



**COLLEGE OF LAW AND GOVERNANCE  
SCHOOL OF GOVERNANCE AND DEVELOPMENT STUDIES  
M.A. IN DEVELOPMENT MANAGEMENT**

**ASSESSMENT ON PUBLIC EXPENDITURE MANAGEMENT IN  
GOVERNMENT INSTITUTIONS : THE CASE OF FINANCE BUREAU  
OF SIDAMA NATIONAL REGIONAL STATE, ETHIOPIA**

**BY: MENGISTU BULO WACHIFO**

**ATHESIS SUBMITTED TO PARTIAL FULFILLMENT FOR  
REQUIREMENTS OF THE MASTERS OF ART IN DEVELOPMENT  
MANAGEMENT**

**HAWASSA, ETHIOPIA**

**OCTOBER, 2023**

**ASSESSMENT ON PUBLIC EXPENDITURE MANAGEMENT IN  
GOVERNMENT INSTITUTIONS: THE CASE OF FINANCE BUREAU  
OF SIDAMA NATIONAL REGIONAL STATE, ETHIOPIA**

**PREPARED BY: MENGISTU BULO WACHIFO**

**ADVISOR: MULUGETA BAKALO (PhD)**

**CO-ADVISOR: AWOL ALI. (MSc)**

**ATHESIS SUBMITTED TO PARTIAL FULFILLMENT FOR  
REQUIREMENTS OF THE MASTERS OF ART IN DEVELOPMENT  
MANAGEMENT**

**HAWASSA, ETHIOPIA  
OCTOBER, 2023**

**HAWASSA UNIVERSITY**  
**SCHOOL OF GOVERNANCE AND DEVELOPMENT STUDIES**  
**COLLEGE OF LAW AND GOVERNANCE**  
**EXMAINER’S THESIS APPROVAL SHEET**

We the undersigned, the members of the Board of Examiners of the thesis paper by **Mengistu Bulo Wachifo** have read and evaluated his thesis paper entitled “Assessment on Public Expenditure Management in Government Institutions: the Case of Finance Bureau of Sidaama National Regional State, Ethiopia” and submitted in partial fulfillment of requirements for the Degree of Master of Arts with specialization in Development Management the graduate programs of the school of governance and development studies, with the regulations of the university and meets the accepted standards with respect to Originality and Quality .

**Approved by Board of Examiners**

----- Name of the major Advisor	----- signature	----- Date
----- Name of the Co- Advisor	----- signature	----- Date
----- Name of the Chairperson	----- Signature	----- Date
----- Name of the Internal Examiner	----- signature	----- Date
----- Name of the External Examiner	----- signature	----- Date
----- Name of the SGS Approval	----- signature	----- Date

## Statement of Declaration

I, Mengistu Bulu have carried out independently a research work on “Assessment on Public Expenditure management Practices: the case of Finance Bureau of Sidaama National Regional State ,Ethiopia ” in partial Fulfillment for the requirements Master’s Degree in **Development management** with the guidance and support of the research advisor. This study is my own work that has not been submitted for any degree or diploma program in this or any other institution.

Declared by:

Name: Mengistu Bulu

Signature ----- Date -----

This research project has been submitted for examination with my approval as a university advisor.

**Confirmed by Major Advisor:**

Name: Mulugeta Bakalo (PhD) Signature ----- Date -----

**Co- Advisor**

Name: Awoli Ali (MSc) Signature ----- Date -----

Hawassa, Ethiopia

October, 2023

## **Acknowledgment**

First of all, I would like to thank God for helping me for the successful accomplishment of this research paper. It would not have been completed without the support of individuals either directly or indirectly. However, it is difficult to mention the names of all those individuals who have contributed their effort; my deepest gratitude goes to them.

I am very grateful to my thesis advisors Dr. Mulugeta Bakalo & AWOL Ali (MSc) for their meticulous advice, helpful comments and constant encouragements throughout the study. Indeed the study would have not been completed without his effort.

I would like to extend my special thanks to my wife Kidu Fetene and my Families Mam Suse Lamiso and Dad for their encouragement, truth (halaale), moral assistance and overall support.

Finally, my warm thanks go to my friends for their continuous encouragement and supports .

## Contents

<b>STATEMENT OF DECLARATION</b> .....	<b>III</b>
<b>ACKNOWLEDGMENT</b> .....	<b>IV</b>
<b>ACRONYMS &amp; ABBREVIATION</b> .....	<b>IX</b>
<b>ABSTRACT</b> .....	<b>X</b>
<b>CHAPTER ONE</b> .....	<b>1</b>
<b>1. INTRODUCTION</b> .....	<b>1</b>
1.1 BACK GROUND OF THE STUDY .....	1
1.2 STATEMENT OF PROBLEM.....	4
1.3. OBJECTIVE OF THE STUDY .....	6
1.3.1. General objective.....	6
1.3.2 Specific objective .....	6
1.4. RESEARCH QUESTIONS .....	6
1.5. SIGNIFICANCE OF THE STUDY .....	6
1.6 SCOPE OF STUDY .....	7
1.7 LIMITATIONS OF THE STUDY .....	7
<b>1.8 ORGANIZATION OF THE STUDY</b> .....	<b>7</b>
<b>CHAPTER TWO</b> .....	<b>9</b>
<b>2. LITERATURE REVIEW</b> .....	<b>9</b>
<b>2.1 CONCEPTUAL LITRETURE REVIEW</b> .....	<b>9</b>
<b>2.1 BASIC CONCEPTS OF BUDGETING</b> .....	<b>11</b>
2.1.1 Budget and its Roles.....	12
2.1.2 The budget planning and control process.....	14
2.1.3 Budget Practices and Role of Government Budgets.....	15
2.1.4 Budget Allocation Process.....	17
2.1.5 Budget Preparation, Implementation and Auditing .....	17
2.1.6 Financial Calendar in Budgeting Process .....	18
2.1.7 Budget Preparation and Legislative Approval.....	18
<b>2.2 THEORTICAL LITRETURE REVIEW</b> .....	<b>19</b>
2.2.1 THE KEYNESIAN THEORY.....	19
2.3 PUBLIC EXPENDITURE MEANING AND CLASSIFICATION.....	22
2.3.1 Classification of Public Expenditure .....	23
2.3.2 Reviewed concepts of Classification According to Benefits.....	24
2.4 EMPIRICAL LITRETURE REVIEW .....	24
2.5. EMPIRICAL REVIEW OF GOVERNMENT EXPENDITURE BY WORLD BANK .....	26
2.6. THE AGGREGATE FISCAL WORK (AFW).....	27
2.7. LEGAL FRAMEWORK OF ETHIOPIAN PUBLIC EXPENDITURE MANAGEMENT .....	27
<b>CHAPTER THREE</b> .....	<b>30</b>
<b>3. RESEARCH METHODOLOGY</b> .....	<b>30</b>
3.1 DESCRIPTION OF THE STUDY AREA.....	30
3.2 RESEARCH DESIGN AND APPROACH .....	32
3.3. STUDY POPULATION.....	32
3.4. SAMPLING METHOD AND SAMPLE SIZE .....	32
3.5. METHOD OF DATA COLLECTION.....	33
3.5.1. Key Informant Interview .....	33
3.5.2. Document Review.....	33
3.6 DATA ANALYSIS AND MANAGEMENT.....	33
3.7 VALIDITY AND RELIABILITY .....	34
3.8 ETHICAL CONSIDERATION .....	34

<b>CHAPTER FOUR .....</b>	<b>35</b>
<b>4. RESULTS AND DISCUSSION .....</b>	<b>35</b>
4.1 INTRODUCTION.....	35
4.2. BACKGROUND CHARACTERISTICS OF RESPONDENTS.....	35
4.3 DISCUSSIONS.....	38
4.3.1 Transparency and Accountability in Budget Allocation and Execution .....	38
<b>4.3.2 TRANSPARENCY AND ACCOUNTABILITY IN THE BUDGET PROCESS .....</b>	<b>39</b>
4.3.3 Disclosing the Expenditure Budget to Employees and External Customers.....	40
4.3.4 Compliance of Financial Rules and Regulations.....	40
4.3.5 Making corrective action based on internal audit opinion .....	40
4.3.6 Keeping Records of Financial Transactions.....	41
<b>4.3.9 THE TRENDS OF TOTAL ALLOTTED BUDGET AGAINST CAPITAL BUDGET .....</b>	<b>45</b>
4.4 EXPENDITURE BUDGETS MONITORING AND CONTROLLING .....	46
<b>4.4.1 EXPENDITURE BUDGETS MONITORING AND CONTROLLING PRACTICE .....</b>	<b>47</b>
4.4.2 Regular and Timely Financial Report.....	48
4.4.2. Existence of Adequate Employees to Conduct the Audit.....	48
4.4.3 Knowledge and skills of the internal auditors.....	48
4.4.4. Independence of the Internal Audit to Give Audit Opinion .....	49
4.4.5 Existence of Performance Audit.....	49
4.4.6 Measures Taken by the Management on the Audit Opinion.....	50
4.4.7 Relation of allotted budget and actual expenditure of BOF.....	50
4.4.8 The Trends of Planned and Actual Budget.....	51
<b>CHAPTER FIVE .....</b>	<b>52</b>
<b>5. CONCLUSIONS AND RECOMMENDATIONS .....</b>	<b>52</b>
5.1 INTRODUCTION.....	52
5.2 CONCLUSION .....	52
5.2.1 Transparency and openness in the allocation of Expenditure Budget.....	52
5.2.2 Appropriations of Budget and Expenditures of Bureau of Finance .....	53
5.2.3 Expenditure Budget Monitoring and Controlling.....	53
5.3 SUMMARY OF FINDINGS .....	54
5.4 RECOMMENDATIONS .....	54
<b>REFERENCES.....</b>	<b>56</b>
<b>APPENDIX-1.....</b>	<b>59</b>

## List of figure

Figure 1: Conceptual Frame work .....	29
Figure 2 Map of the study are .....	31
Figure 3 Position respondents.....	37
Figure 4 Perception of Respondents on Transparency and Accountability in the Budget Process .....	39
Figure 5: Comparisons of Appropriations against Actual Spending For Recurrent Budget in Birr .....	42
Figure 6 Comparisons of Appropriations against Actual Spending For Recurrent Budget in Birr .....	43
Figure 7 :Capital Budget against Actual Expenditure in Birr.....	43
Figure 8 Trends of allotted budget versus Capital budget .....	45

## **List of Table**

Table 1 :Distribution of respondents by their sex and age.....	36
Table 2: Distribution of respondents by their education level and Work experience.....	36
Table 3 Capital Budget against Actual Expenditure in Birr.....	43
Table 5 Respondents Perception on expenditure budgets monitoring and controlling practice .....	47

## Acronyms & Abbreviation

AFW	Aggregates Fiscal Goal
BOF	Bureau of Finance
BOFED	Bureau of Finance and Economic Development
CIT	Central Implementation Team
FY	Fiscal Year
GEM	Government Expenditure Management
GEMS	Government Expenditure Management System
GFCF	Gross Fixed Capital Formation
GFOA	Government Finance Officers Association
GDP	Gross Domestic Product
GNP	Gross National Product
GTP	Growth and Transformation plan
MEDAC	Ministry of Economic Development and Cooperation
MOF	Ministry of Finance
MOFEC	Ministry of Finance and Economic Cooperation
IBEX	Integrated Budget & Expenditure Management System
IMF	International Monetary Fund
PEM	Public Expenditure Management
PER	Public Expenditure Reviews
SDG	Sustainable Development Goal
SNRSBOF	Sidaama National Regional State Bureau of Finance
SNRS	Sidaama National Regional State
SNNP	South Nation Nationalities People

## **ABSTRACT**

*The purpose of this study was assessment on public expenditure management in the Sidaama National Regional state Bureau of Finance. This study used descriptive method. Questionnaires and unstructured interviews have been conducted with different stakeholders within this Institution. The results of this study showed that significant achievement had been made in reforming the government expenditure management in the Sidaama National Regional State finance Bureau located in where Hawassa City . However, gap was identified in budget planning and its utilization, participation and transparency, limitation in the preparation of financial reports regularly and timely, the gap in planning, the gap in give priority on capital budget rather than recurrent, monitoring and evaluation of the intended core activities. In addition, the research showed that insuring transparency and accountability still at the main issues of public budget implementation process. Recommendations in the study are suggested that in allocating budget and spending in the organization, transparency and openness, monitoring and evaluation of the budget starting from preparation to its implementation should be given a series attention to use the scarce resources efficiently, effectively and in economical way. The findings identified in this study may lead the organization not to accomplish its established objectives, goals and the question of transparency can be raised, the scarce resource may not be utilized for the intended purpose and it is one of the critical issues that need corrective action to be adjusted for the next period of the budget year. In order to use the scarce resources they should be give series attention on capital budget to assure sustainable development goal, implementing, monitoring and evaluation process, which is all activities are implementing according to plan or not, applying the Finance Administration rule and regulations, capacity building and final take action on issues of illegality.*

**Keywords:** *Budget, Capital budget, Public expenditure management, Recurrent budget, Participation and Transparency*



# **CHAPTER ONE**

## **1.INTRODUCTION**

### **1.1 Back ground of the study**

In the modern world, every government aims at maximizing the welfare of its country .It require a number of infrastructural , economics and welfare activities ,all these activities require huge expenditure to be incurred. This requires appropriate planning and policy of the government .The solution to all these problems is "Budget". A budget is a document containing detailed programs and policies of action for the fiscal year. On other hand, Budget is a formal expression of plans, goals, and Objectives of management that covers all aspects of operations for a designed time of period (John Wiley & Sons, 2012:15-20)

Government budget is an annual statement, showing item wise estimate of receipts and expenditure during fiscal year i.e. financial year .The receipts and expenditure shown in the budget are not the actual figure, but the estimated values for the coming fiscal year (OECD, 2014)

Every individual or citizens at large should participate effectively in different economic, social and cultural sectors to realize development agenda as well as identification, designing and use of strategic management tools such as budgeting and budgetary management. The budget is an important instrument that every organization particularly government used to define the direction of its national policy, the cost implication of government programmed and public source of revenue during the fiscal year (Aaron wildavsky,2017).

A good budget practices incorporates a long term perspective, establish linkage to broad goals, focuses budget decisions on results and outcomes and involves and promotes effective communication, Francisco , et al. (2007). According to Mullins and Pagano (2005) the art of budgeting in government is essentially a process of allocating limited financial resources to Prioritized services and activities that facilitate the development of the country in a manner that will be most effectively meet the needs of the citizens and following up its utilization (Mullins and pagano,2005).

The budget should be a financial mirror of society's economic and social choices. Public expenditure refers to Government expenditure, i.e. Government spending. It is incurred by Central, state and Local governments of a country .That is, public expenditure can be defined as expenditure incurred by public authorities like central, state, and local governments to satisfy the collective social wants of the people. In order to perform the roles assigned to it by its people, the state needs among others the following things allocating scarce resources from the economy insufficient and appropriate manner Public Expenditure Management (PEM). Hence, it is advisable to always keep in mind the integral relationship between revenue and expenditure, i.e. the money collected directly or indirectly from the citizens (World Bank, 1998; cited in pretorious.2009).

Public Expenditure Management Control is a powerful management tool in public financial management for allocating scarce resources to different programs, projects of every country (Jan Isakenet.al, 2007).

In Ethiopia, the adoption of development planning to guide resource allocation was started in 1950s, and it has under-gone significant changes in the area of government policies and development priorities (Ghirmai, 1990). But after the military government took power, major Industrial and financial activities came under the state control (command economy), which were the causes for the creation of huge public sector and expenditure (Teshome, 1994). According to World Bank report excessive capital consumption of public enterprises, over centralization of theeconomic activities and the existence of continuous war, conflicts, drought and change of international situation made the country one of the poorest countries in the world (WBs, 1994).

After the fall of the Derg regime in 1991, the Government of Ethiopia initiated a broad spectrum of economic reforms. The reform programs among others include reorienting the economy from command to market economy, creating policy environment to promote private sector investment, reallocation of expenditure towards to poverty oriented sectors, process of structural adjustment, introduction of Civil service reform, and policy of fiscal decentralization (MOFED, 2002). The Ethiopian constitution adopted in 1994, established decentralized regional states; which recognizes the right of the regions to formulate and executes their economic and social development policies and strategies, and administer their expenditure planning and certain types of taxes (Getachew N, 2006). In order to administer and manage economic and social development, different proclamations were issued in 1992.

Proclamation No. 7/1992 provided the basis for the establishment of regional governments; the right to prepare, approve and implement their own budget (MEDAC, 1999).

## 1.2 Statement of Problem

In Ethiopia there are budgetary and semi budgetary Government Institutions and each of the budget users has the responsibilities of preparing, utilizing budget and reporting how the budget is utilized. In budget utilization practice, there is various type of problem encountering, in the case of BOFED. The organization to fulfill the mission and ultimately reach its vision within the time frame which was established in the formulation of the strategic plan of the organization. The software or technology bureau of Finance uses in recording and reporting of financial transactions, budget utilization, inventory keeping and summary of expenditure is IBEX (Integrated budget expenditure Management System) which is customized to control the budget on program basis. This software is very important that enable the accountants, treasury employees, inventory controllers, auditors, accounting report consolidators, budget experts and others who are involving in the financial activities. On other hands, a good budget implementation process should issue proper planning and control of limited resources to achieve intended government policies and priorities in a transparent and effective way (Pierce, 2004).

However, the software is not practically used for controlling department budget and its utilization, it is difficult to evaluate each department achievement based on the budget allocation and its utilization, because the expenditure used is controlled and evaluated by this system is on program basis, any department may request and use or utilized others budget( Melese , 2003 vol.23 :73-95)

Due to the aforementioned facts there is frequent external and internal audit comment, that the auditors cannot accomplish their assignments according to the audit plan of the organization. Since the mandate for the preparation of the budget is issued for Planning, Monitoring and Evaluation Directorate, whereas the budget utilization and control responsibility is processed by Finance and Procurement Directorate of each Programs, whether the budget is recurrent or capital, it shows the existence of inefficiencies in budget preparation and utilization.

Based on the assumption that public budget expenditure and utilization process to be effective in economic, it should be participatory, transparent and accountable (MOFED,

2009), so that the Researcher become interested in assessing the existing practice of this umbrella Organization in public budget expenditure management practice from viewpoints of transparency and participation . However, at the same time several problems remain unsolved with regard to the budget preparation, execution, and control in various defense units Tilahun ( 2010).

Additional the research conducted by Berhanu (2011) on evaluating the budget practice of Ethiopia indicated that the challenges in budgetary transparency in Ethiopia is timely accessing of budget information to this end , the timelessness of budget information was primary concern of most researchers.

Zerihun (2014) studied about trend and its significance of public expenditure in Ethiopia that the empirical foundation of the study depends on the recurrent and capital components of public expenditure to assess its trend and significance on gross domestic product (GDP).

On other hand, Mohammed (2015:36) on his study entitled “Medium term expenditure management and budgetary practice in Ethiopia” found drafting of the public budget expenditure neither transparent nor open to the public.

Ketema (2015) studied preparation and utilization Case of Addis Ababa City Administration Health Bureau and stated that in many of the budget users, gaps are observed in organizing their plans as per the strategy of the Health Bureau.

Therefore, best of researcher knowledge most researchers conducted on the issues of transparency and participation focused on the overall federal and Addis Abeba city administration contexts and the researcher found a limited literature and research findings to context of Sidama region especially Bureau of Finance focusing on public expenditure management transparency and participation. The finding to be obtained from this study is assumed as to fulfill the literature gaps. Hence, the researcher’s interest regarding this is to what extent the practice of public expenditure management of Sidama National Regional state Bureau of Finance in light of participation and transparency principles as well as planned budget related with actual expenditure. This had motivated the researcher to assess the practice of public expenditure management in Sidama Regional State Bureau of Finance.

### **1.3. Objective of the study**

#### **1.3.1. General objective**

The general objective of this study is to assess public expenditure management in the Sidama Regional State Bureau of Finance

#### **1.3.2 Specific objective**

1. To assess whether the budget preparation is participatory or not.
2. To assess the relation between the planned and actual expenditure implementation in the bureau
3. To examine the effectiveness of monitoring mechanisms employed actual expenditure in the bureau

### **1.4. Research Questions**

Based on the above basic concepts of budget utilization, government expenditure management and practice among others things this study is expected to answer the following research questions.

1. Does BOF prepare its budget is participating all departments?
2. To what extent is planned budget related to actual expenditure in this Bureau?
3. Is there public expenditure monitoring and evaluation practice in place for effective?

### **1.5. Significance of the Study**

The main significance of this study will be contribute to create awareness among the budget users, decision makers and any other concerned body on the role of government expenditure management and control to the success of vision, mission and Goals of each concerned budgetary institution. The finding and information generated from this study will be used as a ground work for further studies and also help to stimulate program planners, to create the policy of PEM, researchers, to creates of strategy and orders ,decision makers and property administration, etc. to take considerable actions of finance bureau and other public institutions.

## **1.6 Scope of study**

The study had both geographic and thematic scope. The thematic scope of this research was limited to the assessment of public budget expenditure principles such as participation and transparency.

On the other hand, the geographic scope of the study was limited to the assessment of these issues within finance bureau. The reason that the researcher has selected the SNRS, BoF is first because the bureau is easily accessible for the researcher in terms of location advantage. Second, the bureau acts as an umbrella of organization for government organization regarding regional finance system and to this end the researcher assumed that it is advantageous to see participation and budgetary transparency with in this central organization. Thirds, the bureau as an umbrella organization, it distribute the budget among diversified different level in the region. Thus, in this regard, the researcher was interested to see if the public budget expenditure management is according to the following participatory and transparency budget principles. Finally, regarding the time that the study covers, it is limited to assess the public budget expenditure of the bureau between Fiscal years of 2010-2014 E.C.

## **1.7 Limitations of the study**

At the time of study is also constraints of access to some statistical data and information may be major constraints to conduct deep study and also forced not to include other organizations in study to support the research adequately, on other hand the social desirability due to respondents bias, so to solve such kind of constraints by describing the objective of the studies, which is to change the system of PEM in the organization effectively.

## **1.8 Organization of the Study**

The study thesis was divided into five chapters that that covered Introduction, Literature Review, Research Methodology, Data analysis and discussion, Conclusion and Recommendation each chapter's detail contents are outlined as illustrated below. The first chapter includes background of the study, statements of the problem, research question's, general and specific objectives, significance of the study, limitation of the study. The second chapter deals with literature review which takes into account the theoretical framework and empirical reviews. The third chapter deals with research design and methodology like study

designs, source of data sample design, sampling procedure, study population, method of data analysis and presentation. The fourth chapter analyzes and discusses the result and the fifth chapter shows conclusion and recommendation.

## CHAPTER TWO

### 2. LITERATURE REVIEW

#### 2.1 Conceptual Literature Review

Public expenditure refers to expenses which a government incurs for its own maintenance, the society and the economy, helping other countries. The actual budget spells out the direction of the expenditure, as it contains details of the proposed expenditure for each year, though the actual expenditure may differ from the budget figures due, for extra budgetary expenditure or allocations during the course of the fiscal year, (Aigheyis,2013).

A Budget is defined as the quantitative allocation of organizational resources for particular operations and plans for a forthcoming time .Resources which serve as the financial blueprint for the company or organization basing on its goals and objectives .The success of budget is evaluated in terms of its facilitation of the realization of the established goals and objectives during the budget process. A budget is a financial plan or road map that governs the allocation of societal and economical resources during the fiscal year (WildavskyA.2007:183-190).

The budget of a government is a financial plan of the intended revenues and expenditures of that government. Budgeting and financial management issues are at the core of public sector reform programs in developing countries, particularly, countries with dynamic economy and diverse arrangement. Public expenditure defined as, "The expenditure incurred by public authorities like central, state, and local" governments to satisfy the collective social wants of the people is known as public expenditure. It is spending made by the government of a country on collective needs and wants such as pension, provision, infrastructure, etc.

In the 20th century, John Maynard Keynes argued the role of public expenditure in determining levels of income distribution in the economy. Since, then government expenditure has shown an increasing trend.

In the 17th and 18th Centuries public expenditure was considered as wastage of money. Thinkers said government should stay with their traditional functions of spending on defense and maintaining law and order.

Public expenditure management (PEM) is the balance between revenue and expenditure, and the allocation of funds among public activities and entities (Allen & Schick, 1999) and several theories of public expenditure exist in public economics. Governments at all level (national, regional and local) need to raise revenue from a Variety of sources to finance public sector expenditures, like from tax, non-tax and other sources.

It is known that the main sources of revenue or income are tax based on the principles who will benefit, and who can pay. Therefore, public expenditure means the expenditure on developmental and non-developmental activities, such as construction of road ways and dams, energy, irrigation, and other societal and economical activities. (*AKrani G"Meaning.etl,2012*).

Public expenditure management (PEM) it is just another term for budgeting in the public sector, it focuses on outcomes and sees expenditures as a means to produce out puts which are needed to achieve desired out comes that plays a great role in achieving goals of each programs or projects that contribute for the intended impacts of the organization or the government at large for the satisfaction of citizens requirements. Public Expenditure Management (PEM) highlights the importance of having the right responses, i.e. those that lead to desired outcomes.

PEM is an approach to public sector budgeting that is oriented towards achieving socially desired outcomes, it asks what outcomes do we want to achieve through the budget and what procedures, rules and processes do we need to put in place in order to achieve the required outcomes.

A country should care about the aggregate fiscal discipline before any spending take place, aggregate fiscal discipline (fiscal policy) refers to the alignment of PEM with total revenues (domestic revenues plus a substantial level of foreign borrowing and aid), this means that a government spending should be within its sustainable limits. The government expenditure or spending should not be more than what it can afford; there should be programs, and activities that promote strategic priorities of the country. The government spending should consider the question that the economy on the right things or value for money, that the spending output should be efficient, effective and economical. A good budget is one that produces out puts that lead to improvements in desired outcomes. If the proper

implementation of rules and procedures leads to bad outcomes, then from the PEM perspectives the rules and procedures are considered flawed( damaged) and should be reformed or amendment should take place, under the PEM there should be flexibility to make balance that must necessarily be given line agencies or budgetary institutions for them to produce the out puts needed to achieve the desired outcomes and the corresponding accountability of the agencies for producing those outputs (Allen &Schick, 2007:213).

## **2.1 Basic Concepts of Budgeting**

Budget is a financial plan embodying estimate of proposals, which include expenditure and the proposed means of financing them, for a given period. It is a short term financial plan, a political document couched in figures, a management tool used for both planning and control, a device for insuring a continues monitoring procedure ,reviewing and evaluating performance with reference to previously established standards, as an overall method of improving operations(Ademolekun, July25,2016).

A significant development in the intellectual history of the 20<sup>th</sup> century has been implicit recognition of the importance of government in the operation of economy .Government's role generally is performed through the public expenditure management system. It is a network forecast of government revenues and expenditures for governments towards the economy (Thomhill, 1984).

Budget is an instrument for the exercise of government's AL locative, distribution and stabilization function (Wildavsky and Naomi,2007).It is also a political document through which money appropriated according to value judgment ,while the budget process is a political process that takes place within a political arena (Gildenhugs,1997).The budget is a short term financial plan ,apolitical document, a management tool used for planning and control, advice for monitoring and evaluation government operations Adamolekun,1983.

There for public expenditure management (EPM)system is the process through which government or the political system evolve an instrument (budget) that is couched in figures for pursuance, monitoring and evaluation of its goals. Budget is a tool employed forecast and guide the economic, social, political and other activities of the state in a certain direction in order to realize predetermined goals and objectives. Thus odd –Helge at al.2004 argued that

in public administration, the budget serves as a decision /making instruments by which priorities are set, goals and objectives are established, operating programs are compiled and control exercised consequently (Dobel and Ulrich, 2002). Noted that Budgeting entails policy and management analysis needed to make decisions and actions related to implementing them, it involves adjustment of mandates ,objectives ,resources and practices put in place to ensure the realizations of plans and tracking of performance.it equally entails the process of parliamentary approval, reporting performance and accountability.

Toure (2001) outline the basic elements of budget. It provides overall vision of the state policy, Provide coherence among the various sectors for activities, Thoroughness based on the evaluation of needs, Transparency in all the budget items, It needs to be cautious and realistic given that demand always exceed resources, Classification of investment expenses and current expenditure spread over one fiscal year.

The nature of budget is determined by the roles it performs.as noted by Schick (1966), Wildavsk(2001) and Me Nab and Melese (2003), a typical budget performs three different functions: Planning function, Management and Control Function. This function roughly correspond to the four stage of the budget cycle:-Executive preparation and legislative review (planning), Execution (management) and audit (Control) (Mccoppery, 1999), Bruce (2001) observed that the planning function of public budgeting empathizes the allocation of resources among competing public programs in an efficient manner. This role is characteristically political and always resides as the highest levels of government.

On the other hand, the management function according to Schick (2001) and World Bank (1998) revolves around the interprograme allocating resources, supervision to ensure and enhance allocation and technical efficiency. The control or audit function focuses on the mechanisms by which government is held accountable to task pare .it revolves around the legal procedures, administrative and other restrictions on the expenditure of public resources that enhance transparency, accountability, fairness and objectivity.

### **2.1.1 Budget and its Roles**

A budget, if created and used properly, can provide valuable information about the direction, resources and expectations of the organization. Budget is described as an integral part of management control systems that aims at promoting coordination and

communication among subunits within the company, provides a framework for judging performance and finally motivating managers and other employees (Horngren et al, 2005).

The idea of multiple uses of budgets in organization is not new. To serve as an effective tool, budget pursues different tasks such as planning, forecasting, controlling, coordinating, communicating, instructing, authorizing, motivating, delegating, educating evaluating performance facilitating decision making and managing subordinates.

**Means of Forecasting and Planning:** Given a set of forecast, the budget model is able to operate in an optimizing role, attempting to ascertain which plan of action will result in the greatest benefit of the organization. Since planning is at the heart of a budgeting process, by employing the budgeting process diligently, companies can plan extensively on the best course of action to achieve the organization's goals. The budgeting process encourages managers to anticipate problems before they arise, and hasty decisions that are made on the spur of the moment based on expediency rather than reasoned judgment, will be minimized (Drury, 2001).

**Channel for Communication and Coordination:** Evidently, budgets are an important channel of communicating certain type of information that will enable managers in different parts of the organization to be fully informed of the plan and policies, and constraints, to which the organization is expected to conform. Through the budgeting process, top management communicates its expectations to the lower level management, so that members of the organization may understand these expectations and can coordinate their activities to attain them (Drury, 2001).

**Motivational Device:** The budget can be a useful device for influencing managerial behavior and motivating managers to perform in line with the organizational objectives (Drury, 2001). A budget provides a standard that under a certain circumstances may motivate managers to strive to achieve the standard. However, it is possible for manager to view the budget as a pressure device in trying to get them to achieve a level of performance that they do not see as achievable. Nevertheless, motivation would be enhanced through the feeling of involvement which participation in the budgeting process

can promote. If individuals have actively participated in preparing the budget, and it is used as a tool to assist managers in managing their units, budget can act as a strong motivational device by providing a challenge (Drury, 2001).

### **2.1.2 The budget planning and control process**

Budget setting is a process, not a specific formula or technique. Thus, understanding the intricacies and the dynamics of the budgeting process is essential. Budgeting is an iterative cycle which moves between targets of desirable performance and estimates of feasible performance until there is a convergence of plan which is feasible and acceptable (Emmanuel, Otley and Merchant, 1990). It usually starts with a forecast of future fundamental performance such as sales and net profits. A forecast is a prediction of future events and their quantification is used for the purpose of planning. A forecast relates to events in the environment over which the business has either no control or limited control. Budgeting process also involves the issuance of guidelines by top management, interaction among various departments, strategy analysis, preparation of preliminary budgets, and review by departmental/business unit heads, negotiation with top management, finalization of each budget, preparation of the master budget and lastly, their approval by the top management.

The budget construction process will normally follow the organizational structure. The budgeting process provides a system for coordinated planning among different functional areas (Ramsey, 1985 and Bremser, 1988). Some organizations follow a top-down, or mandated approach. Others utilize a bottom-up approach which is closely related to the participative philosophy of budgeting. The description of each budget construction process is as follows:

**Top-down budget:** Also known as “Imposed Budget”, this approach to budgeting will begin with upper level management establishing parameters under which the budget is to be prepared. Lower-level managers have very little, if any, input into the determination of the budget amount and setting the overall goals of the organization. The lower-level unit’s involvement in the process is essentially reduced to doing the basic budget calculations and adhering to the directives of top management. One disadvantage of the top-down approach is that lower-level managers may view the budget as a dictatorial standard. Resentment can be fostered in such an environment. Further, such budgets can sometimes provide ethical challenges, as lower level managers may find themselves put in a position of ever-reaching to

attain unrealistic targets for their units. On the positive side, top-down budgets can set a tone for the organization. Top management can ensure that the budgets are aligned with the strategic plans. The budgeting process can be completed faster as less time is needed for budget administration.

**Bottom-up Budget:** Bottom-up budgeting is also known as “Participatory Budget” mainly due to the nature and degree of lower-level managers „involvement in the formulation of budget. Top management may initiate the budget process with general budget guidelines, but essentially bottom-up budgeting begins at the operational level. The operational units drive the development of budgets for their units. These individual budgets are then grouped and regrouped to form a divisional budget with mid-level executives adding their input along the way. Eventually top management and the budget committee will receive the overall plan. The budget committee reviewed the budget components for consistency and coordination. This type of budgeting requires more time to move through the process and complete the budget, but ensures buy-in and commitment at all levels of the company.

**Blended Approach:** Blended approach is a combination of top-down and bottom-up budget process whereby in this process, top management sets objectives for financial performance and submits these to operating managers, who then develop budgets based on these objectives. The budget is reviewed by top management and either approved, disapproved, or revised. The process may require several iterations of passing the budget back down the ladder for revision by operational units until a final budget is reached. The blended approach to budgeting is also known as “Negotiated Budget”. Negotiation in budgeting process will cause subordinates to behave more cooperatively. Thus, it follows that subordinates“ will have less incentive to build slack in their budget target which they are trying to negotiate and are more committed in transforming the plans into actions once approved by the top management. Blended approach is best suited for a company with a certain amount of sophistication in preparing budgets.

### **2.1.3 Budget Practices and Role of Government Budgets**

A major element of financial data activity rests in the act of budgeting. Budgeting is the process of allocating finite or limited resources to the prioritized needs of an organization. In most cases, for a governmental entity, the budget represents the legal authority to spend

money (Hirsch, 1966). Adoption of a budget in the public sector implies that a set of decisions has been made by the governing board and administrators that culminates in matching a government's resources with the entity's needs. As such, the budget is a product of the planning process.

As Jensen (2009) noted the budget also provides an important tool for the control and evaluation of sources and the uses of resources. Using the accounting system to enact the will of the governing body, administrators are able to execute and control activities that have been authorized by the budget and to evaluate financial performance on the basis of comparisons between budgeted and actual operations. Thus, the budget is implicitly linked to financial accountability and relates directly to the financial reporting objectives established by the GASB (Jensen, 2009) a good budget practices incorporates a long term perspective, establish linkage to broad goals, focuses budget decisions on results and outcomes and involves and promotes effective communication, Francisco B., et al. (2007).

Budgeting is not solely a matter of finance rather it is an important part of government's general economic policy. It is a strong instrument in implementing the long term, medium term, and annual administrative and development programs (MOFED, 2016). Budgeting involves different tasks on the expenditures and revenue sides of government finance. On the side of expenditure, it deals with the determination of the total size of the budget (i.e. total amount of money ready to be expended for the year), the size of outlays on different functions, and the magnitude of outlays on various activities. On the revenue side, it involves the determination of the size of the overall revenue (Premchand, 1983). Premchand more substantiated the purposes of budget in terms of three aspects: as a tool of accountability and management, as an instrument of economic policy and as a type of legislation and political exercise. Especially, budgeting as an instrument of economic policy has more important function. It indicates the direction of the economy and national growth, allocation and utilization of resources. The other function of budget is to promote macroeconomic balance of the country through fiscal policy. This means, government has used taxation, government expenditure and borrowing to achieve economic growth, full employment, price stabilization and fair income distribution. On the other hand, Fozzard (2001) described the role of budgets as most important economic and political tool available to governments to promote development and poverty reduction.

### **2.1.4 Budget Allocation Process**

Budget allocation process is not a system which is mechanically run by legal frameworks and rules one set up. They are important likely organic processes consisting of a myriad of rules and regulations and in addition unwritten ideas, traditions, approaches and methods formed overtime. They are also highly political, having a direct impact of the distribution of income and wealth, and so power, across the society (Isaker et.al, 2007).

Government prepares the budget for fulfilling certain objectives, the direct outcome of governments economic, social and political policies. The objective of the government budget can be attained by reallocation of resources, though the budget policy, government aims to reallocate resources in accordance with the economic priorities of the country .Government can influence allocation of resources through tax concession and subsidies, encourage investment and producers.

The growth rate of a country depends on rate of saving and investment, budgetary policy aims to mobilize sufficient resources for investment for public sector, that the government makes various provisions in the budget to raise overall rate of savings and investment in the economy. The government budget aims to reduce regional disparities through its taxation and expenditure policy form incur aging setting up of production units in economically backward regions. Government can reduce inequalities in income and wealth through its budgetary policy by imposing taxes on the rich and spending more on the welfare of poor (slideshare.com/microeconomic/10).

### **2.1.5 Budget Preparation, Implementation and Auditing**

Inputs from lower level of local government preparation of the budget framework paper, public hearings, and the prioritization process can be organized in many ways and may vary slightly from one local authority to another and from one year to another. This document is more substantiated notwithstanding these variations, which are often due to different financial and political conditions, a democratic, participatory and transparent budgeting process is essential (LGBC, 2008, p. 12).

According to Government Finance Officers Association (GFOA, 1999), a good budget process is far more than the preparation of legal document that appropriate funds for a series of line items.

Several essential features characterized good budget process. In relation to this, LGBC's document further noted that, in order to prepare a proper budget, three preconditions should be used: The preparation process should be participatory in order to ensure ownership to both the process and the approved budget; budget systematic process of prioritization of programs and expenditures, which is based on informed choices, must take place and planned outputs, activities, and expenditure allocations in the annual work plan and budget estimates must be realistic, and achievable (LGBC, 2008:13).

### **2.1.6 Financial Calendar in Budgeting Process**

Financial calendar defines adequately schedules tasks to be performed, the time frame for each tasks and the institutions responsible to perform each task so that plan and budget are systematically performed, approved, appropriated and executed (MOFED, 2008). The financial calendar includes a planning and budget cycle. According to Shah, the budget cycle must be supported by a budget calendar that specify the staging each element in the budget cycle." The complete calendar reflects both legislatively and administratively established time tables for step completion; it identifies the role and the responsibility of each step (Shah, 2007:222).

It is essential that public bodies and jurisdictions adhere to the budget calendar. An effective budget is one that is notified at the beginning of the fiscal year and executed on the time throughout the fiscal year. The single most important objectives of the budget calendar is the provision of the timely budget ceiling to public bodies so that they have adequate time to prepare budgets that are defined by resource limits.

### **2.1.7 Budget Preparation and Legislative Approval**

Budgets have to be passed regularly, usually on an annual basis, in order to ensure that the government continues to operate. The budget process is governed by a time line that typically can be separated into four different stages; which are Preparation, Approval, Implementation and Auditing. As Shah explained in budget preparation is often viewed as a predominantly an executive role and includes the planning or preparing the budget, and the linkage of plan through MTEF for annual budget establishment of priorities and resources spending envelopes. It is concerned with compiling a draft budget, the budget drafting or formulation stage takes place largely in the executive branch of the state. The drafting stage often involves balancing the needs

and proposal driving from various government departments against the priorities set by political office-bearers and fiscal advisors (Shah, 2007).

Effective organizational and departmental budgeting and budgetary utilization is crucial for ensuring accomplishment of organizational goals that leads to achieve the succession of Vision, every organization performance is affected by the practical budget application in efficient and economical matters for the fast growing economy of the country. However, in Ethiopia research in this issue is very limited; among the relevant studies conducted by Tilahun Bogale entitled budget management and control in Ministry of National defense, he mentioned that the institution have a five year strategic plan, and is under operation since 2007. Accordingly, step by step and year after year, different stages of activities have been improved and coordination has been enhanced in the defense force. However, at the same time several problems remain unsolved with regard to the budget preparation, execution, and control in various defense units (Tilahun, 2010).

Similarly a study conducted in Addis Ababa City Administration Health Bureau in budget preparation and utilization revealed in many of the budget users, gaps are observed in organizing their plans as per the strategy of the Health Bureau; with regard to budget planning and utilization, the annual report of Addis Ababa City Administration Health Bureau shows the existence of inefficiencies in budget preparation and utilization. Some of the limitations identified in the report includes absence of strong follow up and control by successive leaders on the budget preparation as well as utilization at each respective budget users; each budget users unable to report comparisons of utilized and unutilized budget including the reason why it is not consumed meanwhile, the audit report by office of auditor general for the year of 2008, MOFEC unutilized Ketema ( 2015).

## **2.2 Theoretical Literature Review**

### **2.2.1 The Keynesian theory**

The Keynesian model indicates that during recession a policy of budgetary expansion should be undertaken to increase the aggregate demand in the economy thus boosting the Gross Domestic Product (GDP). Keynes regards public expenditures as an exogenous factor which can be utilized as a policy instruments to promote economic growth. From the Keynesian thought, public expenditure can contribute positively to economic growth.

Hence, an increase in the government consumption is likely to lead to an increase in employment, profitability and investment through multiplier effects on aggregate demand. As a result, government expenditure augments the aggregate demand, which provokes an increased output depending on expenditure multipliers. In economic theory, it appears as Harrod-Domar Keynesian theory of growth or simply, Harrod — Domar growth model. A mathematical equation of this model:  $y=f(k, s)$  shows the existence of a direct relationship between savings and the rate of economic growth (Muturi,2016:242).

### **2.2.2 The Big Push Theory**

The Big Push Theory has been presented by Paul Rosenstein Rodan (1943). The idea behind this theory is that a big push or a big and comprehensive investment package can be helpful to bring economic development. In other words, a certain minimum amount of resources must be devoted for developmental programs, if the success of programs is required.

The theory of the model emphasizes that underdeveloped countries require large amounts of investments to embark on the path of economic development from their present state of backwardness. As some ground speed is required for the aircraft to airborne, in the same way, certain critical amount of resources must be allocated for development activities. This theory is of the view that through 'Bit by Bit' allocation no economy can move on the path of economic development, rather a specific amount of investment is considered something necessary for economic development. Therefore, if so many mutually supporting industries which depend upon each other are started, the economies of scale will be reaped. Such external economies which are attained through specific amount of investment will become helpful for economic development (Willy Muturi,2016:243).

### **2.2.3 The Endogenous Growth Theory**

Paul Romer and Robert Lucas (1990) are the principal authors of the endogenous growth theory. The theory highlights the fact that if productivity is to increase, the Labour force must continuously be provided with more resources. Resources include physical capital, human capital and knowledge capital (technology).

Growth in this model is driven by technological change that arises from intentional

investment decisions made by profit maximizing agents. The distinguishing feature of the technology as an input is that it is neither a conventional good nor a public good; it is a no rival, partially excludable good. Because of the no convexity introduced by a no rival good, price-taking competition cannot be supported, and instead, the equilibrium is one with monopolistic competition. The main conclusions are that the stock of human capital determines the rate of growth, that too little human capital is devoted to research in equilibrium, that integration into world markets will increase growth rates, and that having a large population is not sufficient to generate growth.

The idea behind endogenous growth theory can be seen most easily by considering the production function,  $Y = AK$ , which did not make an explicit distinction between capital accumulation and technological progress. In conclusion it lumped together the physical and human capital whose accumulation is studied by neoclassical theory with the intellectual capital that is accumulated when innovations occur (Muturi,2016:244).

#### **2.2.4 The Wagner's Law/ Theory of Increasing State Activities**

Adolph Wagner (1835-1917) was a German economist who based his Law of Increasing State Activities on historical facts, primarily of Germany. Wagner advanced his „law of rising public expenditures“ by analyzing trends in the growth of public expenditure and in the size of public sector. Wagner's law postulates that: (i) the extension of the functions of the states leads to an increase in public expenditure on administration and regulation of the economy; (ii) the development of modern industrial society would give rise to increasing political pressure for social progress and call for increased allowance for social consideration in the conduct of industry (iii) the rise in public expenditure will be more than proportional increase in the national income (income elastic wants) and will thus result in a relative expansion of the public sector (Willy muturi,2016:242-245).

According to Keynesian model indicates that during recession a policy of budgetary expansion should be undertaken to increase the aggregate demand in the economy thus boosting the Gross Domestic Product (GDP). Keynes regards *public expenditures* as an exogenous factor which can be utilized as a policy instruments to promote economic growth. From the Keynesian thought, public expenditure can contribute positively to economic growth. Hence, an increase in the government consumption is likely to lead to an increase in

employment, profitability and investment through multiplier effects on aggregate demand. As a result, government expenditure augments the aggregate demand, which provokes an increased output depending on expenditure multipliers. In economic theory, it appears as Harrod-Domar Keynesian theory of growth or simply, Harrod- Domar growth model.

Therefore, above theories observe practical relationship between two variables in different perspective. *Wagner's law* considers public expenditure as endogenous factor that is driven by national income. In contrast to it *Keynesian hypothesis* consider public expenditure as exogenous variable that influences economic growth. To be exact, while *Wagner's law* establishes that causality runs from economic growth to public expenditure, *Keynesian view* establishes direction of causality to be from public expenditure to economic growth. Knowledge of precise direction of causality has important policy implications. If casualty were Wagnerian then public income should be treated as important policy variable while public expenditure is down graded to a passive role. On the otherhand if causality supports *Keynesian view* public expenditure becomes an important policy variable as was experienced during 1930's great depression in the Western industrialized world ( Gaundog,2016 :245).

*Therefore, best of researcher knowledge most wagner theories* are recommended concerning public expenditure management because of as our developing country to assure sustainable development within region the rise in public expenditure will be more than proportional increase in the national income (income elastic wants) and will thus result in a relative expansion of the public sector. the initial stage of economy growth, the state finds out that it has to expand its activities quite fast in several fields like education, health, civil amenities, transport, communications, and so on. But when the initial deficiency is removed, then the increase in state activities and spreading Industrialization and other activities . therefore the Wagner's theories is appropriate to public expenditure management.

### **2.3 Public Expenditure Meaning and Classification**

Public expenditure refers to government expenditure i.e. Government spending.it is incurred by central, state and local governments of a country. Public expenditure can be defined as ,”the expenditure incurred by public authority like central, state and local government to satisfy the collective social wants of the people is known as public expenditure”(kalian-

city.blogspot,2011)

Throughout the 19th century, most governments followed laissez faire economic policies and their functions were only restricted to defending aggression and maintaining law and order .the size of the public expenditure was very small. But now the expenditure of government all over has significantly increased.in the early 20th century, john Maynard Keynes advocates the role of public expenditure in determination of level of income and its distribution.

In developing countries, public expenditure policy not only accelerates economic growth and promotes employment opportunity but also plays a useful role in reducing and inequality in income distribution (kalian-city. Blog Spot, 2011).

### **2.3.1 Classification of Public Expenditure**

Literature on the Classification of public expenditure refers to the systematic arrangement of different items on which the government incurs expenditure .different economist have looks at public expenditure from different point of view .the following classification is a based on these different views (kalian-city. Blog Spot, 2011).

According to kalian-city .blog spot (2011) there are various classification of regarding to public expenditure that is based on Functionality classification includes: Revenue and capital expenditure, transfer and non-transfer expenditure. On other hand as concepts of classical Economists “on the basis of creation of productive capacity there is another classification of public expenditure indicates that productive and unproductive expenditure, development and non-development expenditure thus the later on is modified by modern economists as classification in to distinction between development and non-development expenditures.

Additional, according to Economists Hugh Dalton, there was suggested classification based on grants and purchase price. Grants as those payments made by public authority for which there may not be any quid-pro-quo, i.e. there will be no receipt of goods or services. For example, old age pension, unemployment benefits, subsidies, social insurances, etc. grants are transfer expenditures. The Purchase prices are expenditures for which the government receives goods and services in return .For example, salaries and wages to government employees and purchase of consumption and capital goods.

### **2.3.2 Reviewed concepts of Classification According to Benefits**

Public expenditure can be classified on the basis of benefits they confer on different groups of people. The first sub- classification is Common benefits to all. Expenditures that confer common benefits on all the people .For example, expenditure on education, public health, transport, defense, law and order, general administration. Second one is Special benefits to all: Expenditures that confer special benefits on all. For example, administration of justice, social security measures, community welfare. Third sub-classification is Special benefits to some: Expenditures that confer direct special benefits on certain people and also add to general welfare. For example, old age pension, subsidies to weaker section, unemployment benefits.

According to *Hugh Dalton* has classified Public expenditure as Expenditures on political executives: i.e. maintenance of ceremonial heads of state, like the president. Administrative expenditure: to maintain the general administration of the country, like government departments and offices. Security expenditure: to maintain armed forces and the police forces. Expenditure on administration of justice: include maintenance of courts, judges, public prosecutors. Developmental expenditures: to promote growth and development of the economy, like expenditure on infrastructure, irrigation, etc. Social expenditures: on public health, community welfare, social security, etc. Public debt charges: include payment of interest and repayment of principle amount.

### **2.4 Emperical Litreture Review**

Effective organizational and departmental budgeting and budgetary utilization is crucial for ensuring accomplishment of organizational Goals that leads to achieve the succession of Vision, every organization performance is affected by the practical budget application in efficient and economical matters for the fast growing economy of the country, With regard to this issue there are very few studies relevant to Ethiopia context particularly higher education institutions. *Tilahun Bogale, 2010* studied budget management and control in Ministry of National defense and stated that a five year strategic plan has been prepared and is under operation since 2007. Accordingly, step by step and year after year, different stages of activities have been improved and coordination has been enhanced in the defense force. However, at the same time several problems remain unsolved with regard to the budget preparation, execution, and control in various defense units.

*Ketema Muluneh, 2015* studied Preparation and Utilization Case of Addis Ababa City Administration Health Bureau and stated that in many of the budget users, gaps are observed in organizing their plans as per the strategy of the Health Bureau; with regard to budget planning and utilization, the annual report of Addis Ababa City Administration Health Bureau shows the existence of inefficiencies in budget preparation and utilization. Some of the deficiencies identified in the report are: there is no strong follow up and control by successive leaders on the budget preparation as well as utilization at each respective budget users; each budget users unable to report comparisons of utilized and unutilized budget including the reason why it is not consumed meanwhile, the audit report by office of auditor general for the year of 2008, MOFEC unutilized budget.

Zerihun Assefa, 2014 studied about trend and its significance of public expenditure in Ethiopia that the empirical foundation of the study depends on the recurrent and capital components of public expenditure to assess its trend and significance on Gross Domestic Product (GDP). Classification of public expenditure that refers to the systematic arrangements of different items on which the government incurs expenditure.

The researcher outlined that different economists have looked at public expenditure from different point of view. Recurrent expenses are current or consumption expenditures incurred on civil administration, defense forces, public health and education, maintenance of government machinery. This type of expenditure is of recurring type which is incurred year after year .On the other hand, capital expenditures are incurred on building and long durable assets like highways, multiple purpose dam, irrigation projects, buying machinery and equipment, hydroelectric power. They are non-recurring type of expenditures in the form of capital investments. Such expenditures are expected to improve the productive capacity of the economy.

The empirical researches identified that the effect of government expenditure on economic growth reported results as positive effect or negative and those who observed mixed results and those who could not establish any relationship between government expenditure and economic growth. The first school of thought in those who support the idea that public expenditure has negative impact on economic growth (Manoj, 2013).

Deverajan et al. (1996) shed light on the consumption of public expenditure and economic

growth for the panel of 43 developing countries from 1970 to 1990 income in the share of recurrent expenditure has positive and statistically significant growth effects and by contrast, capital as a component of public expenditure has a negative impact on economic growth. According to the study, these results imply that, developing countries governments have been misallocating public expenditure in favor of capital expenditure at the expense of recurrent expenditure.

Based on the findings from the empirical analysis, Ifeanjiet.al (2012) offers the following recommendations: Capital and recurrent expenditures on economic service should be dissected mainly to productive economic activities. This will stimulate activities in the economic sectors and perhaps reverse the negative effect on economic growth. The portion of government total expenditure that goes into capital and recurrent expenditure financing should be increased since these components exert significant positive effect on economic.

## **2.5. Empirical Review of Government Expenditure by World Bank**

Ethiopia State-Led growth achieved growth rates well above the average for sub Saharan African. Economic growth concentrated in services and agriculture was driven by productivity gains and capital accumulation arising from a substantial expansion of public infrastructure investment within a Conducive external environment. Ethiopia's Growth and Transformational Plan (GTP) 2010/11-2014/15 defined not only the nature and size of public investment projects also the level of jurisdiction and responsibilities .For instance more capital spending on road higher education expansion, and increased pro-poor spending at the lower tiers of administration. The model places crucial emphasis on state -owned enterprises (SOES) to finance and manage public infrastructures development investments.

The primary objective of the public expenditure review (PER) 2015 is to analyze recent fiscal development in Ethiopia within the extent of a broad infrastructure investment program for growth and poverty reduction. The cover charge question is to draw in sights on how finance public investment in situation where revenue capacity is low and fiscal envelope is finite .External grants play a significant role in government finance. Increased capital spending needs to be matched by appropriate levels of recurrent expenditure; domestic and external concessional financing needs to be balanced in sustainable financing mix of budget deficit, and non- concessional financing is contained within sustainable debt limits. The Public Expenditure Review (PER) 2015 is structured in two complementary parts (World Bank,

1994).

## **2.6. The Aggregate Fiscal Work (AFW)**

The composition of spending at the Federal, Regional and Woreda by functional and economic classification. Arise in the share of spending at lower tiers of government both regional and Woreda levels: a change in competitive of domestic deficit financing and declining revenue productivity. Spending is closely aligned to GDP with a clear stimulus to the poverty sector; yet the review concludes that significant revenue mobilization will be required to protect basic service delivery and to match the recurrent cost implications from ongoing investments. Government expenditure classified by two categories, namely, capital and recurrent final expenditure.

Over the past decade ,Ethiopia has made some strong budget adjustments ,which effectively increased government savings to fund a major increase in annual government gross fixed capital formation(GFCF).It reallocated funds away from general administration to economic and social services by cutting recurrent expenditure, with the reallocation being more pronounced at federal level than at the sub national levels .The government reduced current expenditure from percent to seven percent of GDP while revenues and grants as a share of GDP remained alternatively constant level.

This effectively increased government savings that helped fund a major increase in annual government(GFCF) over by 30% of GDP up to round 10% of GDP, but the recurrent funding rates within the economic and social sectors are low compared to all comparators in this analysis recognizing that the recurrent operational and maintenance (O&M) budget support required to sustain the public sector services of investments arises significantly across sectors and that Ethiopia has been focusing on economic sectors with lower recurrent cost requirements,it still found that at a sector level the realized recurrent funding rates within the economic and social service sectors are still low compared to all comparators.(source :The world bank Group )

## **2.7. Legal Framework of Ethiopian Public Expenditure Management**

Ethiopia has well- established legal framework to governing its public expenditure that derives from the 1995 constitution of FDRE the constitution clearly defines structure ,division of power and responsibilities among the state organs. According to article 12 sub-

article (1) of FDRE constitution the conduct of affairs of government shall be transparency and its sub-article (2) states that any public official or an elected representatives are accountable for any failure in official duties. The FDRE constitution legal article 29 provides that basis for any individual, institutions and other stake holders to access on budgetary and budget process. The constitution provides that the framework for peoples participation through electoral representation. The legislature has clear authority over the approval of budget estimated and final actual expenditure.

According to the Revised proclamation No.128/2009 of the SNNPRS of Financial Administration adopted to Sidama Regional state council under article 18 states that “the annual budget and expenditure” the budget each fiscal year which comprises the regional government Revenue, expenditure and subsidy to the administrative hierarchy as well as the financing of the budget shall be approved by the state councils and administrative councils. According to article 19(1) of this proclamation the bureau of head shall annually submit to the executive councils regional government’s macro- Economic and fiscal framework such frame work shall cover three consecutive years and contain. Additional according to article 19 sub 1(a) states that “estimates of Revenue for each fiscal year per each public body segregated by recurrent and capital expenditure” and these recurrent and capital expenditure segregated by economic sectors (Budget Admn. procl. No.128/2009).

Therefore as a concept of legal frame work the macro-economic fiscal framework the head of bureau have responsibility to the estimates annual budget and expenditure as well as monitoring the performance related to budget versus actual expenditure among planning .

The literature reviewed largely reveal that government budgetary institutions have made attempts on addressing issues of budget preparation and utilization process in the public sector but gap still remains on the proper monitoring and evaluation of each programs to control the budget and its utilization. A good budget implementation process should issue proper planning and control of limited resources to achieve intended government policies and priorities in a transparent and effective way (Pierce, 2004).

## 2.8 The Conceptual Framework

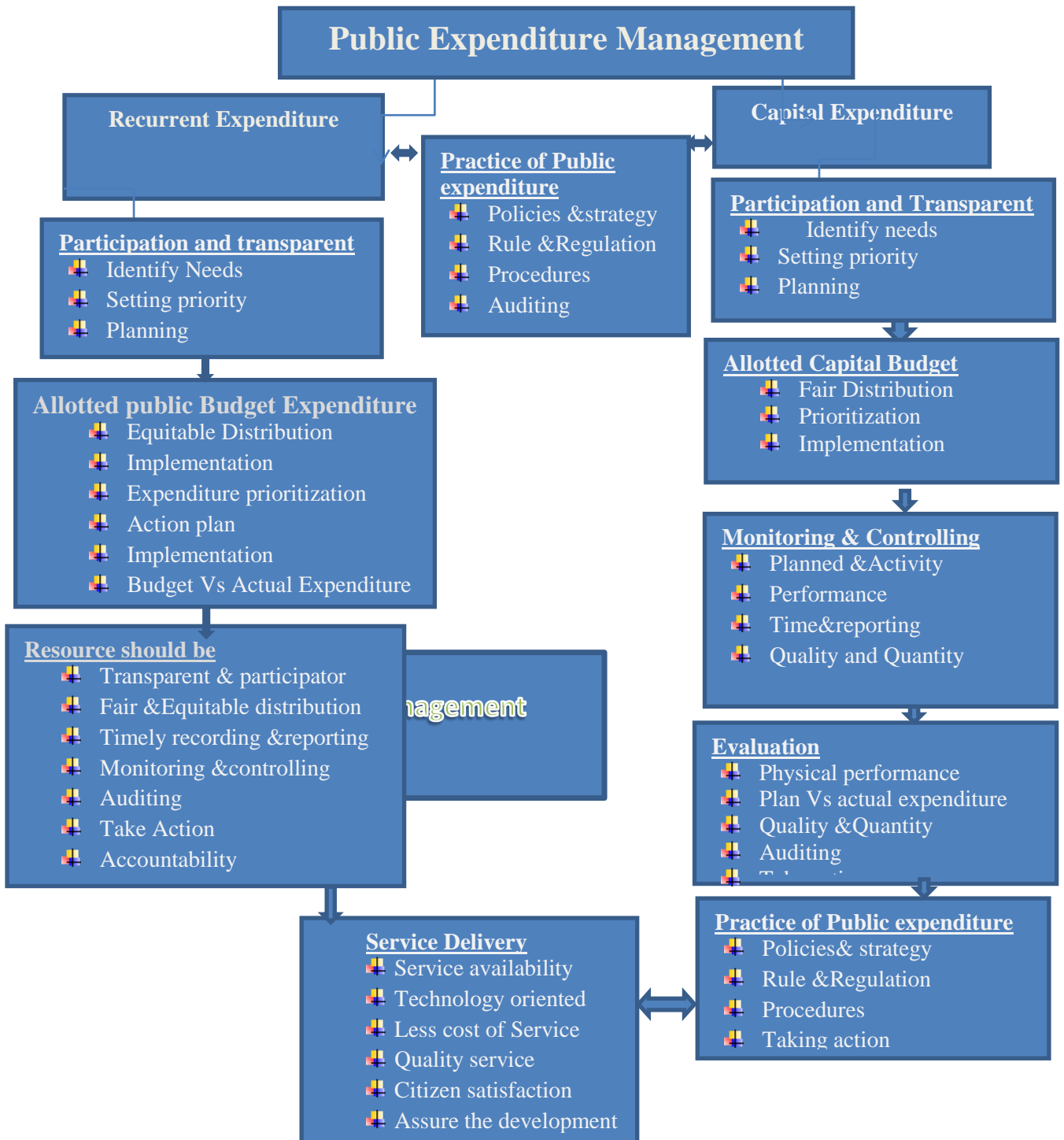


Figure 2.1: Conceptual Frame work  
Source: Own construct, 2023

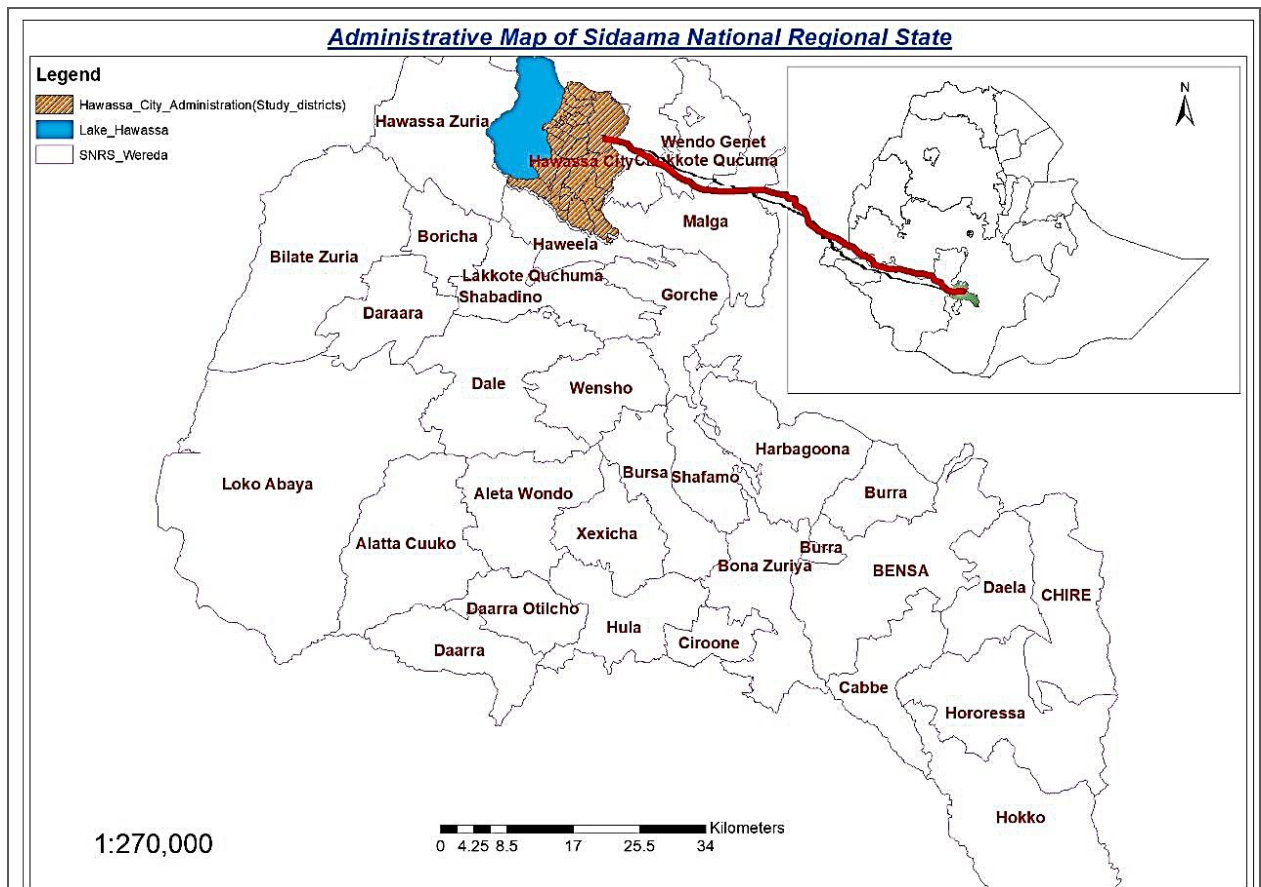
## CHAPTER THREE

### 3. RESEARCH METHODOLOGY

#### 3.1 Description of the Study Area

Sidama Region is astronomically located roughly from  $6^{\circ} 14' 54''$  to  $7^{\circ} 15' 10''$  north latitudes and  $37^{\circ} 10' 05''$  to  $39^{\circ} 15' 01''$  east longitudes and total population is currently above 6 million. It is located where Northeast of Lake Abaya and south east of Lake Hawassa, Sidama is bordered on the south by the Oromia region. (Except for short stretch in the middle where it shares a border with Gedeo zone) on the west by the Bilate river, which separates it from Wolayita zone, and the north and east by the Oromia. It shares an administrative boundary line of about 86% with the Oromia region and 14% with SNNP Region, the total area of the region is estimated to be 6806.23 / 6981.8 square kilometers geographically location .

SNRS is established formally last two years ago after long historical struggle to be self-administration. The Sidama Regional state is divided into 4 zonal administrations and 1 city administration which, unlike the other regions, are institutionally separate from the regional government (thus, only the regional bureaus fall under the regional government). Within the zones fall 30 rural *woreda* governments and 6 urban administrations, which, under Ethiopia's decentralized system of government, have their own governing councils expect zonal administration (BOFED, 2021).



**Figure3.1 Map of the study area**

Source: SNRS bureau of Agriculture; Land management Directorate, 2023

### **3.2 Research Design and approach**

This study is employ descriptive cross-sectional research design. Both Qualitative and quantitative approaches is used to collect the data. Because of The required data collected from both primary and secondary sources were analyzed based on research questions and objectives. The raw data collected from officials, head of selected departments and secondary data sources were categorized, organized and analyzed using both qualitative and quantitative methods. The quantitative data were converted into relevant information using analysis of frequencies and percentages; and was presented in tables, graphs and figures to supplement the qualitative descriptions in order of the research question.

### **3.3. Study Population**

The study population of this study in Sidama National Regional State Bureau of Finance and its core work process. Within the bureau, there are several core and supportive processes. From these, the core processes includes public finance management, Fiscal policy, budget administration and Civic cooperation procurement and property administration agency, and government development organization authority, inspection and internal audit Core work process and Finance and administration affairs core process.

On the other hand, the supportive processes are: human resource management, communication affairs, gender and anti-HIV/AIDS main streaming, ICT, and the like. From those, the three core processes is selected for the purpose of this research. They are Fiscal Policy, budget administration and Civic Cooperation Core Process, Public Finance Management Core Process, and Inspection and Internal Auditing Core Process which are the major players in budget allocation, utilization, and control processes in the bureau (BOFED plan ,2022)

### **3.4. Sampling method and Sample size**

Purposive sampling technique is used to select study participants based on their work experience, relevancy of profession in budget preparation, planning, implementation (utilization) and control practice. The reason for purposely selecting participants is due to researcher's judgment that including public finance experts who direct have knowledge and well experiences on budget and public expenditure issues can provide enough details on the

issues of case study clearly. Since the study is basically targeted the finance, planning and internal audit departments, the target population was 30 in number; 2 department heads, 7 planning expert, 11 public finance, 5 internal auditors and 5 procurement experts.

### **3.5. Method of Data collection**

In order to achieve the objective of the study, the data is collected from both primary and secondary sources. Both closed and open ended questionnaires' are used for data collection. The primary data is collected from concerned and targeted key officials using standard questionnaire. For secondary data, it was collected by reviewing relevant documents such as budget manual, bureau of finance budget utilization report of fiscal year 2010, 2011, 2012, 2013 and 2014 E.C and Office of General Auditors audit reports of fiscal year 2010 -2014 E.C of Bureau of Finance, Research papers, Proclamations, Various websites, and manuals are reviewed.

#### **3.5.1. Key Informant Interview**

In order to obtain through questionnaires' fill by public finance officers, the researcher was interviewed 30 key informants interview of the core process mainly faced on the public expenditure management in the bureau such as the study concerned respondents. So, the researcher Purposive sampling technique was selected because, to get more findings well experienced and knowledgeable experts are important to achieve the objective of study .

#### **3.5.2. Document Review**

In addition, key informant interview, review of secondary documents are used as additional method is used to collect data through KII methods, so the researcher is reviewed various secondary documents available BOFED. Among the reviewed document includes Annual plan, budget proposals, terminal audit reports, expenditure reports, budget Administration proclamation, regulations and other related documents.

### **3.6 Data Analysis and Management**

This study data with qualitative nature's data is collected from key informant interviewers and the data were analyzed through qualitative approaches such as forming themes, audit reports, grouping similar ideas and concepts together. Finally, the findings is also interpreted and presented by using descriptive statistics in the form of numbers and percentages by using

tables and graphs. Specifically, the analysis is follow a series of steps that include preparing and organizing the data, having an overall understanding of the data, develop categories and displaying data and conducting a detail analysis.

### **3.7 Validity and Reliability**

Regarding to the research validity and reliability , the researcher was both data collected from exact source and time. Infact that the secondary data was collected from authorized and legal documents from Finance bureau , On other hand the primary data were collected from the well experienced and knowledgeable experts to achieve exactly and truthful the objective of study. Additional , the results and consistency was basically based on the research questionnaires and objectives. Therefore the study was free from any invalidity and inrealibility .

### **3.8 Ethical Consideration**

Regarding to the researcher ethical consideration, the study is done by honesty and openly, so the researcher is free from any political and other problematic related issues, the purpose of collected data for only the purpose of to fulfill my thesis and based on the free consent of respondent according to the ethical principles of the research participants.

## **CHAPTER FOUR**

### **4. RESULTS AND DISCUSSION**

#### **4.1 INTRODUCTION**

This focuses on data presentation and analysis in relation to a study on the practice of public expenditure of BOF. It also covers data interpretation and the findings of the study. The required data collected from both primary and secondary sources were analyzed based on research questions and objectives. The raw data collected from officials, head of selected departments and secondary data sources were categorized, organized and analyzed using both qualitative and quantitative methods. The quantitative data were converted into relevant information using analysis of frequencies and percentages; and was presented in tables, graphs and figures to supplement the qualitative descriptions in order of the research question.

#### **4.2. Background Characteristics of Respondents**

For the purpose of this study, 30 questionnaires are distributed to all the experts of three directorates of Bureau of Finance which were selected as respondents. A total of 30 respondents were considered for questionnaire, they are the two department heads, 7 budget & planning expert, 11 finance experts, 5 internal auditors and 5 procurement experts. From the selected experts 30 filled and returned the questionnaire properly. Hence, the study focused on the effectively responded by 24 males and 6 females. The distribution of the respondents is shown in the following Table 4.1.

As it was stated in the methodology part, it was planned to conduct interview with two directors from the planning and internal audit respectively. The interviewees gave valuable ideas that enable to get additional information mainly to give support for the secondary data thus the response rate for interview fully completed. The researcher got confidence that the overall response rate was enough to continue with the study.

**Table 4.1** *Distribution of respondents by their sex and age*

Variables	Categories	Frequency(n)	Percentage (%)
Sex	Male	24	80.0
	Female	6	20.0
	Total	30	100
Age	20-30	10	33.3
	31-40	16	53.3
	41-50	4	13.3
	Total	30	100

**Source:** Survey data, 2023

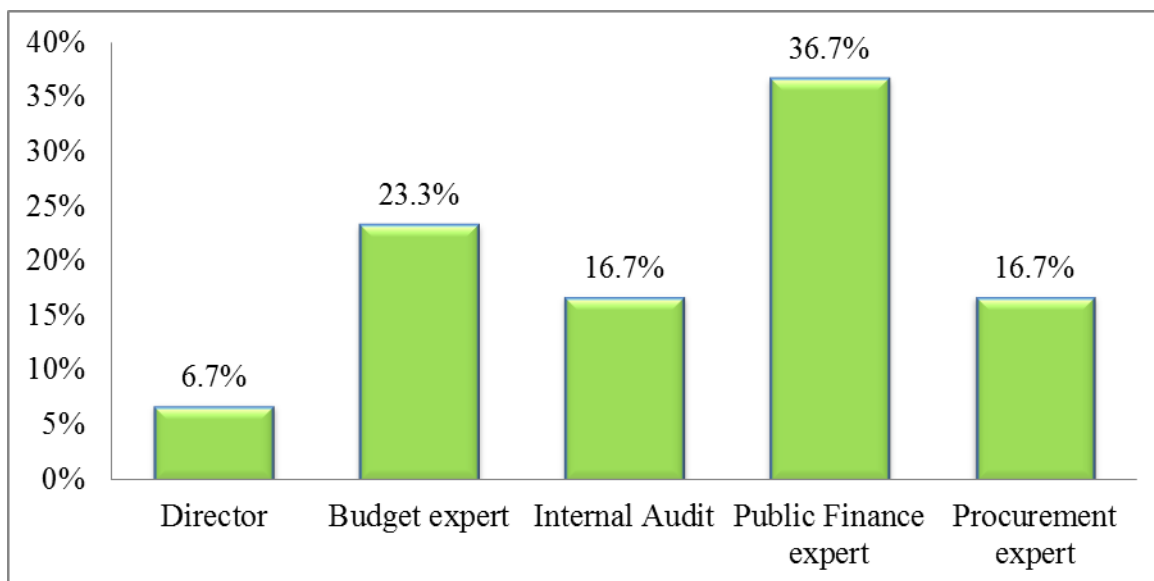
The above table 4.1 illustrates that from the total 30 respondents participated in the study, 24(80%) were male and 6(20%) were female. The result shows that in terms gender the respondents were from both genders through the male group appears to majority in number.

Regarding the age distribution of the respondents 33.33% of the respondents were between the age group 20-30 and 53.33% of the respondents are between the age group of 31-40. On other hand, 13.33% of them were between 40-50 of the less than 20years of age.

**Table4.2:** *Distribution of respondents by their education level and Work experience*

Variables	Categories	Frequency(n)	Percentage (%)
Education level	BA Degree	23	76.7
	MA/MSc above	7	23.3
	Total	30	100
Years of experience	1-4 year	8	26.7
	5-10 year	14	46.7
	Above 10 years	8	26.7
	Total	30	100

**Source:** Survey data, 2023



**Figure4.1 Position respondents**

**Source: Survey data, 2023**

The above Figure illustrates that 23(76.60%) of the respondents are first degree holds followed by 7(23.40%) of 2<sup>nd</sup> Degree holders.

In addition, the figure 4.1above also indicates that participants of their study are experts working in different department of BOF, from the figure we can understand that 6.7% of respondents age director, 23.33% are budget experts 36.7% are Public finance management experts, 16.67% are internal auditor and 16.7 % remaining of respondents are public procurement experts.

Including public budget expenditure related experts in this study provides significant advantage for this study objectives because of from there all respondents are the one who have digest exposure to public budget expenditure management practice in BOF and its departments. They are the one who have dissect knowledge and experiences on the expenditure management practice to this and the respondents of this study , as stated in the table , are financial management expats, budget experts, directors public procurement &internal auditors from Bureau of Finance.

So, based on the information indicated in the figure above, majority of the respondents are educated and this is a good opportunity for the organization to perform well and accomplish its responsibility & duties.

### **4.3 Discussions**

The following sub section of the study presents that the results based on the specific objectives of the study and discussions on the budget allocation, the selection of planned budget with actual expenditure, dealing with issues of transparency and accountability and the budget control this monitoring and evaluation of budget, how the implementation is practiced in the bureaus, are described in addition the challenges or problems that affect the expenditure management are included in each objective in presents and summarized at the end of this chapter.

#### **4.3.1 Transparency and Accountability in Budget Allocation and Execution**

The 1<sup>st</sup> research question is aimed to answer the question whether BOF prepares its budget by participating all departments employees, the researcher tried to analyze and present the data and the findings of the study in relation to this research question based on the responses taken from the questionnaire.

Since transparency is regarded as one of a key features of good governance, and an essential prerequisite for accountability between states and citizens (McGee and Gaventa, 2010). Transparency allows the analysis of state policies and facilitates, the identification of weaknesses leading to the implementation of improvements needed. Transparency and participation in the budget preparation process increases trust and enable the citizen to develop ownership and belongings in the state as well as civil society to hold the government accountable, which they can only do if they have information on budget policies, practices, expenditures and outcomes Mengistu (2023). Hence transparency & accountability are important elements in budget allocation and implementation; it plays a vital role in participation for the application of rules and regulations in the process of budget preparation and utilization.

### 4.3.2 Transparency and Accountability in the Budget Process

**Table 2 Perception of Respondents on Transparency and Accountability in the Budget Process**

Item no.	Statements	SDA		DA		N		A		SA		Mean (SD)
		<i>n</i>	%	<i>n</i>	%	<i>n</i>	%	<i>n</i>	%	<i>n</i>	%	
1	The organization is preparing its budget by participating all departments	7	23.3	3	10.0	2	6.7	5	16.7	13	43.3	3.47 (1.676)
2	The allotted budget is transparently known by all employees of the organization	2	6.7	4	13.3	1	3.3	12	40.0	11	36.7	3.87 (1.252)
3	BoF disclose its annual budget and its utilization to internal and external customers	3	10.0	0	0.0	5	16.7	9	30.0	13	43.3	3.97 (.245)
4	The allotted budget implementation is based on financial rules and regulations strictly	0	0.0	4	13.3	6	20.0	8	26.7	12	40.0	3.93 (1.081)
5	Financial transactions are recorded timely and correctly by finance and procurement directorate and concerned department	0	0.0	4	13.3	4	13.3	12	40.0	10	33.3	3.93 (1.015)
6	The budget may be affected by wrong purchase order process in the system	2	6.7	4	13.3	4	13.3	12	40.0	8	26.7	3.67 (1.213)
7	Unsettled advance payments may be the cause for over utilized or underutilized of the budget during the current year	0	0.0	2	6.7	1 1	36.7	9	30.0	8	26.7	3.77 (.935)
8	Unplanned routine purchase retests may affect the budget utilization process	0	0.0	0	0.0	1 1	36.7	12	40.0	7	23.3	3.87 (.776)
9	The poor efficiency of the procurement process may resulted in underutilization of the allotted budget	1	3.3	2	6.7	4	13.3	13	43.3	10	33.3	3.97 (1.033)
10	There is a gap b/n the budget preparation and control departments that affect the budget monitoring and control process	1	3.3	3	10.0	5	16.7	9	30.0	12	40.0	3.93 (1.143)

**Source:** Survey data, 2023

### **4.3.3 Disclosing the Expenditure Budget to Employees and External Customers**

One way of ensuring transparency in relation to budget execution can be the provision of budget information to both internal and external customers. Employees of an organization have the right to get access to budget information. Regarding the proper disclosure of allocated budget to its employees by the organization of the total respondents asked shows 13(43.3%) strongly agree and 9(30%) agree, 5(16.7%) neutral, 0(0%) disagree and 3(10%) strongly disagree. From the information taken from table 4.2 statements no 1 the central tendency of mean of the data shows the result is less than 5 which is 3.47 and it indicate disagreement about the transparency issue of budget allocation information to all employees of the organization.

### **4.3.4 Compliance of Financial Rules and Regulations**

Compliance of financial rules and regulations is very crucial to ensure the accountability of employees and higher officials in government financial operations. Accordingly, from the total of 28 respondents, 4(13.3% response disagree, 6(20%) response neutral, 8(26.7%) agree and 12(40%) strongly agree. From the information taken from table 4.2 statements no.4 the central tendency of mean of the data shows the result is less than 5 which is 3.93 and it indicate disagreement about the proper application of financial rules and regulations in the ministry.

### **4.3.5 Making corrective action based on internal audit opinion**

The audit report is one of the ways through which citizens including employees of organizations get information about the level of budget and performances of public agencies and it is very important the decision makes give their attention and support for the internal audit, since it is an adviser of the management to control the implementing entities in order to minimize miss statements of financial reports and miss appropriation of assets of the organization.

To get the result of audit opinion and whether the management of the organization takes corrective actions or not, responses given by the respondents indicated above resulted as follow: 9(30%) strongly agree, 8(26.7%) agree, 6(20%) neutral, 5(16.7%) disagree and strongly disagree 2(6.7%). From the information taken from table 4.2 statement no 3, the central tendency of mean of the data shows the result is less than 5 which is 3.47, and it

indicate disagreement about the corrective action to be taken by the decision makers and this may discourages the auditors and may lose their confidence.

### **4.3.6 Keeping Records of Financial Transactions**

An organization of finance department final output is financial report that used for the management to make decisions on time and to this assignment by which entities meet their financial accountability obligations, is the preparation and publication of annual audited statements in entities and annual reports. Therefore, Keeping records of financial transactions of government`s activities can be the basis for effective financial management and this leads to accomplish the duty and responsibility required by the finance department.

As shown in table 4:3 above, from the total of 28 respondents 10(33.3%) were strongly agree, 12(40%) were agree, 4 (13.3%) disagree and 0(0%) were strongly disagree.

From the information taken from table 4.2 statement no 5 the central tendency of mean of the data shows the result is less than 5 which is 3.93 and it indicate disagreement about the accuracy of timely recording of financial transactions.

### **Findings for research question one**

Concerning the transparency and accountability in budget allocation and implementation the data revealed that the commitment of the organization is relatively weak in ensuring budget transparency to both the employees and external customers, since the allotted budget and its utilization is disclosed by using very few methods like, Memos, web site of the organization, audit reports that mostly used for internal purposes to make the budget information available. Furthermore, the finding shows that financial rules and regulations are not strictly followed by employees of the organization based on the response given. There are gaps in making the audit report available to internal and external customers. Thus, the study revealed that there are problems in insuring the effectiveness of transparency and accountability in budget allocation and implementation.

#### ***4.3.8.1 Recurrent Budget***

Recurrent budget is a type of budget that can be used or consumed for daily operational activities that are not investments and do not have long term nature and exhausted within the fiscal year. Accordingly, table 4.3 below indicates the total appropriations for recurrent budget for BOF and the actual yearly spending from its appropriations. Consequently, the

total appropriations for this budget type increases from year to year as the national budget increase based on the needs and requirements of citizens for development and to satisfy this needs the consumption budget increases .As indicated in the table 4:4 below, in the budget year 2010 -2014 E.C. This is expected because of the increment in the total Regional budget.

**Table 3 : Comparisons of Appropriations against Actual Spending For Recurrent Budget in Birr**

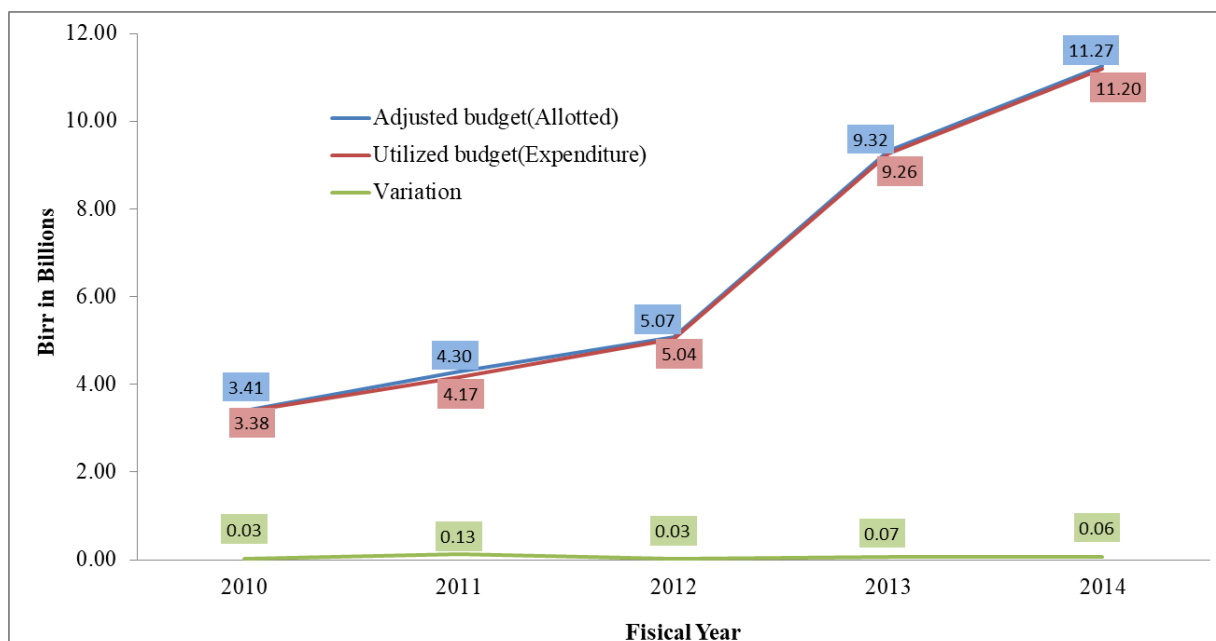
Years	Adjusted budget(Allotted)	Utilized budget(Expenditure)	Variation	Percentage of Spending over allotted budget
2010	3,406,227,315.11	3,379,554,213.75	26,673,101.36	99.22%
2011	4,300,469,073.00	4,173,217,148.27	127,251,924.73	97.04%
2012	5,070,409,077.00	5,040,240,159.32	30,168,917.68	99.41%
2013	9,321,676,222.00	9,256,451,574.91	65,224,647.09	99.30%
2014	11,266,076,363	11,201,805,096	64,271,266.96	99.43%
Total	33,364,858,050.11	33,051,268,192.29	313,589,857.82	99%

Source: Authors computation based on BOF Data

From the above table we can understand facts which are presented and indicated as follows by the bar graph clearly. Both the table and the graph show trends of the recurrent budget appropriation, spending and budget left over (unused).The budget unused in the budget years of 2010, 2012, 2013 and 2014 almost similar that the budget which was left over was 0.94% on average.

In the 2011 budget year the percentage of unused budget is 2.95% which is not as such material. In general, for the five Fiscal years budget utilization report shows that 313,589,857.82 birr or 0.94% Million birr was unutilized. The performance of the ministry regarding recurrent budget indicates under spending during the five consecutive years. The reason for this according to the response of the interview is the procurement and fiscal planning problem and also there was gap in budget controlling and monitoring departments. This fact indicates that the unutilized resource may be used for other priority areas in other budgetary institutions.

**Figure 4 Comparisons of Appropriations against Actual Spending For Recurrent Budget in Birr**



Source :-Trends of Recurrent Expenditure

#### 4.3.8.2 Capital budget

Capital budget is a type of budget used to incur on building durable assets, like highways, multipurpose dams, irrigation projects, machinery and equipment. They are non-recurring type of expenditures in the form of investments that are expected to improve the productive capacity of the economy, lasting several years which have long term nature (Bailey & Stephen, 2002).

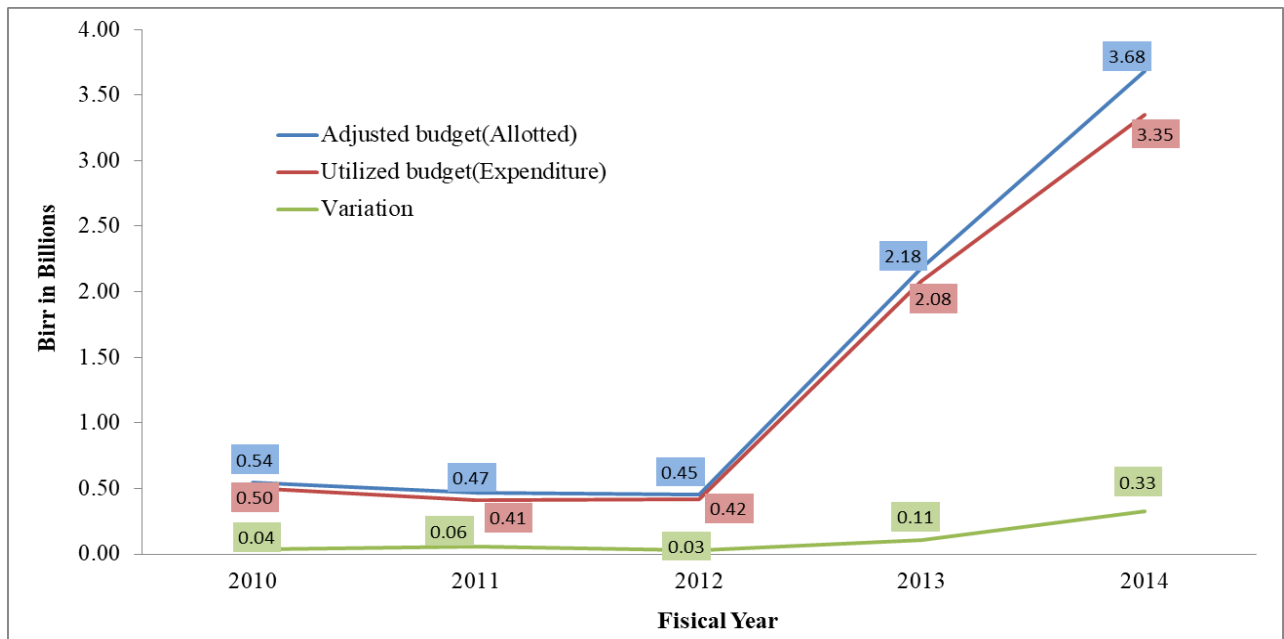
**Table 6 Capital Budget against Actual Expenditure in Birr**

Years	Adjusted budget (Allotted)	Utilized budget (Expenditure)	Variation	Percentage of Spending over allotted budget
2010	542,084,228.89	504,174,069.86	37,910,159.03	93.01%
2011	465,265,231.62	408,716,588.17	56,548,643.45	87.85%
2012	449,839,772.00	420,300,727.63	29,539,044.37	93.43%
2013	2,184,537,094.00	2,079,330,249.87	105,206,844.13	95.18%
2014	3,678,879,553	3,351,039,050	327,840,503.00	91.09%
Total	7,320,605,879.51	6,763,560,685.53	557,045,193.98	92.39%

Source: Authors computation based on BOF Data

**Figure 5 :Capital Budget against Actual Expenditure in Birr**

Table 4:4 below indicates that the total approved capital budget for BOF and the actual yearly spending. Consequently, the total appropriations for this budget type increases from year to year except in 2014. With reference to the table, in the year 2010 for instance, the total approved budget was more than birr 542,084,228.89 million and this shows an unincrement in relative amount and reaches at about more than 76 million birr in 2011 budget year.



### Trends of Capital Expenditure

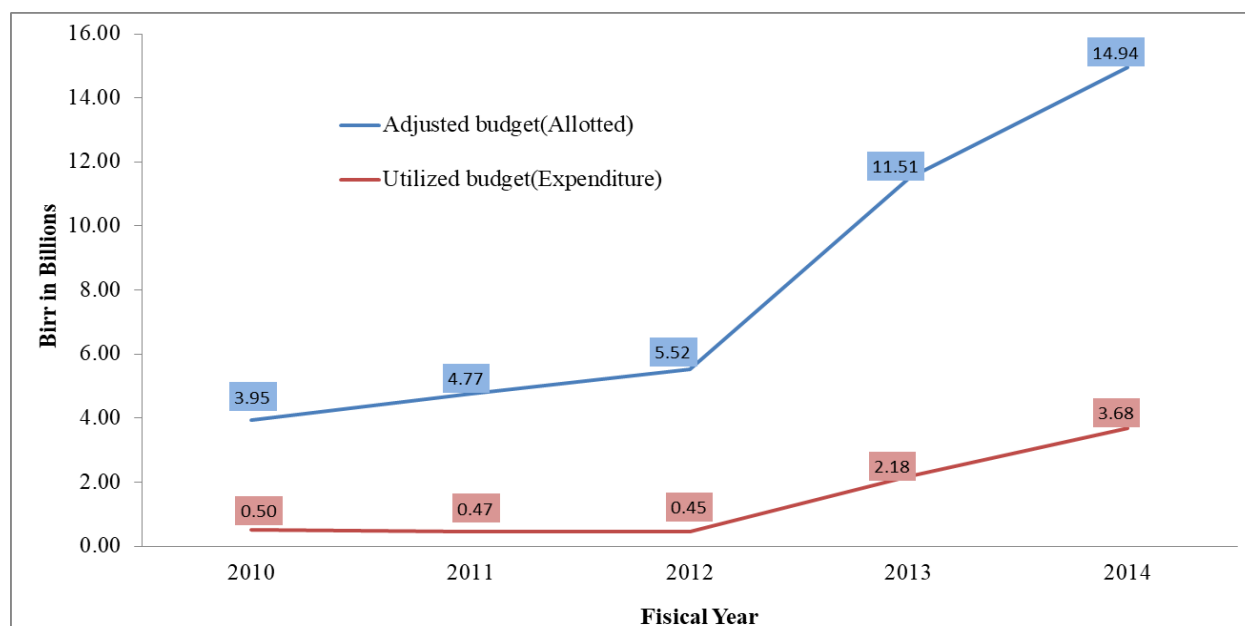
The trend of appropriation and spending of the budget is varied from year to year: The budget for year 2010 is decreased against year 2011, whereas year 2013 budget is increased against year of 2012, specifically for year 2013 and 2014 the percentage of increment of capital budget is more than 21%. The total actual spending against its appropriation is also varied. The amount of capital spending for year 2014 was only 32% and this indicates that there is poor budget planning or controlling and not gives the attention for capital, the variance is un acceptable legally and it may leads the concerned body to be liable, in addition the spending trend of year 2013 also poor, and this indicates that there was poor performance both in the years of 2013 and 2014. The overall spending of the bureau of Finance regarding capital budget over the study period shows under spending, years from 2010-2014. Generally the total unutilized budget was 557,045,193.98; this amount may be used for other projects that faced budget limitation.

### 4.3.9 The Trends of Total Allotted budget against capital Budget

Years	Total Allotted Budget	Total Utilized budget(Expenditure)	Percentage of Spending over allotted budget
2010	3,948,311,644.00	504,174,069.86	12.77%
2011	4,765,734,307.00	465,265,231.62	9.76%
2012	5,520,248,849.00	449,839,772.00	8.15%
2013	11,506,213,316.00	2,184,537,094.00	18.99%
2014	14,944,955,916	3,678,879,553	24.62%
Total	40,685,464,032.00	7,282,695,720.48	18%

Source: Authors computation based on BOF Data

**Figure 6 Total Budget versus Capital Expenditure in Birr**



Trends of allotted budget versus Capital budget

Table 4:6 below indicates that the total approved capital budget for BOF and the attention of capital budget beyond allotted budget. Consequently, the total appropriations for this budget type increases from year to year in figure except in 2011. Whereas ,beyond Total

allotted budget versus capital Investment budget for instance above table 4.6 showed that the Fiscal year 2010 beyond total allotted budget the capital budgets is 12.77%, 2011 the amount of capital budgets 9.76% , the fiscal year of 2012 Capital budget is 8.15%, the amount of 2013 & 2014 FY is 18.99% and 24.46 respectively. With reference to the table 4.6. The year of the 2010-2014 FY. For instance, beyond total approved budget was more than birr 7,282,695,720.48 million which is 18% of from total allotted budget and this shows that more attention gave to recurrent budget rather than capital investment.

### **Findings for research question two:**

Regarding the appropriation and spending trends in the Bureau of Finance (BOF) the data showed in the above table that there is under spending of both the Recurrent and Capital budget throughout the study period. The unutilized budget ranges from 0.8% to 13.15% of the appropriated budget. The reasons for this according to the interview with the identified individuals in the data collection method, there was implementation problem in the Integrated Budget and Expenditure System (IBEX), procurement and planning, limitation in the project follow up and evaluation, and there was the transfer of departments including the capital budgets of that department to other public institution, and there was high turnover.

### **Finding for Research Question three**

Regarding the appropriation and spending trends in the bureau of Finance the data of allotted budget against Investment on Capital budget showed above table 4.6 throughout of the study period. There was not give attention on the investing on capital ranges from 9.76 % to 24.62 % which is poor attention on the capital development issues, the reasons for this according to the interview with the identified individuals in the data collection method, there was attention problems to capital issues, more of the Bureau of finance gives emphasize to recurrent budget which is recurrent Ranges from 75.5% to 91% the budgets invested on the recurrent budgets and related issues rather than capital development.

## **4.4 Expenditure Budgets Monitoring and Controlling**

The final research question of the study aimed to answer the question is there effective monitoring and control mechanism on budget process and its implementation? Based on the data collected using questionnaire, it is attempted to analyze and identify the problems in

budget monitoring and controlling mechanism of the BOF. The responses of the respondent's findings are presented as follows.

#### 4.4.1 Expenditure Budgets Monitoring and Controlling Practice

Item no.	Statements	SDA		DA		N		A		SA		Mean (SD)
		<i>n</i>	%	<i>n</i>	%	<i>n</i>	%	<i>n</i>	%	<i>n</i>	%	
1	The financial report prepared regular and timely	4	13.3	3	10.0	1	3.3	12	40.0	10	33.3	3.70 (1.393)
2	The financial report audited regularly	3	10.0	3	10.0	5	16.7	13	43.3	6	20.0	3.53 (1.224)
3	There is adequate employees of internal audit	7	23.3	8	26.7	4	13.3	10	33.3	1	3.3	2.67 (1.269)
4	The internal auditors have adequate knowledge and skill	3	10.0	4	13.3	8	26.7	10	33.3	5	16.7	3.33 (1.213)
5	The internal audit of your organization is dependent to give audit opinion Freely	4	13.3	4	13.3	3	10.0	10	33.3	9	30.0	3.53 (1.408)
6	The performance audit is carried in your organization every year	4	13.3	4	13.3	5	16.7	9	30.0	8	26.7	3.43 (1.382)
7	The management of your organization takes corrective action timely based on the internal auditor opinion	2	6.7	5	16.7	6	20.0	8	26.7	9	30.0	3.57 (1.278)
8	The organization utilize its budget efficiently	1	3.3	1	3.3	10	33.3	10	33.3	8	26.7	3.77 (1.006)
9	The organization assesses the budget allocation and performance every year	1	3.3	1	3.3	8	26.7	11	36.7	9	30.0	3.87 (1.008)
10	Internal auditor audits the budget utilization of each program	2	6.7	3	10.0	10	33.3	12	40.0	3	10.0	3.37 (1.033)
11	There is over and under-budget utilization practice in your organization	2	6.7	2	6.7	8	26.7	11	36.7	7	23.3	3.63 (1.129)
12	There is strong monitoring and follow-up or control mechanism for the utilization of the allotted budget effectively	3	10.0	4	13.3	8	26.7	9	30.0	6	20.0	3.37 (1.245)
13	Budget expenditure utilizes the planned activities only	2	6.7	2	6.7	8	26.7	11	36.7	7	23.3	3.63 (1.129)
14	There is actual expenditure according to the planned budget	2	6.7	4	13.3	8	26.7	10	33.3	6	20.0	3.47 (1.167)

**Table 4** Respondents Perception on expenditure budgets monitoring and controlling practice  
**Source:** Survey data, 2023

#### **4.4.2 Regular and Timely Financial Report**

Good governance requires regular financial and performance reporting that is validated for accuracy by an independent auditor. The purpose of financial report is to monitor budget execution and to control and understand the status of the budget to make an adjustment for any variance before any deficit occurs; periodic financial reports are the primary source of information controlling the budget and used to measure the performance of the concerned departments. Yearly financial reports are the major management tools that are outputs that measure each department's performance against their plan. The evaluation result used to measure.

The performance of the organization whether the targets & goals are accomplished or not. The reports are used for other departments as input to perform their activities and used for internal and external customers.

Table 4.4: above shows that the respondents 12(40%) were agree, 10(33.3%) were strongly agree, 1 (3.3%) neutral, strongly disagree 4(13.3%) and 3(10%) disagree on the statement. From the information taken from table 4.4 statement no 1 the central tendency of mean of the data shows the result is less than 5 which is 3.70, and it indicates disagreement about the trend of regular financial report, which is not reported regularly and timely.

#### **4.4.2. Existence of Adequate Employees to Conduct the Audit**

Respondents were asked their level of agreement whether the internal audit directorate in their organization has sufficient employees to conduct the audit. Out of the total 28 respondents 1(3.3%) were strongly agree, 10(33.3) were agree, 4(13.3%) were neutral, 8(26.7%) respondents disagree and 7(23.3) were disagree. From the information taken from table 4.4 statement no 3 the central tendency of mean of the data shows the result is less than 5 which is 3.53, and it indicates disagreement that there are not enough audit staff in the Bureau of Finance to undertake the audit function effectively and efficiently.

#### **4.4.3 Knowledge and skills of the internal auditors**

The audit activity needs a professional staff that collectively has the necessary qualifications,

Skills and competence to conduct the required assignment by keeping the professional ethics. Auditors must comply with minimum education requirements established by their relevant professional organizations and standards (The institute of internal auditors, 2012).

From the data indicated in table 4:4 above it is possible to see that 10(33.3%) the respondents agree that the internal auditors of their organization have adequate knowledge and skills to perform effective and efficient audit activities. Besides 4(13.3%) of the respondents disagree, 3(10%) were strongly disagree about the adequacy of the skills and knowledge of the internal auditors and this indicates the internal audit needs additional knowledge and skill. 8(26.7%) were neutral. From the information taken from table 4.4 statements no 4 the central tendency of mean of the data shows the result is less than 5 which is 3.33 and it indicate disagreement that there is skill and knowledge gap of the internal auditors of Bureau of Finance.

#### **4.4.4. Independence of the Internal Audit to Give Audit Opinion**

Organizational independence allows the audit activity to conduct work without interference by the entity under audit. The audit activity should have sufficient independence from those it is required to audit so that it can both conduct and be perceived to conduct its work without interference. Coupled with objectivity, organizational independence contributes to the accuracy of the auditors work and the ability to rely on reported results (The Institute of Internal Auditors, 2012).

As shown in the above table 4:4, of the total respondents asked whether the internal audit is independent to give any audit opinion freely, 9(30%) were strongly agree, 10(33.33%) were agree, 3(10%) were neutral, 4(13.3%) were disagree and 4(13.3%) were strongly disagree.

From the information taken from table 4.2 statement no 5 the central tendency of mean of the data shows the result is less than 5 which are 3.57 and it indicate disagreement that the internal auditors are not independence of the management of the organization, and it's an indication there may be influence the possibility of giving free audit opinion.

#### **4.4.5 Existence of Performance Audit**

The aim of the performance audit is to evaluate audited entity's performance and management in terms of economy, efficiency and effectiveness and to provide recommendations on how to improve the performance of the said entity (Daujotaitė and Mačerinskienė, 2008). Hence it enhances the value for money principle.

Table 4:4 shows that of the total respondents asked the level of agreement whether performance audit is undertaken in their organization 8(26.7%) strongly agree, 9(30%) agree, 5(16.7%) neutral, 4(13.3%) disagree, 4 (13.3%) strongly disagree, From the information taken from table 4.4 statements no 6 the central tendency of mean of the data shows the result is less than 5 which is 3.43 and it indicate disagreement about the issuance of performance audit practice in the Bureau of Finance.

#### **4.4.6 Measures Taken by the Management on the Audit Opinion**

Internal auditors of public bodies or budgetary institutions have big roles in advising the management to make decision and give support how to implement and manage the financial activities of that organization based on rules and regulations. The audit opinion enhances to make informed decision and may give lesson for the users of the audit report. The management or higher official may take corrective action based on the audit opinion on the problems that exists and over all concerns of the performance of the organization.

As shown in table 4:4 respondents were asked their level of agreement whether the management of the organization takes corrective actions when weaknesses and problems concerning the performance of the organization commented by the internal audit. Of the total of the respondents 9(30%) strongly agree, 8(26.7%) agree, 6(20%) neutral, 5(16.7%) disagree and 2(6.7%) were strongly disagree.

Even the positive response of is more than 56.7%, the information take from table 4.4 statement 7, the central tendency or mean of the data shows the result is less than 5 which is 3.57, and it indicates still there is a problem of taking corrective actions based on the audit opinion.

#### **4.4.7 Relation of allotted budget and actual expenditure of BOF**

The final research question aimed to answer the question to what extent planned budget related to actual expenditure of BOF and whether the ministry utilizes its budget efficiently, effectively and economically? Based on the secondary and primary data collected, the researcher attempted to analyze and identify the trends of both capital and recurrent budget during the study period, the variation of actual spending related with appropriation of the budget, the reasons for the variation and the findings of the study. Trends and former budget utilization reports show that budget utilization is based on the budget preparation and spending manuals that budgetary institutions or implementing entities capacity, commitments of

the organization leaders, strong internal audit and others. For this specific study, comparison between budget and expenditure, proportion of capital and recurrent budget and spending of capital budget of the Five years are presented consecutively to have better information that give value to achieve the objective of the study.

#### **4.4.8 The Trends of Planned and Actual Budget**

This sub section presents the comparison of budget and expenditure for both the recurrent and capital budgets and the findings are interpreted based on the reviewed literature and the data collected from primary and secondary sources.

#### **Findings for research question three:**

Regarding the effectiveness of monitoring and controlling of expenditure budget, the finding indicated that Financial reports are presented regularly but still there is a problem of reporting timely. The internal audit has sufficient auditors to conduct the audit but there is limitation in skill and knowledge. The internal auditors are free of interference and consequently they can perform the audit work confidentially. There is no performance audit in placed based on the responses given by the respondents.

## **CHAPTER FIVE**

### **5. CONCLUSIONS AND RECOMMENDATIONS**

#### **5.1 INTRODUCTION**

This chapter presents the findings drawn and the recommendation offered, since development is the question of every citizen and goal of every country that is to be implemented by the agent of the society named Government for the development, in cooperation with the private sectors. However, in developing countries like Ethiopia, due to limited private sectors, government intervention is very high to achieve development objective. The most important instrument of government intervention is through budgeting. Hence, this study focused on identifying and analyzing the practice of expenditure management of Bureau of Finance, different information's are collected through the identified methods of data collection.

Therefore, based on the research questions findings are identified for the study and conclusions are forwarded as follows.

#### **5.2 Conclusion**

##### **5.2.1 Transparency and openness in the allocation of Expenditure Budget**

Bureau of Finance has a responsibility of initiating different policies of the country; formulate fiscal and tax policies, financial regulations, directives, manuals and procedures to enhance the overall development of the country. These financial regulations, directives, manuals and procedures are then used by the bureau itself, the public bodies and agencies at Regional level. BOF has its own recurrent and capital expenditure budget which is allocated among different programs that is used for the implementation of planned activities in order to accomplish its objectives and Goals.

This study shows that BOF uses the formal procedures to allocate its expenditure budget and attempted to follow this procedure in the allocation process, the bureau participate professionals and concerned employees on the budget allocation process and there is openness and transparency in the budget allocation process. However, although there are promising efforts in relation with expenditure budget allocation process, still there are weaknesses in pursuing the budget allocation procedure, in participating employees and making the process open and transparent which is disclosed by the questionnaire responses .

## **5.2.2 Appropriations of Budget and Expenditures of Bureau of Finance**

The expenditure budget of bureau for both budget types indicated an increasing trend during the study period. However, the total actual amount of recurrent spending from its respective appropriation, fluctuate year after year. The increase in budget due to different reasons, this includes an increase in national budget, Increase international contributions for recurrent expenditure rather than capital budget. Comparison between budget and actual expenditure revealed that the budget was underutilized over the periods of the study for both recurrent and Capital budget. Additional the bureau of Finance were not emphasized on the budgeting capital budget which are poor planning to invest on capital budget. However, This inefficient performance can be justified as planning , follow up and monitoring problem , Gap of Structure in budget planning and controlling , shortage of qualified human resource and staff turnover, weak monitoring and evaluation and weak expenditure control practice. The above mentioned factors and others are reasons for underutilization of the budget and this trend may lead to low performance of the organization.

## **5.2.3 Expenditure Budget Monitoring and Controlling**

Budget is an important financial tool of government which is very important and mandatory input used to perform operational activities for attaining development goals and objectives. However, since there is poor monitoring and control in the process of its utilization, its impact will be negative that yields poor performance of the organization and affects the development of the country.

The study showed based on the analysis and findings, that there is appositive response for the financial report that was prepared and provided regularly but there is limitation in concerning its timelines. As financial reports are the output for the finance department, it is also very important for the decision makers to take corrective action timely, thus the limitation affects the performance of the organization. The survey also showed that there is enough number of auditors who are independent and free of management influence that can carry out their audit activities, there is problem of skill and knowledge that affect the effectiveness and efficient audit activities.

Regarding the application of performance audit there is no practical application in the organization and the internal audit perform only the financial audit. And this may affect the physical performance of each department, programs and the organization against its budget

utilization.

Entity's performance and management in terms of economy, efficiency and effectiveness is evaluated by conducting performance audit. In this regard the survey ensured that there is no performance audit and consequently performance report in the organization understudy and this is difficult to measure the performance of each department, programs and the organization.

### **5.3 Summary of findings**

This chapter presented the findings for each research questions that are identified and discussed in the data presentation, analysis and interpretation parts and the main findings identified in this section are forwarded as follows

Main findings:-

- Less arrangement of adequate and skilled man power within the organization
- Problem is faced regarding to proper budget planning /financial planning
- Lack of transparency and openness in the allocation and implementation of expenditure budget
- Lack of expenditure budget monitoring and controlling according to rule and regulation
- Lack of more attention budgeting on capital budget rather than recurrent budget
- Lack of using updated data recording software
- Lack of taking corrective action on financial audit finding at management level

### **5.4 Recommendations**

One country's economic development and its sustainability can be insured or granted by performing the required assignment efficiently, effectively and economically .and this can be done by participating society, citizens and each particular organization internal and external employee in every aspects of the budget process and its application however ,due to scare resource like financial, skilled manpower, committed leaders and lack of willingness in societal and economic development participation ,the fundamental objective and goals of most developing country's development issue pending for many years ,in addition to the factors insufficient allocation and utilization of resources in the public sector affects the accomplishing of the organization objective .

In order to accomplish the required assignments and also to achieve the objectives of the organization, government organization, professionals, leaders of each department should plan the fiscal and financial activities and allocate properly and utilize the scarce resource efficiently, effectively and economically, transparently and these should be accountability in order to maximize the economy and the social welfare as well.

The above factors like transparency, monitoring ,and controlling mechanisms plays a big role in achieving the objectives and goal of the organization .Based on the findings identified in the study, the following to assist to minimize the challenges and problems that affect not to Performance the public expenditure management to the rules and procedures in the studied Bureau of Finance;

- ✓ The budget allocation and its utilization should be transparent and participatory based on the public expenditure management rules and regulation.
- ✓ Proper financial/budget planning should be given a series attention and its implementation should be monitored to utilize the allotted budget efficiently, effectively and economically.
- ✓ The bureau of Finance should be give series attention to invest on capital budget during allocating the budget. Because of to assure the regional sustainable development goals.
- ✓ Monitoring and controlling on the allocated budget should be practiced in order to implement the planned activities by using the scarce resource for the intended purpose and financial reports should be produced and reported regularly and timely,
- ✓ The Bureau of Finance should improve the skills and knowledge of the internal auditors and recommendations are forwarded that may help to improve the positive response in relative to negative response and auditors by giving short and long term training and also should make practical the performance audit that may enhance the monitoring and controlling of the planned activities and these audit activities play its role and apply the principles of value for money.
- ✓ This institution the system of budget and expenditure controlling should be based on practice updated technology. i.e the financial management recording software's were shifts IBEX to IFMIS system .

## References

- Aaron B. Wildavsky Budgeting: A Comparative Theory of Budgetary Processes, 1976
- Ademolekun L. (2016) Public administration: a Nigerian and comparative perspective, New York: Longman Group Ltd.
- Asefa, M 2007, Federal Budget allocation in Ethiopia: Challenges and its Implementations, Master's Thesis, Addis Ababa University, Faculty of Business and Economics.
- Bremser, W. (1988), Budgeting by Department and Functional Area, American Management Association, Watertown, MA,
- Bruce N. (2001): Public finance and the American economy .2nd ed. Boston: Addison-Wesley Bruce.
- Constitution (1995) Federal Democratic Republic of Ethiopia.
- Dobell P Ulrich M (2002) Changing approach to public expenditure management Drury, Colin (2001) Management accounting for business decisions (2nd edition)
- Emmanuel, C.R. and Otley, D.T. and Merchant, K.A. Accounting for management control, 1990, Chapman and Hall.
- Francisco Bastida and Bernardino Benito (AUG 2007), Central Government Budget Practices and Transparency: OECD Journal on Budgeting.
- Getachew N. 2006, Analysis of Medium term Expenditure Planning and Budget Allocation in Ethiopia, M.A Thesis, Addis Ababa University, Ethiopia.
- Ghirmai, M 1990, An analysis of Government Budget in Ethiopia : With Particular Reference to Government Expenditure 1958-1977(EC), M.Sc. Thesis, Addis Ababa University.
- Government Finance Officers Association 1999, Recommended Budget Practice: A Frame work for Improving State and Local Government Budgeting, National Advisory Council on State and Local budgeting, United State of America, viewed 2 November 2011,
- Hogh Dalton, Principles of public Finance, Augustus M.kelly Publishers, New York, 1967,
- Horngren CT, Bhimani A, Datar S, Foster G (2005) Management and cost accounting. Financial Times Prentice Hall, Harlow.
- Isakser, J, Inge Amundsen, Arne Wig with Cesaltina Abreu 2007, Budget, State and

- People Budget process, Civil Society and Transparency in Angola, CMI Report (R 2007:7) Bergen: Chr.
- Ketema Muluneh, 2015, Assessment of Budget Preparation and Utilization: Case of Addis Ababa City Administration Health Bureau, Addis Ababa University, Unpublished
- Mccappery JL (1999), “Futures of the budgeting process”
- Melese F.2003 “Implementing the GPRA: examining the prospects for performance budgeting in the federal government.” Public Budgeting Financ.23 (2):73-95
- Office of General Auditor Report of Bureau of Finance, 2012 E.C budget Year. Pierce, J.L. (2004).The budget becomes of age. Harvard business review, 32 (3), 5866
- Premchand, a 1983, Government Budgeting and Expenditure Control: Theory and Practice, Ramsey, J.E., Ramsey, I.L. (1985), Budgeting Basics: How to Survive in Budgeting Process Franklin Watts, New York, NY.
- Schick A. (1966) “The road to PPB: The stages of budget reforms “Pub.adm.rev.26 (4:243-258
- Schick, Allen. 2007. A contemporary approach to public expenditure management (English). WorldBank.<http://documents.worldbank.org/curated/en/739061468323718599/A-contemporary-approach-to-public-expenditure-management>.
- Schick A (2001).”Does budgeting have a future “paper presented at the 2nd annual meeting of seminar budget officials, Paris 21-22 May?
- Shah, A (ed.) 2007b, Budgeting and Budgetary institution, public sector governance and accountability series, World Bank, Washington, D.C. viewed 21 October 2011,
- Teshome, M 1994, Trends in Government Expenditure Finance, in MokonenT.and Abdulhamid Bedri (Ed), the Ethiopian Economy: Problems of Adjustment, Proceeding Second Annual Conference on the Ethiopian Economy, Addis Ababa, Ethiopia
- Tilahun Bogale Assefa, 2010, Budget Management and Control: Special Emphasis on Ministry Of National Defense, Addis Ababa University, Unpublished.
- Toure L (2001) General report on Regional seminar on parliament and the budget process
- Wildavsky A,Naomi C (2007).The politics and the budgetary process 4th ed. London Longman
- Wildavsky A (2001) The politics of budgetary process 4th ed,Boston,little Broun
- World Bank (1998).Public Expenditure management handbook Washington D.C: World Bank.

<http://kalyan-city.blogspot.co.uk/2011/02/what-is-public-expenditure-meaning-and.html>

<https://www.slideshare.net/EHShimul/public-expenditure-64944861>

<<http://www.gfoa.org/services/dfi/budget/RecommendedBudgetPractices.pdf>>

**Appendix-1**  
**HAWASSA UNIVERSITY**  
**SCHOOL OF GOVERNANCE AND DEVELOPMENT STUDIES**  
**COLLEGE OF LAW AND GOVERNANCE**

**Questionnaire**

The purpose of this questionnaire is to gather data relating to Public Expenditure Management and Control Practice in Sidaama Regional State Bureau of Finance. The research is the requirement in partial fulfillment for the award of Masters of Art in Development management. The responses provided kept confidential and used for academic purpose only.

Thank you in advance for your voluntary cooperation and participation. **Mengistu Bulo**

Email:mengistubulo1@gmail.com

Mobile: +251916070634

**Instruction:**

It is not required to write your name put a tick mark on the space provided.

**Part I-General Information**

1. Gender: Female  Male

2. Age: Less than 20  20-30  30-40  40-50  Above 50

**3. Educational Status:**

12<sup>th</sup> Complete or below  Diploma  2nd Degree and Above  First Degree

4. For how long have you been working in Bureau of Finance?

Less than one year  1-5Year  5-10Year  More than 10 Years

**Part-II: - Questions related to transparency and accountability in the budget process**

	Statement	Strongly agree	Agree	Neutral	disagree	Stronglydisagree	Total
1	The organization is preparing its budget by participating all departments						
2	The allotted budget is transparently known by all employees of the organization						
3	BoF disclose its annual budget and its utilization to internal employees and externalcustomers						
4	The allotted budget implementation is basedon financial rules and regulations strictly						
5	Financial transactions are recorded timely andcorrectly by finance and procurement directorate and concerned department						
6	The budget may be affected by wrongpurchase order process in the system						
7	Unsettled advance payments may be the cause for over utilized or underutilized of the budget during the current year						
8	Unplanned routine purchase retests may affect the budget utilization process						
9	The poor efficiency of the procurementprocess may resulted in underutilization of the allotted budget						
10	There is a gap b/n the budget preparation andcontrol departments that affect the budget monitoring and control process						

Question related to expenditure budgets monitoring and controlling practice.

No	Statement	Strongly agree	Agree	Neutral	disagree	Strongly disagree	Total
11	The financial report prepared regular and timely						
12	The financial report audited regularly						
13	There is adequate employees of internal audit						
14	The internal auditors have adequate knowledge and skill						
15	The internal audit of your organization independent to give audit opinion Freely						
16	The performance audit is carried in your organization every year						
17	The management of your organization takes corrective action timely based on the internal auditor opinion						
18	The organization utilize its budget efficiently						
19	The organization assesses the budget allocation and performance every year						
20	Does internal auditor audits the budget utilization of each program?						
21	There is over and under budget utilization practice in your organization						
22	There is strong monitoring and follow up or control mechanism for the utilization of the allotted budget effectively						
23	Does budget expenditure utilizes on the planned activities only						
24	There is actual expenditure according to planned budget						

**Part III: - Questions related to transparency and accountability in the budget process**

1. Do you think the preparation of budget are participating all stake holders? Yes  No
2. If your Response to question No. 1 is Yes , please specify the mechanism employed by your bureau to ensure participation of budget users and staffs in budget process -----  
-----  
-----  
-----
3. Does allotted budget is transparently known by all employees of the bureau? Yes  No
4. If your Response to question No. 3 is yes, please specify how does it make transparent to all departments?  
-----  
-----  
-----
5. Do you think allotted budget implementation is based on financial rules and Regulations? Yes  No
6. If your Response to question No. 5 is yes, please specify how does it based on financial rules and Regulations? -----  
-----  
-----
7. Do you think Financial transactions are recorded timely and clearly by public finance directorate and concerned departments? Yes  No
8. If your Response to question No. 7 is No, please specify how does financial transactions are record and report? -----  
-----  
-----
9. Does the government support in facilitating the transparent and accountability of citizens in the public budget process? Yes  No
10. If you're Response to question yes. 9 is yes, please specify how does it make support to encourage participation and accountability? -----  
-----  
-----

**3.2. Question related to budgets expenditure monitoring and controlling practice**

1. Do you think the budget expenditure monitoring and controlling regularly? Yes  No

If your Response is yes, please specify the system of monitoring and controlling process

-----  
-----  
-----

2. Do you think the financial transaction report Audited according to rules and regulation? Yes

No

If your Response is yes, please specify the system of auditing in your institution

-----  
-----  
-----

3. Do you think the Actual expenditure according to planned budget? Yes  No

If your Response is No, please specify the reason of expenditure over the planned budget in your institution ?-----

-----  
-----

4. Do you think the public expenditure process according to the rules and regulation in your bureau?

Yes  No

If your Response is yes , please specify the reason -----

-----  
-----  
-----

5. Do you think there is adequate employees of internal audit ?Yes  No

If your response is No, please specify the challenges -----

-----  
-----

6. Does internal auditor audits the budget Utilization of each program in your institution? Yes

No

If your response is No, please specify the Reason -----

-----  
-----

**Thank you for your cooperation!**

**ሀዋሳ ዩኒቨርሲቲ**  
**ሕግና አስተዳደር ኮሌጅ**  
**አስተዳደር ልማት ጥናት ት/ቤት**  
**ልማት አስተዳደር ት/ት ክፍል**

እኔ ከሀዋሳ ዩኒቨርሲቲ የሕግና አስተዳደር ኮሌጅ የልማት አስተዳደር ት/ት ክፍል የድህረ-ምርቃ ተማሪ ሲሆን በአሁኑ ሰዓት በሲዳማ ክልል ፋይናንስ ቢሮ ላይ የመንግስት ወጪ አስተዳደር ትግበራውን በተመለከተ ጥናት ማድረግ ላይ እገኛለሁኝ ። ይህንን ጥናት የሚካሄደው የድህረ-ምርቃ ፕሮግራም ሚሚያነት ሲሆን የጥናቱ ዓላማ ባሁኑ ሰዓት የቢሮው የወጪ አስተዳደር ሥርዓት ትግበራ አንፃር መሆኑን መገንዘብ ነው።

በመሆኑም የዚህ ጥናት የሚሰጡት ምላሽ በሚጥር የሚጠበቅና ለዚህ ጥናት ዓላማ ብቻ የሚውል መሆኑን እየገለፅኩ የበኩልዎን ትብብር እንዲደረግልኝ ሙሉ ተሰፋ አለኝ።

ስለትብብርዎ ከውድሁ አመስግናሁ!!

ስም :- መንግስቱ ቡሎ  
 ስልክ +251916070634

**መመሪያ**

ስም መፃፉ አስፈላጊ አይደለም። (ቲክ) ይህንን ምልክት በመጠቀም በዶ ቦታ ይሞላ (ይፃፉ)

**ክፍል 1- ጠቅላላ መመሪያ**

- ከዚህ በታች የተዘረዘሩት ጥናታዊ መጠይቆች ከተሰጡት አማራጮች ውስጥ የክፍልዎ የወጪ አስተዳደር አተገባበር ገላጭ ነው ብለው የሚያስቡትን መልስ በመምረጥ በሣጥኑ ውስጥ ምልክት እንድያደረጉ በአክብሮት እጠይቃለሁኝ።
- እንድሁም በተሰጡት ክፍት ቦታዎች የግልዎን አስተያየት እንድስጡበት በታላቅ፤ አክብሮት እጠይቃለሁን።

**ክፍል -1.1 የግል መረጃ**

1. ፆታ : ወንድ
2. የት/ት ደረጃ  
 12<sup>ኛ</sup> ክፍል በታች  ስርተፍኬት  ድፕሎማ  ዲግሪ   
 2<sup>ተኛ</sup> ድግሪና ከዚያ በላይ

3. በዚህ ቢሮ ምን ያህል ጊዜ ስርተዋል?

ከአንድ ዓመት በታች  ከ 1-5 ዓመት  ከ6- 10 ዓመት   
 ከ10 ዓመት በላይ

4. የሥራ ድርሻ-----

**ክፍል - ሁለት**

ከዚህ በታች በተቀመጠው ሠንጠረዥ ላይ የተጠቀሱትን ጥያቄዎች በቢሮው የመንግስት በጀት ወጪ አስተዳደር በተመለከተ ከወጪ አስተዳደር መርሆዎች አንጻር የሚመለከቱ ሊሆን በተቀመጡት አማራጮች ላይ የእርስዎን እና የቢሮ ሥራ ክፍል የሚመለከቱ ላይ ምልክት በማድረግ ምላሽ፤ ይስጡ።

እስከዎትን በስጠረዥ ላይ የተቀመጡትን ሃሳብ በጥንቃቄ አስበው ከ1-5 የተቀመጡትን አማራጮች ላይ ምልክት ያድርጉ

1. በጣም እስማማለሁ
2. አልስማማም
3. እርግጠኛ አይደለሁም
4. እስማማለሁ
5. በጣም አልስማማም

1. የበጀት ግልፅኝነትና ተጠያቂነት አንጻር

ጽ/ቤት የወጪ ግለፅኝነትና ተጠያቂነት	ግለጽ				
	ም እስማማለሁ	ስማማለሁ	ግጠኛ አይደለሁም	አልስማማም	ም እስማማለሁ
የው በጀት ዝግጅት ወቅት ሁሉም የሥራ ክፍል ይሳተፋል					
ተፈቀደ በጀት ሁሉም የተቋሙ ሠራተኞች ያውቃሉ / ግልፅ ያደርጋል					
ይናንስ ቢሮ ለዓመት የተያዘ የወጪ በጀት ለውስጥ ሠራተኞችና ለባለድርሻ አካላት ግልፅ ያደርጋል					
ተፈቀደ በጀት አተገባበር የፋይናንስ ወጪ አስተዳደር መመሪያና ህገ የተከተለ ስለመሆኑ					
የንዘብ ዝግጅት በተባለ ጊዜና					

	በትክክል ይመዘገባል					
	አርስታ ተቋም በጀት፣ ያለአግባብ ግዥ፣ ትዕገዘ በጀትና፣ ያፋልሳል					
	ልተያዘ፣ ቅድመ ክፍያ በጀትን፣ ከተበጀተው በላይና በታች እንድጠቀም ያደርጋል					
	ለታቀደ ግዥ የበጀት አጠቃቀምን ይደረጋል					
	ልጥፍናና ብቃት የለሌ ግዥ ከፈተቀደው በጀት በታች ወጤት ነው።					
	ጀት ዝግጀት የቀጥጥር ክትትል በኩል ክትትልና ቀጥጥር ለማድረግ ክፍተት አለ ብለህ ታስባህ					

**2.2 ወጪ አስተዳደር ክትትልና ቀጥጥር አተገባበር**

ቁ	ወጪ አስተዳደር ቁጥጥር ክትትል ሂደት					
		በጣም አልማማለሁ	አልሰማማለሁ	ጋጠኛ አይደለሁም	እስማማለሁ	በጣም እስማማለሁ
	ፋይናንሻል ረፖርት በተቀመጠ ጊዜ ይዘጋጅል					
	ፋይናንስ ሪፖርት በተቀመጠ ጊዜ አዲት ይደርጋል					
	አዲት መደብ ላይ በቂ ባለሙያ አለ					
	ውስጥ አዲት ክህሎትና እውቀት ያላቸው፣ ሰለመሆኑ					
	ክዋኔ፣ አዲት ፣ በየዓመት ይደረጋል					
	ውስጥ፣ አዲት፣ በገለልተኝነት ለሥራቸውን አስተያየት፣ ይስጣሉ					

	ቢሮ አመራር የአዲት፣ ግኝት፣ ላይ የማስተካከያ እርምጃ፣ ይውሰዳሉ					
	ሮው በጀቱን ፣ በብቃት ይጠቅማል /ጥቅም ላይ ያወላል/					
	ሮ ፣ ስለበጀት አበጃጀትና አራፃፀም ዙሪያ፣ የደሰሳ ጥናት ይሠራል					
	ውስጥ አዲተር፣ የፕሮግራም በጀት አጠቃቀም አዲት ያደረጋል					
	ተቋሙ፣ ውስጥ ከበጀት አጠቃቀም ዙሪያ፣ ከታቀደው፣ በላይና በታች ይተገበራሉ					
	ተቋምህ፣ ውስጥ ፣ ጠንካራ፣ ስለበጀት ወጪ					
	እርስዎ ተቋሙ፣ ውስጥ የበጀት ወጪ፣ ለታለመለት፣ ዓላማ ብቻ ይውላል					
	ተቋመዎት፣ ውስጥ የውጪ ሂደት ከተቀደው፣ በጀት እንግር፣ ስለመሆኑ					