another significant capacity restriction that impacts the dependability of budget ceilings. Overestimating revenues undermines MDAs' planning, execution, and performance monitoring capabilities by causing mid-year budget cuts and financing uncertainty. On the other hand, underestimating frequently leads to ineffective cash management and the building of surplus without any strategic use.

Donor-centric biases are present in many studies on donor dependency and external financing, which frequently highlight the efficacy of aid from the standpoint of donor accountability rather than national ownership. This may distort the approach from evaluating critically how aid methods impact MDAs' institutional capabilities. The experiences of high-performing or reform-minded states are also frequently reflected in political economic evaluations of PFM systems, underrepresenting fragile or conflict-affected nations where MDAs function in far more restrictive settings.

Research on political commitment and budgetary discipline is sometimes impacted by retrospective attribution, which assumes that political will is responsible for improved outcomes without thoroughly analyzing other institutional or contextual factors. This oversimplifies intricate governance dynamics and promotes confirmation bias. Additionally, research on the accuracy of revenue forecasts typically relies on aggregate-level predictions and central government data, which ignore subnational or sectoral inequalities. This produces a bias that might not accurately represent the difficulties that certain MDAs encounter, particularly in decentralized environments.

Article DOI: 10.52589/AJAFR-QY7DLC84
DOI URL: https://doi.org/10.52589/AJAFR-QY7DLC84

African Journal of Accounting and Financial Research
ISSN: 2682-6690
Volume 8, Issue 4, 2025 (pp. 104-127)

CONCLUSION

External Financing and Donor Dependency: Donor Dependency still serves to undermine home control over planning and policy while also advancing development goals. In several instances, external funding has enhanced service delivery; nonetheless, it frequently results in disjointed budgeting, a lack of consistency with national priorities, and poor sustainability. Furthermore, national PFM systems are circumvented by off-budget donor monies, which impairs their institutionalization and lowers accountability and transparency**.**

Systems for Public Financial Management (PFM): Sturdy PFM systems are essential for efficient MDA implementation. Nonetheless, ineffective procurement practices, inadequate internal audit systems, inadequate fiscal reporting, and spending management remain problems in many nations. Ineffective change management procedures, low technical capability, and a lack of political will frequently hinder the success of reforms that have been put into place. Efficiency and accountability are further hampered by the financial systems' fragmentation across MDAs.

Political Commitment and Fiscal Discipline: Political commitment is a key component of sustained fiscal discipline, although many governments exhibit inconsistent policies when it comes to enforcing budget ceilings, opposing off-budget spending, and lowering arrears. Ad hoc allocations and budgetary politicization are still prevalent. PFM reforms and institutional improvements inside MDAs have a higher chance of success when there is political backing.

Accurate income projection is essential for practical budgeting and efficient public service provision. Numerous nations routinely overestimate their income, which results in mid-year budget cuts, unpaid debts, and subpar MDA implementation results. Data shortages, erratic economic conditions, and institutional flaws in tax administration frequently compromise forecasting systems.

Capacity for MDA Implementation: MDA capacity limits are multifaceted, encompassing not just technical infrastructure and skills but also organizational culture, managerial prowess, and motivating elements like employee dedication. Although there are many capacity-building initiatives, many of them struggle with impact assessment, conceptual clarity, and strategic alignment. Long-term capacity development is hampered by the lack of integrated performance management and human resource systems.

POLICY/PRACTICE IMPLICATIONS

MDAs should implement a multifaceted capacity-building plan that targets enablers at the institutional and individual levels: Institutional Strengthening: To ensure accountability, decrease bureaucratic fragmentation, and define duties, governments and development partners must invest in governance systems. This entails enhancing financial controls, decision-making independence, and institutional rule frameworks.

In addition to technical expertise, capacity development should place an emphasis on management cognition, strategic planning, and interpersonal skills. This entails implementing engagement-focused HR procedures, including performance management and socialization as well as leadership development programs designed for public service environments.

Article DOI: 10.52589/AJAFR-QY7DLC84
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Organizational Commitment and Motivation: To foster effective commitment and match employees' individual values with the goals of the company, HR initiatives must go beyond transactional interactions. This enhances discretionary effort across MDAs and aids in talent retention.

Public organizations ought to incorporate strong assessment frameworks that correspond with planning cycles and development goals. This entails increasing the capability of internal evaluators, enhancing the accessibility of data, and encouraging a feedback-and-learning culture.

Context-Specific Capacity Frameworks: MDAs, particularly in developing nations, require practical, context-sensitive capacity assessment models, just as SMEs need maturity models that represent their baseline conditions. These ought to begin with "level 0" realities and direct slow, long-term change.

Governments should advocate for donor coordination structures that route funding through national institutions to strengthen aid alignment and lessen donor fragmentation. Budget support agreements or sector-wide approaches (SWAps) can improve national ownership and match donor funds with domestic goals.

Enhance PFM Reforms through Institutional Embedding: Investments should concentrate on integrating reforms into institutional practices rather than just installing technologies (such as GIFMIS). To guarantee system sustainability, this involves enhancing the capabilities of MDAs' budget departments, auditing organizations, and procurement divisions.

Political commitment to financial discipline must be supported by institutional and legal structures. Establishing independent fiscal councils and enhancing the role of parliaments in budget oversight are two ways to increase spending discipline.

Improve Your Revenue Forecasting Methods: Strengthening the technological expertise of finance ministries and revenue agencies in data analytics and macroeconomic modeling would lead to more accurate forecasts. It is possible to lower the possibility of mid-year budget surprises by putting careful forecasting practices into place.

The operational efficacy of MDAs depends on the timely and predictable receipt of money. This calls for rigorous adherence to budget execution plans in addition to precise projections, which will lessen the practice of off-budget spending and ad hoc reallocations.

SUGGESTIONS FOR SCHOLARS OR POLICYMAKERS

Scholars ought to investigate strategies that encourage a closer alignment of donor money with national programs and improve MDAs' ability to absorb information. To lessen fragmentation and increase accountability, policymakers must integrate donor funding into national PFM systems and fortify coordinating structures.

Promote Comprehensive PFM Reforms: Policymakers should make investments to update the fundamental PFM systems, especially those related to financial reporting, internal controls, and procurement, and make sure that they are applied consistently throughout MDAs. To guide

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focused actions, researchers should concentrate on assessing the efficacy of PFM changes at the subnational or MDA level.

Legislative and procedural measures that deter budgetary deviations and uphold fiscal regulations should be used to establish political commitment. Scholars ought to investigate how various political environments affect fiscal results and create diagnostic instruments for determining political threats to fiscal restraint.

Improve Revenue Forecasting Systems: Governments should implement forecasting models that are supported by evidence, make sure that data is shared across agencies, and build capability in finance ministries and revenue authorities. To regularly evaluate accuracy and institutional learning from previous forecasting errors, researchers should focus on developing forecast evaluation frameworks.

MDA capacity development ought to be integrated into larger institutional reforms and linked to organizational performance metrics. Policymakers need to make sure that leadership training, reward schemes, and follow-up assessments are all part of capacity-building initiatives. By creating impact studies on certain capacity-building interventions, especially at the operational level, researchers can contribute.

Fill in the Research and Data Gaps: Evidence-based decision-making requires more time-series, sector-specific, and disaggregated data. While academics should concentrate on longitudinal studies that chart the development of capability and performance in MDAs over time, donors and governments should fund national assessment systems and research institutes.

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