ADDIS ABABA UNIVERSITY

COLLEGE OF BUSINESS AND ECONOMICS

DEPARTMENT OF MANAGEMENT

MBA PROGRAM

DETERMINANTS OF DONOR FUND UTILIZATION: THE CASE OF PUBLIC SECTOR CAPACITY BUILDING PROGRAM (PSCAP) FUND IN IMPLEMENTING SECTORS OF OROMIA NATIONAL REGIONAL STATE

A THESIS PRESENTED FOR THE PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR THE DEGREE OF MASTERS OF BUSSINESS ADMINISTRATION

BY

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DECLARATION

I, hereby declare that the research entitled **"Determinants of Donor Fund Utilization: The Case of Public Sector Capacity Building Program (PSCAP) In Implementing Sectors of Oromia National Regional State"** is my original work and is my own effort and study. It has been done by me independently except for the guidance and suggestion from my research advisor. It is presented here, in partial fulfillment of the requirements for the degree of MBA in Management.

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[MBA Program]

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Table of Contents

LIST OF TABLES/FIGURES

LIST OF FIGURES

ACRONOMYS

BoFED	Bureau of Finance and Economic Development
CIDA	Canada International Development Agency
CIDP	Computer Industry Development Potential
CPI	Cost Performance Index
CSRP	Civil Service Reform Program
CV	Cost Variance
DCs	Developing Countries
DfID	Department for International Development
DLDP	District level Decentralization program
ECMP	Expenditure Control and Management Program
EU	European Union
FTT	Federal Technical Team
GAAP	Generally Accepted Accounting Principles
GIS	Geographical Information System
GoE	Government of Ethiopia
HDI	Human Development Index
HRM	Human Resource Management
IATI	International Aid Transparency Initiative
IBRD	International Bank for Reconstruction and Development
ICTA	Information Communication Technology Agency
ICTDA	Information Communication Technology Development Agency
IDA	International Development Agency
JSRP	Justice System Reform Program
LDC	Least Developed Countries
MCS	Management Control system
MCS	Ministry of Civil Service
MDGS	Millennium Development Goals

MFA	Ministry of Federal Affairs
MoFED	Ministry of Finance and Economic Development
MOR	Ministry of Revenue
MoU	Memorandum of Understanding
NCBP	National Capacity Building Program
NCGAS	National Council on Governmental Accounting Statement
NGO	Non- Governmental Organization
OCSGGB	Oromia Civil Service and Good Governance Bureau
ODA	Official Development Agency
ORA	Oromia Revenue Authority
OXFAM	Oxford Committee for Famine Relief
PPD	Plan and program Directorate/ Department
PSCAP	Public Sector Capacity Building program
RTT	Regional Technical Team
SDPRP	Government's Sustainable Development and Poverty Reduction Program
SPI	Schedule Performance Index
SV	Schedule Variance
SWAPs	Sector Wide Approaches
TOR	Terms of Reference
TSRP	Tax System Reform Program
UMCP	Urban Management Capacity Building Program
UNHCR	United Nations High Commissioner for Refugees

ABSTRACT

The study was aimed to examine the determinants of donor funds utilization specifically PSCAP fund in implementing Sector of Oromia National Regional State. This study adopted a descriptive research design. Descriptive survey examines a situation as it is and yield quantitative information that can be summarized through statistical analyses. The target population was from Procurement, Finance and Property Administration and Internal Audit Departments of all PSCAP program implementing sectors. The sample of respondents was determined using stratified sampling which relies on mere chance to determine who would be selected in the sample and called for random selection in the inclusion of the cases into the sample. Stratification was done based on employees' technical skills in both Departments of the five implementing sectors. A total of 64 employees out of a sample frame of 127 were selected from Procurement, Finance and Property Administration and Internal Audit Department of the implementing Sectors. This represents 50% of the total sample. Both primary and secondary methods of data collection were used for this study. Primary data was collected from questionnaires distributed to the Finance officers, Procurement Officers, Property Administration officers and Internal Audit officers. The secondary data was obtained from the records. The data was analyzed using Statistical Package for the Social Science (SPSS) version 20 to assist the researcher in answering the research questions. Descriptive and inferential statics were used for analysis of the research data. The descriptive statics part was analyzed using mean and standard deviation whereas correlation and regression were used from inferential statics. The data was summarized by use of descriptive statistics of the mean and standard deviation. Descriptive statistics aimed to summarize the data set while inferential statistics including correlation and regression analysis used the data collected to make conclusions on the whole population under study.

The findings of the study established that there is positive and significant relationship between utilization of PSCAP fund and financial management and managerial factors ($r=0.786$ & 0.611, $n=64$, $p=.000$) as $P<0.05$ respectively. However, technical factors had negative, weak and insignificant relationship with PSCAP fund utilization($r= -0.091$, $n=64$, $p=0.476$) as $P > 005$. The study also revealed that the three key factors: financial management, technical and managerial factors have significant effect on PSCAP fund utilization ($\beta1$, $\beta2$, $\beta3= 0.647, -0.143, 0.348$; p-value = 0.000, 0.036 & 0.000) which is less than $\alpha = 0.05$) respectively. The study recommends that implementing sectors have to work towards improvements that will make the three determinants favorable to utilization of PSCAP fund.

Key words: *Financial management factors, Technical factors, Managerial factors*

CHAPTER ONE

1. INTRODUCTION

1.1. Background of the Study

Donor funding concept involves giving funds for projects of a development nature by a donor agency or organization. The function of a donor agency is to provide fund through different channels for example through the official (government) channels as well as private channels. Private funding agencies generally channel funds through Non-Government Organizations (NGOs).

There are three different kinds of donor funding agencies. The first one is national governments for example the Western Governments which gives funds through government aid departments such as CIDA for Canada, USAID for the United States among others. Secondly there are multilateral agencies such as the World Bank and UNHCR and lastly there are charitable organizations such as OXFAM, the Ford Foundation amongst others. (Mosley, P. (1987).

Successful utilization of funds requires a well-coordinated financial management system by which an organization or institution manages its finances. The very justification for a sound financial management system and good accounting system rests on the assumption that information and reports emanating from the improved quality of decision making which is relevant to donor funded projects. A sound financial management system which sees an effective utilization of funds be it donor funds or funds from normal operations can be referred to as a system that is able to provide timely and reliable information, give early warning of problems in projects implementation and allow project implementation and allow the monitoring of a project's progress towards its agreed objectives. (Adan Haji, 2013)

Regarding the public sector capacity building in Africa the World Bank suggested that African countries must improve the performance of their public sectors if they are to achieve their stated goals of reducing poverty, accelerating economic growth, and providing better services to their citizens. The continued weakness of the public sector in most countries in the Region reflects deeply rooted conditions that are the legacy of such influences as colonialism, political conflict, and the underdevelopment of the private and nongovernmental sectors. In long term, systemic approaches are required to build public sector capacity under these conditions. (World Bank, OED, 2005)

As Ethiopia steadily moves away from years of a closed and centralized system of governance, the processes of adopting, remolding and advancing the new democratic culture have indeed become a daunting task. Lack of capacity has been identified as a major constraint in deepening the democratization and good governance process in Ethiopia. In order to address this issue the capacity of the public sector as a whole needs to be improved to ensure efficient, effective and accountable service delivery and a supportive environment for partnership with the private sector and civil society. (www.unmillenniumproject.org/documents/ Ethiopian psd.doc, 1999)

Therefore, the government of Ethiopia has created a Ministry of Capacity Building and has made capacity building a central focus in its poverty reduction strategy (World Bank, OED 2005).

The Government of Ethiopia then launched fourteen national capacity building reform programs (NCBP). These reform programs focus on strengthening the institutional, human capital and system of the public institutions. The national capacity building program is one of the strategies for the long term state transformation agenda. Due attention is also given to support and strengthen the democratization process and economic development. As indicated in the poverty reduction strategy document (SDPRP; 2002), Capacity building across the public, private, civil society and higher education constitute a key pillar of Ethiopia's poverty reduction strategy. Among these fourteen national capacity building programs, six of them directly involved in public sector which has got attention to rapidly scale up under a consolidated five years federal program called public sector capacity building program / PSCAP/.

In line with this, Oromia National regional State; which is one of the nine member national states of Ethiopia, with the support of the federal government and the World Bank (WB) designed five (5) years public sector capacity building programs (PSCAP) namely Civil Service Reform Program (CSRP), Justice System Reform Program (JSRP), District Level Decentralization Program(DLDP), Tax System Reform Program(TSRP), Urban Management Capacity Building Program(UMCBP) and Information Communication Technology(ICT).

In order to implement these programs effectively and efficiently as well as for the purpose of day to day management of PSCAP, the regional government designed institutional and implementation arrangement that follows the PSCAP program implementation plan /PIP/, but with some adjustments or modification. At regional level, the Bureau of Capacity Building (BCB), the present Bureau of Civil service and Good Governance is responsible for program coordination. For the purposes of day to day management of PSCAP, the BCB's coordinate regional Technical Team (RTT) and Program Coordination Department (PCD). As far as financial management is concerned, the Bureau of Finance and Economic Development (BOFED) is being discharged the responsibilities. Hence this research tried to see the major

determinants of PSCAP fund utilization in program implementing sectors of the Oromia regional state and minimize the obstacles facing the implementing initiations in the area.

1.2. Statement of the Problem

In Ethiopia during the three five year plan period (1957-1973), 25 percent of the required total investment was covered by external public capital. Similarly, during the post revolution period, 37 percent of the total annual campaign of 1979-83 was financed by foreign aid (Tolessa 2001). Besides, foreign aid covered 23.2% of total revenue in 2010/11 fiscal year (National Bank of Ethiopia annual report, 2010/11).This shows that foreign aid has been playing the great role in Ethiopia‘s economy since 1950s and the country, like any other developing country is not in a position to mobilize enough domestic resources to finance government spending on different sectors of the economy and finance the gap from donor agencies in the form of external aid and assistance to serve the purpose.

Utilization of donor funds had been a challenge to both the donor community as well as the agencies that are responsible for utilization of the same. Therefore there is need for institutions that are responsible for the management of these funds to come up with the right framework and procedures in order to ensure that funds given are utilized as expected and that the funds serve the purpose (Fowler, 1995).

According to Haji and Francis (2013), in their study of Factors Influencing Effective Utilization of Donor Funds with reference to UNHCR and USAID funds indicated that financial management, environment of operations, purpose of the organization, technical factors(ICT), managerial factors (Managerial knowledge and skills) and factors attributable to donor behavior are determinants of donor fund/aid.

Studies made by Kiplag’at K.yater (2012) on “ Utilization of Donor Funding and its Effects on Economic Development of the Intended Beneficiaries in Kenya indicates 59% of total projects were not fully utilized their donor funding during the six year period of the sample. He indicated that inability to fully utilize funds given as expected will not serve intended beneficiaries. He also addressed the utilization of different countries and indicated corruption and lack of transparency, using fund for unintended purpose, funding mismanagement and inefficient disbursement and underutilization are problems identified in the countries.

Information from Ministry of Finance and Economic Development (MoFED) showed PSCAP fund which is donated by World Bank and other national governments were not fully settled at national level (MoFED PSCAP financial report 2013). In addition data from Oromia Bureau of Finance and Economic Development (BoFED) indicated as the region did not fully utilize the

PSCAP budget. More over the audit report confirmed that br.25, 885,655 had been tied up as cash at bank during fiscal year 2012/2013. Such unutilized fund affects project implementation process as well as realization of goals.

In relation to PSCAP fund utilization in Oromia; despite lack of timely budget or fund approval and release, lack of timely fund utilization and report, highly centralized PSCAP budget, miss utilization, uneven coordination between federal sub-program directors and their regional counterparts; lack of capacity at all levels of government, especially in respect of implementing World Bank procurement procedures, project management, financial management, budgeting and monitoring and evaluation (Oromia Bureau of Capacity Building Joint Mid Term Review Mission 2008), no research has been done on the subject area in the region.

In addition study made by Nebyou B. (2010) on PSCAP implementation with particular reference to Civil Service reform in Addis Ababa City Government of Ethiopia indicated that the fund utilization is not effective as well as the PSCAP financial disbursement is poorly performed. The study did not identify the reason or cause for ineffective utilization and poor performance of financial disbursement.

Therefore, with the above situations in mind the researcher seeks to examine and provide information about determinants of PSCAP fund utilization donated by World Bank and other national governments in the Program implementing sectors of Oromia National Regional State.

1.3. Objectives of Study

1.3.1 General Objective

The general objective of the study was to examine the determinants of donor fund utilization with specific reference to PSCAP fund utilization in implementing sectors of Oromia National Regional State.

1.3.2. Specific Objective

The study was guided by the following specific objectives:

- To identify the relationship between PSCAP fund utilization and dimensions of donor fund utilization.
- To determine whether financial management have significant effect on PSCAP fund utilization.
- To identify the effect of technical factors on PSCAP fund utilization.
- To find out whether managerial factors have significant effect on PSCAP fund utilization.

1.4. Research Questions

- What are the relationship between dimensions of donor fund utilization and utilization of PSCAP fund?
- Does the financial management have significant effect on PSCAP fund utilization?
- How is the effect of technical factors on PSCAP fund utilization?
- Do the managerial factors have significant effect on PSCAP fund utilization?

1.5. Hypothesis of the Study

The Hypothesis of the Study was hypothesized as follows:

H1o: Financial management factors have no positive and significant relationship with PSCAP fund utilization.

H1A: Financial management factors have positive and significant relationship with PSCAP fund utilization.

H2o: Technical factors have no strong, positive and significant relationship with PSCAP fund utilization.

H2A: Technical factors have strong, positive and significant relationship with PSCAP fund utilization.

H3o: Managerial factors have no positive and significant relationship with PSCAP fund utilization.

H3A: Managerial factors have positive and significant relationship with PSCAP fund utilization.

H4o: Financial management factors have no significant effect on utilization of PSCAP fund.

H4A: Financial management factors have significant effect on utilization PSCAP fund.

H5o: Technical factors have no significant effect on utilization of PSCAP fund.

H5A: Technical factors have significant effect on utilization of PSCAP fund.

H6o: Managerial factors have no significant effect on utilization of PSCAP fund.

H6A: Managerial factors have significant effect on utilization of PSCAP fund.

1.6. Significance of the study

This study aims at shedding light on determinants of PSCAP fund utilization in Oromia National Regional State of Ethiopia.

The study may benefit both academic world and practitioners to know determinants fund utilization namely PSCAP fund utilization in Oromia National Regional State. The PSCAP donors and beneficiaries can also benefited by knowing the status and success of PSCAP from this research paper. The study also identifies the factors that mainly determine the PSCAP fund utilization and helps the practitioners, donors and government to take appropriate measurements.

Besides, this research might help different parts as source of literature, and as supporting documents for further researcher for those who are going to conduct the study in the same or related areas.

1.7. Scope of the Study

Generally, this study examined determinants of PSCAP fund utilization in Oromia National Regional State.

Therefore, the study is undertaken in regional public sectors which are beneficiaries or implementers of PSCAP program such as Civil Service and Good Governance Bureau, Oromia Revenue Authority, Oromia Urban Development Bureau, Oromia Information Communication and Technology Agency and Orormia Bureau of Finance and Economic Development. Each of the sectors has its own sub program to implement. This study is limited to Oromia National Regional State public sector capacity building program, to examine determinants of PSCAP fund utilization. Therefore, the study discussed the subject in the mentioned implementing sectors of the region from 2004/05 to 2012/13 and wouldn't include issues of the subject matter at national level and in other regions.

1.8. Limitation of the Study

This study has its own limitations which are encountered at various stages. The primary limitation of the study is lack of sufficient material and research done on the area of fund utilization. Secondly, respondents were not devoted themselves in filling and returning questionnaires on time. However, attempts have been made to support the shortfalls of these responses with secondary data. At last, even if Public sector Capacity Building Program is multidimensional, sector wide and the initiative of national government and regional states, the study is limited to Oromia National Regional States and may be difficult to generalize the results of the findings to national level.

1.9. Organization of the paper

This research comprises of five chapters. Chapter one of these papers presented back ground of the paper whereas chapter two concentrated on the review of literature. The third chapter deals with the Research Methodology. In Chapter four presentations and analysis of determinants of PSCAP fund utilization in Oromia National Regional State is discussed. Finally, chapter five deals with summary of findings, conclusion and recommendation of the research so far identified.

CHAPTER TWO

REVIEW OF RELATED LETRATURE

2.1. Introduction

This chapter primarily clarifies basic concepts and definitions relevant to the study subject. Therefore, the chapter comprises definition of capacity and capacity building, a systems and participatory approach to capacity building, public sector and public sector capacity building program in Ethiopia, evolution of aid and aid modalities in Africa, fund and types of fund, the nature of donor fund projects, management control and project performance, dimensions of donor funds, issues affecting donor resource management, ways to improve donor fund effectiveness and finally conceptual frame work.

2.2. History of Capacity Building

Community capacity building (CCB), also referred to as capacity development, is a conceptual approach to development that focuses on understanding the obstacles that inhibit people, governments, international organizations and non-governmental organizations from realizing their development goals while enhancing the abilities that will allow them to achieve measurable and sustainable results. (www.wikipedia.org)

The term community capacity building emerged in the lexicon of international development during the 1990s. Today, "community capacity building" is included in the programs of most international organizations that work in development, the World Bank, the United Nations and non-governmental organizations (NGOs) like Oxfam International. Wide use of the term has resulted in controversy over its true meaning. (www.wikipedia.org)

Community capacity building often refers to strengthening the skills, competencies and abilities of people and communities in developing societies so they can overcome the causes of their exclusion and suffering. Organizational capacity building is used by NGOs to guide their internal development and activities. (www.wikipedia.org)

The term "community capacity building" has evolved from past terms such as institutional building and organizational development.

In the 1950s and 1960s these terms referred to community development that focused on enhancing the technological and self-help capacities of individuals in rural areas.

In the 1970s, following a series of reports on international development an emphasis was put on building capacity for technical skills in rural areas, and also in the administrative sectors of developing countries. In the 1980s the concept of institutional development expanded even more. Institutional development was viewed as a long-term process of building up a developing country's government, public and private sector institutions, and NGOs. (www.wikipedia.org)

Though precursors to capacity building existed before, they were not powerful forces in international development like "capacity building" became during the 1990s.

Capacity building of Civil Society Organizations (CSOs) has gathered growing recognition from policymakers, grant-making bodies and international development agencies in recent years. It rests on the principle that investing in the human and social capital of marginalized individuals and groups enables them to develop the capacities needed to thrive, and to play an autonomous role in developing and renewing their communities (Bentley et al, 2003). Both concept and practice have evolved in the development communities, ranging from the institution-building approach in the 1950s, to the human resource development approach in the 1970s and 1980s, to the capacity development/knowledge networks in the 2000s.

2.3. Definitions of capacity

Hilderbrand and Grindle (1994: 10) define capacity as 'the ability to perform appropriate tasks effectively, efficiently and sustainably'. Loubser (1993: 23), on the other hand, compiles a list of the elements of capacity:

Specified objectives, including vision, values, policies, strategies and interests
Efforts, including will, energy, concentration, work ethic and efficiency
Capabilities, including intelligence, skills, knowledge and mental sets
Resources, including human, natural, technological, cultural and financial
Work organization, including planning, designing, sequencing and mobilizing

Morgan (1998), who has done extensive work on capacity building and contributed to current debates and practice, defines capacity as the 'organizational and technical abilities, relationships and values that enable countries, organizations, groups and individuals at any level of society to carry out functions and achieve their development objective over time'.

Organizations which have been engaged in the delivery side of capacity-building efforts have learnt few lessons from their experience. What the best approach is, what triggers successful results and what good practice means in this field, are concepts which are still very little understood. In recent years, this lack of understanding has been attributed to the following two causes**:**

- Organizations that have been delivering capacity building have paid little attention to monitoring and evaluating the impact of their work. This is mainly because capacity building is often embedded in other programs and difficult to track down.
- Outcomes produced by the new approaches to capacity building are long term and not easily attributable to one intervention or intervener.

2.4. Definitions of Capacity Building

According to Cohen (1993: 26), public sector capacity building 'seeks to strengthen targeted human resources (managerial, professional and technical), in particular institutions, and to provide those institutions with the means whereby these resources can be marshaled and sustained effectively to perform planning, policy formulation, and implementation tasks throughout government on any priority topic'.

Berg (1993: 62-3) regards capacity building as characterized by three main activities: 'skill upgrading – both general and job-specific; procedural improvements; and organizational strengthening'. Skill enhancement refers to general education, on-the-job training and professional strengthening of skills such as policy analysis and IT. Procedural improvements refer to context changes or system reforms. Organization strengthening covers the process of institutional development. He concludes that capacity building is '...broader than organizational development in that it includes all types of skill enhancement and also procedural reforms that extend beyond the boundaries of a single organization'.

North (1992: 6), on the other hand, regards capacity building as synonymous with the term 'development' and argues that the concept of capacity building has in recent years taken on a new meaning: as an umbrella term to include institution building and human resource development, which are associated with 'a developing country's management of development policies and programs'. Hilder brand and Grindle (1994: 9) argue that this suggestion 'makes operationalizing the concept in a meaningful way almost impossible'.

For Morgan (1998), the core of capacity building is wider and more holistic: there is a close relationship between human resource development and capacity development; there is an evolving relationship between training and capacity development; effective capacity

development requires sustained attention over a longer period of time; capacity development attempts to move beyond administrative techniques and beyond projects; and capacity development attempts to accelerate interaction between organizations and their environment. In this sense, capacity development becomes a more complex concept than that of inputs, which is the concept most widely spread in the donor community. It refers to the approaches, strategies and methodologies used by national actors and/or outside interveners to help organizations and/or systems improve their performance (Morgan, 1998).

It is also relevant to note that, since no overall theory of capacity building exists, organizations that engage in this type of work base their approach on theories of change borrowed from the social sciences. Inevitably, this triggers the interchangeable use of terms like capacity building, capacity enhancement and capacity development. The first two seem currently to be preferred, perhaps.

2.5. Systems and Participatory Approach to Capacity Building

As briefly discussed above, capacity building encompasses institutional development but goes beyond individual organizations and institutions to broader systems, groups of organizations and networks. It addresses complex multi-faceted problems requiring the participation of various actors, organizations and institutions (Qualman and Morgan, 1996).

Individuals operate within organizations, individual organizations operate within a wider sector, and these sectors operate within a broader environment. Interventions at one level need to recognize the interactions with other levels:

• **Individual level**: refers to individuals as social or organizational actors. Their skills or ability are strengthened to contribute to the realization of development objectives. Yet, too often capacity-building projects have focused on training of individuals without paying adequate attention to organizational issues or broader processes of empowerment. Learning over the past decade suggests that this type of investment is at risks of being of limited benefit.

• **Organizational level**: focuses on organizational structures, processes, resources, and management and governance issues. This has been the preferred point of entry for bilateral donors. Yet, capacity building not only is about a thorough analysis of issues at the organizational level, but also is an assessment of how factors at other levels either constrain or support organizational change. Organizations are only part of the vast development picture.

• **Sector/network level**: capacity-building efforts have recently focused on this level, reflecting an increased awareness of the importance of coherent policies, strategies and effective

coordination within and across sectors. Yet, change at this level poses challenges such as competing organizational priorities, lack of coordination, and lack of organizational capacity.
On the positive side, change at this level can contribute to synergies and promote more effective use of existing capacities.

• **Enabling environment level**: this represents the broader context within which the development process takes place and which can either constrain or enable prospects for success. Change here takes place over a long term.

The systems approach to capacity building is a multidimensional idea, referring to a concept that is multilevel and interrelated, where each system and part is linked to another. This approach suggests that capacity building should build on what exists in order to improve it, rather than necessarily build new systems. This becomes a dynamic process through which networks of actors seek to enhance their abilities to perform, through both their own initiative and outsider support. While this approach lacks focus, it is comprehensible, flexible and emphasizes linkages between elements.

Those who view development as people-centered and non-hierarchical believe that unless capacity building interventions are participatory, empowering partnerships for which those involved feel a high degree of ownership, intended results cannot be achieved. A participatory approach to capacity building can apply at most of the above levels, although the tendency, more often than not, is again on the individual. As a result, there is a danger that interventions which, for example, focus on training, could be named capacity building because they were carried out in a participatory way though not necessarily contributing to the building of capacity in the sense that it has been developed in this paper. Donors need to internalize some of the principles learned about capacity building within their own organizations and adapt their procedures.

2.6. Public Sector

In addition to the government itself, the public sector includes non financial and financial corporations and quasi-corporations owned or controlled by the government. Aquasi corporation is a government establishment engaged in activities that: (i) charge prices for its outputs(ii) is operated and managed in similar way to private sector company; and (iii) has asset of accounts that enable its operating surpluses, savings, assets and liabilities to be separately identified and measured.(OECD,2001).

In market economies, public enterprise should be commercially oriented and, wherever possible, should aim to make a profit. For this purpose, they must have autonomy in management and be given a corporate structure. Thus, their expenditure and revenue cannot be submitted to the same

scrutiny and approval mechanisms as the national budget, which should cover only the enterprises financial transactions with government and not their transaction with the rest of the economy.

However, a system for monitoring and reporting financial information for the public sector as a whole must also developed. Thus, the budget documents can show in an analytical table, presented for information only, the consolidated account of the public sector, (called sometimes "Consolidated budget") , although it has not the legal status of the national budget.

For reasons of accountability and transparency the government should report on performance and the financial situation of all entities that it controls. In practice, the definition of the government reporting entity varies from one jurisdiction to another.

2.7. Reforming Public Institutions and Governance

Dysfunctional and ineffective public institutions broadly defined here to include all institutions that shape the way public functions are carried out and weak governance are increasingly seen to be at the heart of the economic development challenge. Misguided resource allocation, excessive government intervention, and arbitrariness and corruption have deterred private sector investment and slowed growth and poverty-reduction efforts in numerous settings. The recent financial crises in Asia have exposed problems of governance and public sector performance in that region. The latest work on aid effectiveness points out the risks of lending to countries with bad policies and poorly performing public sectors. Just as it became evident in the 1980s that potentially good projects often fail in poor policy environments, so it became evident in the 1990s that policy reforms are less likely to succeed when public institutions and governance are weak. (World Bank, 2000)

Building effective and accountable public institutions is arguably the core challenge for sustainable poverty reduction.

Responding to this accumulation of evidence, the World Bank has increasingly focused its attention in recent years on reform of public sector institutions.

Poverty reduction is the goal of development work, including work to strengthen public institutions and governance. The most direct channel through which governance affects poverty is via its impact on service delivery. Poverty reduction depends on improvements in the quality and accessibility to poor people of basic education, health, potable water and other social and infrastructure services.

Achieving this generally calls for government action-financing, active facilitation and in many instances the direct delivery of services. Yet in all too many countries, public actors in the social

and infrastructure sectors have neither the incentives nor the resources to play this role. Reforming the institutional "rules of the game" thus becomes key to improving the availability of services for the poor.

A less immediate impact comes via the now well-documented contribution of good governance to growth and the expansion of income-earning opportunities, and via related changes in the ways in which scarce public resources are allocated and policies are formulated.

In countries where institutions are weak policymaking and resource allocation typically proceed in nontransparent ways, with decisions generally skewed in favor of those who are well connected to centers of power. All too often, the result is that services valued by elites (for example, tertiary rather than primary education) receive disproportionate funding, and policies are adopted (for example, the granting of monopoly privileges) that benefit a few at the expense of society more broadly. Institutional reforms in both policy making and budgeting foster openness and explicit debate among competing alternatives, thereby making it more difficult to conceal decisions that are systematically biased against the poor. (World Bank, 2000:1-2)

Perhaps the most profound impact of institutional reform on poverty comes via the potential for increases in citizen participation. There are a variety of ways in which strengthening **"**voice**"** in general—and the voice of the poor in particular can improve public performance. At the micro-level, they include fostering participation of parents in the governance of schools or working with communities to provide access to water. At the macro-level, they include well-designed modes of decentralization and, more broadly, various forms of representative decision making and political oversight. As this strategy emphasizes, institutional reform is not simply a matter of changing the ways in which public hierarchies are arranged. Its focus is on the broad array of "rules of the game" that shape the incentives and actions of public actors including the "voice" mechanisms that promote the rule of law and the accountability of government to its citizens.

Ethiopia started to introduce European type of administrative system after the victory of the battle of Adwa over a powerful metropolitan European power. In October 25, 1909 Menelik II appointed ministers but maintained the personal link with the monarch or lords and was limited to maintaining law and order. The civil service made structural and functional change during the days of Emperor Haile Selassie's especially after issuance of the Public Services Order No.23/1961, which created the Central Personnel Agency with the duties, and responsibilities of setting a homogeneous Public Service. Ethiopia was thus among the few independent African countries, which introduced what was called "Administrative Reform" in the early 1960s. No progress was made until the fall of the Military regime in 1991. (Alemayehu H.2001:2-3)

Ethiopia is undergoing multi-dimensional political and economic reforms since 1991. The foundation of state governance has changed from a highly centralized apparatus to a decentralized federal structure. The regions are largely responsible for their respective social and economic development. Above all, the new situation has offered that ethnic claims and counter claims can be reconciled through power sharing and the decision of the secret ballot.

2.8. Public Sector Capacity Building Program in Ethiopia

The Government of Ethiopia recognizes that good economic and sector policies depend on building state capacity if they are to be implemented successfully over time. Capacity building is a core building block of the country's poverty reduction strategy. (PIP for PSCAP: 2004)

In 2001, GoE launched a comprehensive National Capacity Building Program (NCBP) which is an extremely wide ranging and ambitious program with the highest-level government commitment and a strong buy in through all levels of the administration. It identified fourteen inter-dependent programs which led on to the creation of a federal ministry - the Ministry of Capacity Building - to coordinate and provide strategic guidance to the overall program.

Ethiopia's public sector capacity building efforts prior to 2003 were largely supported by fragmented donor projects and financed in an ad hoc manner. In May 2003, GoE announced its intention to rapidly scale up the implementation of its core reform and capacity building interventions under a Public Sector Capacity Building Program. (PIP for PSCAP: 2004)

The aim of PSCAP is to improve the Government of Ethiopia's capacity for effective and responsive public service delivery. It also contributes to citizens' empowerment to participate more effectively in shaping their own development; and to improved governance through developing accountability PSCAP began operations in January 2005, and provides funding to six of the fourteen national capacity building program which relates directly to the public sector:

- Civil service reform – to promote development of an efficient, effective and accountable civil service. This includes strengthening of public financial management, top management systems, human resources and performance management.
- District level decentralization – to deepen devolution of power to local government. This includes promoting grassroots participation in decision-making and improving transparency, accountability, and service delivery.
- Justice reform – to strengthen parliamentary oversight and the independence and capacity of the judiciary, police and prosecutor. This will strengthen checks and balances on the political executive, and provide a predictable environment for private sector transactions.

- Urban management capacity building – to improve urban service delivery.
- Tax reform – to increase revenues whilst ensuring a fair and equitable tax system. This includes further development of tax policy, legislation and collection.
- Information and communications technologies – to cut across and support the other sub-program.

PSCAP is implemented through a number of ministries and regional bureau, largely through provision of technical assistance. Progress is monitored through joint GoE-donor reviews. It provides an important opportunity to encourage positive change in public institutions, including the implementation of GoE policies on environment, HIV/AIDS and gender equality, ensuring that these are recognized and effected in public sector reforms. (PIP for PSCAP: 2004)

DFID's support for PSCAP complements the substantial amount of aid we channel through the GoE budget, originally in the form of direct budget support and more recently, since direct budget support was stopped in 2005, through the Protection of Basic Services program.

The first major review of PSCAP took place in April 2006. A number of recommendations for improvements were made, including improving and extending the consultative arrangements among the implementing agencies at federal and sub national level, decentralizing the management arrangements, enhancing implementation of the program with greater emphasis on public financial management, and establishing a helpdesk.(PIP for PSCAP:2004)

The first phase of PSCAP (PSCAP I) was implemented between 2005/6 and 2009/10. It was supported by several donors, such as World Bank (IDA for grant and credit), Irish aid, DFID, Italian, IDA AF, EU grant, CIDA grant and government contribution from treasury**.** PSCAP II-was designed in 2010 to 2013 to scale up and deepen the reform processes established through PSCAP I. (PIP for PSCAP: 2004)

2.9. Public Sector Capacity Building Program (PSCAP) Harmonization

Harmonization between donors and GoE has been a principal feature of PSCAP design. This has taken place within a common donor/GoE framework, with joint donor missions, shared and pooled resources, common documentation during concept development and several stages of program design and appraisal. Donors are committed to continuing to develop harmonized approaches to PSCAP during implementation. A number of common arrangements have been agreed, including coordinated dialogue with GoE, a common framework in planning, monitoring and evaluation systems, financial accounting and procurement procedures.

A MoU between GoE and donors will form the basis for harmonization. A Joint Government-Donor PSCAP Working Group has been established to provide a basis for dialogue on policy,

and implementation, through increasing transparency and predictability of resource flows, harmonization of aid administration, alignment and mutual accountability.(PIP:2004)

2.10. Evolution of Aid and Its Modalities in Africa

Aid began in the late 1940‘s with the purpose of reconstructing the war-torn economy of Western Europe.

Most western countries initiated aid programs in Africa in the 1960s in the wake of independence from former colonial states. In this period, donors encouraged African governments to plan their countries development, and urged the adoption of policies encouraging industrial growth. In the 1970s, the focus of aid shifted increasingly to poverty alleviation with a priority on projects to develop rural areas. In the 1980s, with the economic crisis in Africa and debt defaults associated with it, donors were forced to reconsider the effectiveness of project aid modality. In the 1990s, because of the limitation on the extent of reforms and the continuation of low growth rates in most of Africa, donor agencies turned to look for other causes of lagging growth. Poverty alleviation and improvements in the socio-economic welfare of vulnerable households were again emphasized as the overarching objective of development (Adedeji, 2001; Round and Odedokun, 2003; Ngwenyama et al., 2006). Poverty reduction – in its broader sense measured in terms of output rather than inputs was seen as the primary goal to strive for (Thorbeck, 2000, p44). In addition to these factors, a growing dissatisfaction with both the project and program approaches has led to the rise of Sector-wide Approaches (SWAPs) and budgetary support as major aid modalities in Africa.

At present various aid modalities used as instruments of providing aid in Africa (CIDA, 2000, p2). In stand-alone projects, donor-funded activities are outside of government’s sector program. Donor funds are fed into project accounts accessed only by an intermediary agency that is accountable to the donor. In terms of SWAPs, there are basically three types of modalities, i.e., project type aid, earmarked funds, and sector budgetary support (pooled funds). In project type aid, donor-funded activities support the government’s sector framework but are managed as projects. For example, donor-funded activities rely on donor management systems, reporting, contracting, etc. In earmarked funds, donor funding supports the government’s sector policy framework. Dedicated accounts are used for financing but with conditionality or performance agreements linked to their release. In sector budgetary support, donors provide funds pooled with other donors. Although some preconditions may apply to the release of donor funds, this modality relied increasingly on common procedures, e.g., appraisal, reporting, monitoring and evaluation, and joint review processes. Unlike sector budgetary support, budgetary support is

provided by donors to the government but not linked to a specific sector program. In return, donors usually engage in policy dialogue with the government on the total budget, not just for a specific sector.

2.11. Funds and Types of Funds

According to the National Council on Governmental Accounting Statement No1 (NCGAS1), entitled governmental accounting and financial reporting principles, a fund is defined as:

" …a self balancing set of accounts recording cash and other financial resources, to other with all related liabilities and residual equities or balances, and change there in, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitation."

In fund financial statements, governments should report governmental, proprietary, and fiduciary funds to the extent that they have activities that meet the criteria for using those funds. (www.stsd.mt.gov)

2.11.1. Governmental Funds

Typically are used to account for tax-supported (I.e., governmental) activities.

General Fund - Chief operating fund of government. Used to account for all of the resources except those required to be accounted for in another fund.

There are at least three compelling reasons to account for a particular activity in some type of fund other than the general fund.

1. Requirements of generally accepted accounting principles (GAAP).
2. Legal Requirements
3. Demands of sound financial administration

Special Revenue Funds - may be used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditure for specified purposes. This definition is intended to apply to legal restrictions imposed by outside parties, although it is commonly interpreted to apply as well to restrictions imposed by the governing body. The use of a special revenue fund is almost always permitted rather than required.

Debt Service Funds - may be used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest.

Capital Projects Funds - may be used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds and trust funds).

The use of a capital projects fund is especially common for major capital acquisition or construction activities financed through borrowings or contributions.

The use of the capital projects fund type is permitted rather than being required.

Permanent Funds- should be used to report resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting government's programs, that is, for the benefit of the government or its citizenry.

2.11.2. Proprietary Funds

Proprietary funds are used to account for a government's business-type activities (I.e., activities supported, at least in part, by fees or charges).

Enterprise Funds - may be used to report any activity for which a fee is charged to external users for goods or services.

An enterprise fund must be used to report any activity whose principal revenue sources meet any of three criteria.

1. Association with debt backed solely by fees and charges.
2. Legal requirement to recover all direct costs (including capital costs such as depreciation or debt service).
3. Policy decision to recover all direct costs (including capital costs such as depreciation or debt service).

Internal Service Funds – may be used to report any activity that provides goods or services on a cost-reimbursement basis to other funds, departments, or agencies of the primary government and its component units, or to other governments. The use of an internal service fund is never required by GAAP.

2.11.3. Fiduciary Funds

Should be used to report assets held in a trustee or agency capacity for others and that therefore cannot be used to support the government's own programs.

The key distinction between trust funds and agency funds is that the former normally are subject to a trust agreement that affects the degree of management involvement and the length of time that the resources are held. Pension (and other employee benefit) Trust Funds, Investment Trust Funds Private-purpose Trust Funds and Agency Funds are categories of fiduciary funds.

2.12. The Nature of Donor Funded Projects

In this section, emphasis has been placed on how prescriptive expenditure affects project operations. Donor funding is received as loans (repayable with or without interest) or grants (non payable) and comes from bilateral (between countries), financial institutions which may be;

regional (such as East African Development Bank - EADB), Continental (such as African Development Bank - ADB, etc) and international institutions such as the World Bank, The World Bank group for example, lends funds through two arms; the International Bank for Reconstruction and Development (IBRD) and International Development Association (IDA). IDA provides interest free loans and grants to Least Developed Countries (LDCs) – whose per capita income is less than $1,000. IBRD provides loans to countries with a per capita income of more than $1,000 and some LDCs which are considered credit worthy (World Bank, 2008).

Donors owe a responsibility to their funders (governments or boards) of ensuring that the funds disbursed to the recipients are used for the intended purposes. To meet this objective, disbursements are preceded by a funding agreement which stipulates how the funds will be spent among other conditions. Expenditure ceilings are thus built into these agreements to prevent misuse, align the impact and outcome of these projects to the countries' direction of development as well as to the Millennium Development Goals (MDGs). Unfortunately, it's these very safeguards which become an impediment to the establishment of a smooth implementation of a sound reporting process. Whether the projects are implemented by governments, local Non-Governmental organizations (NGOs) or the donor's own local management teams, these strict expenditure ceilings within which implementers have to operate in order to warrant a continued flow of funds from the donors, leave little room for the establishment of sound and effective reporting (Lancaster, 1999).

The operational costs include staff salaries, vehicle maintenance and the implementation of a sound reporting process among others. The nature and demand of the other cost elements (salaries and other logistics) in this category ended-up taking a higher priority compared to the setting-up of a sound financial framework capable of delivering organizational-wide reporting. During an evaluation exercise (November 1997 and January 1998), the evaluation team, among others, strongly recommended a revamp of the accounting and reporting systems to ensure generation of essential cost accounting and management information. Under the "lessons learnt" section of the report, the evaluators made an appeal that whenever projects are being set-up it's important to ensure that management is empowered with sufficient resources and qualified staff to provide adequate project progress reports (Levy,1987).

2.13. Management Control and Project Performance

Anthony, (2007) defined Management Control as the process by which managers influences other members of the organization to implement the organization's strategies as set out in its mission and vision. Management control systems are tools to aid management for steering an

organization toward its strategic objectives and competitive advantage. Management controls are only one of the tools which managers use in implementing desired strategies. However strategies get implemented through management controls, organizational structure, human resources management and culture. Anthony & Young (1999) showed management control system as a black box. The term black box is used to describe an operation whose exact nature cannot be observed. Management Control System involves the behavior of managers and these behaviors cannot be expressed by equations. According to Eilon, (2005), management control system is an integrated technique for collecting and using information to motivate employee behavior and to evaluate performance.

The Management Control acts through the following phases in sequence: planning, where for any organization's unit a set of objectives must be defined, that is of specific expected results, which need to be: understandable, agreed, measurable in extent and time, reachable, consistent with one another and with the available resources, programming, where a program is drawn up in order to get the planned objectives, taking into account the internal and external restraints to the company, result checking, where it is measured whether each company's unit has achieved or not the assigned objectives, shifting analysis, where the possible shifting between objectives and results is analyzed, corrective action implementation, in order to optimize the units' behavior against the planned objectives. To realize a project of Management Control it is necessary to carefully evaluate the reference context where it is intended to be applied and in particular: the diffusion of the Management Control culture into the company, the availability of appropriate computer and accounting systems (March & Herbert,1998).

Performance management does not alone guarantee improvement. Improvement comes through process redesign, innovation, and other forms of continuous improvement. Performance management highlights how a range of activities needs to come together in a conscious, single process of reflection. There are various features of the organization (including resources, structure, systems, and culture) and external factors (for example public engagement, partnerships) that need to be developed to create improvement.

These four values provide a reliable measurement of the project's performance. This include: Schedule Variance (SV), if SV is zero, then the project is perfectly on schedule. If SV is greater than zero, the project is earning more value than planned thus it's ahead of schedule. If SV is less than zero, the project is earning less value than planned thus it's behind schedule. Secondly there is the Cost Variance (CV) which indicates that if CV is zero, then the project is perfectly on budget. If CV is greater than zero, the project is earning more value than planned thus it's under budget. If CV is less than zero, the project is earning less value than planned thus it's over

budget. Thirdly, there is the Schedule Performance Index (SPI) which if SPI is one, then the project is perfectly on schedule. If SPI is less than 1 then the project is behind schedule. If SPI is greater than one then the project is ahead of schedule. A well performing project should have its SPI as close to one as possible. Lastly there is the Cost Performance Index (CPI) which indicates that if CPI is one, then the project is perfectly on budget. If CPI is less than 1 then the project is over budget. If CPI is greater than one then the project is under budget. A well performing project should have its SPI as close to one as possible (Anthony & Young ,1999).

Organizations should set thresholds for these values at which their status will change to an alert. For example, if the SPI falls below 0.9 then the project's schedule should change to a yellow status. If the SPI falls further and dips below 0.8 then the project's schedule should change to a red status. Additional earned value calculations can be performed if there is a problem with the project's cost or schedule this will give the project manager a better understanding of the problem and determining a path for correction. Measuring project performance is an important part of project and program management. It allows the people concern to identify cost and schedule problems early and take steps for remediation quickly. It starts with setting the standards for the size of work packages, applying credit for work performed, and which earned value metrics to track, which should be included in the project's Cost Management Plan. Measuring project performance provides the organization with a clear picture of the health of its projects and can instill confidence in the project teams. Additionally, these performance measures can help the organization managers to establish continuous improvement initiatives in areas where projects commonly perform at lower levels. The usefulness of measuring project performance is evident and as long as organizations do not become overwhelmed with them, these measures will remain important contributors to organizational success (Marsden, Oakley & Pratt, 1994).

The concept of organizational management control of project performance is implicit in the bureaucratic theory of Max Weber. Associated with this theory are such concepts as the span of control, closeness of supervision, and hierarchical authority.

Weber's view tends to include all levels or types of organizational management control as being the same. More recently, writers have tended to differentiate management control process between that which emphasizes the nature of the organizational or systems design and that which deals with daily operations.

In organizational management control, the approach used in the program of review and evaluation depends on the reason for the evaluation for example; is it because the system is not effective or is it accomplishing its objectives as set out in its strategic plan; is the system or management control failing to achieve an expected standard of efficiency in relation to the

projects set out; is the evaluation being conducted because of a breakdown or failure in operations of the project or is it merely a periodic audit and- review process of the whole project or program performance? (Robert, 1970).

When project performance has failed or is in great difficulty, special diagnostic techniques may be required to isolate the trouble areas and to identify the causes of the difficulty through management control systems. It is appropriate for the management to investigate areas that have been troublesome before or areas where some measure of performance can be quickly identified. For example, if an organization's output backlog builds rapidly, it is logical to check first to see if the problem is due to such readily obtainable measures as increased demand or to a drop in available man hours. When a more detailed analysis is necessary, a systematic procedure should be followed (March & Herbert, 1998).

In contrast to organizational management control, operational management control .serves to regulate the day-to-day output relative to schedules, specifications, and costs of the programs and projects. This tries to achieve whether the following have been achieved for example; is the output of product or service the proper quality and is it available as scheduled; are inventories of raw materials, goods-in-process, and finished products being purchased and produced in the desired quantities; are the costs associated with the transformation process in line with cost estimates; is the information needed in the transformation process available in the right form and at the right time or is the energy resource being utilized efficiently as expected to?

The most difficult task of management concerns monitoring the behavior of individuals, comparing performance to some standard and providing rewards or punishment as indicated. Sometimes this control over people relates entirely to their output. For example, a manager might not be concerned with the behavior of a salesman as long as sales were as high as expected. In other instances, close supervision of the salesman might be appropriate if achieving customer satisfaction were one of the sales organization's main objectives. The larger the unit, the more likely that the control characteristic will be related to some output goal. It also follows that if it is difficult or impossible to identify the actual output of individuals, it is better to measure the performance of the entire group. This means that individuals' levels of motivation and the measurement of their performance become subjective judgments made by the supervisor. Controlling output also suggests the difficulty of controlling individuals' performance and relating this to the total system's objectives (Robert, 1970).

2.14. Dimensions of Donor Funds Utilization

2.14.1. Financial Management

Financial management is concerned with accounting for and controlling the sources and uses of the funds that an organization employs in its operation. It aims at providing the needed money in the most economical way from borrowing owner's investments or sale. Financial management regulates the use of the money to produce the greatest output. Management is a process that decides on the specific goals of an organization and directs the efforts of other people to accomplish actions needed to meet the goal (Burke and Bittel, 1991).

According to Nickel (1999), financial management is the managing of public and private resources so as to meet their goals and objectives. Financial management could be in the hands of chief financial officer, a person who serves as company treasurer or vice president of finance. His function is to obtain money and then control the use of that money effectively. Financial managers are responsible for collecting overdue payment and making sure that the organization does not lose too much money to bad debts (people or organizations that do not pay). Financial planning and control are aspects of financial management. Financial planning involves analyzing short-term and long term money flows to and from the organization. The overall objective of financial planning is to optimize the organization's profitability and make the best use of its money. Financial control is the process in which a firm periodically compares its actual revenues, costs and expenses with its projected ones. Most companies or organizations hold at least monthly financial review as a way to ensure financial control.

Financial Management consists of all the activities concerned with obtaining money and using it effectively. Effective financial management involves careful planning and efficient use of resources. Proper financial management can ensure that financial priorities are established in line with organizational goals and objectives; spending is planned and controlled in accordance with established priorities and sufficient financing is available when it is needed (Pride, 2002).

Good financial management reduces government and private expenditure by ensuring that the services needed by the citizens especially the poor are actually delivered, maintained and worked properly. It ensures accountability to citizens for the use of public resources. Public financial management is an attempt made by government to ensure that consistently the budget is either a balanced or a surplus budget. These are largely achieved through ensuring adequate receipts from taxes and non-taxes sources and reducing public expenditure levels. These are done through the assessment of expenditure policies, revenue drive or revenue diversification and tax reforms

among others (World Bank, 2001). The key objectives of financial management are to create wealth for the organization, generate cash and provide an adequate return on investment.

According to Griffin and Ebert (1999), financial managers must ensure that their organizations have enough funds on hand to purchase the materials and human resources that they need to produce goods and services.

According to financial management for non profits, budgets are tools of the financial management system used for two central management functions: decision making (planning) and monitoring and controlling. A budget is a plan of action expressed in financial terms. In the course of planning, an organization defines its purpose, mission, goals, objectives, strategies and activities. Through the budget process, decision-makers look at the financial implications of their plan: how much a program will cost and what are the anticipated revenues. Within the limits of scarce resources, priorities are set and budgets are created.

The budget is also a tool for monitoring and controlling ongoing organization activities. Once a plan has been developed, the organization needs information to see whether it is keeping to its plan. If the organization has gone "off track" various responses can be considered. Since the budget describes the plan in terms of dollars, it provides a basis for monitoring progress.

If, for example, a program is costing more than anticipated, it may be necessary for management to bring costs down, or it may be decided to review the plan to take a higher level of expense into account.

An accounting system is important for the business in keeping records. This is also a necessity for organizations in order to ensure effective and efficient financial management.

An accounting system is important also because it enables an enterprise to record, classify, analyze, summarize, interpret and present accurate and timely financial data for management purposes. An accounting practice is intended to enforce a firm's accounting guidelines and policies. It exists as the daily recording of financial data that is important to the evaluation and monitoring of the firm's economic activities.

Accounting practice refers to the normal, practical application of accounting and/or auditing policies that occurs within a business. (Sullivan and Steven, 2003).

2.14.2. Technical Factors

Informatics is a bridging discipline that is fundamentally interested in the application of information, information technology and information systems within organizations. Informatics is therefore the study of information, information systems and information technology applied to various phenomena (Beynon-Davies, 2002). Following this definition of informatics,

government informatics can be defined as the application of information, information systems and information technology within government. This therefore includes application of e-Government which is "primarily to do with making the delivery of government services more efficient" (Bannister and Remenyi, 2005). In support of government informatics, Tapscott (1995) argues that ICT causes a "paradigm shift" introducing "the age of network intelligence", reinventing businesses, governments and individuals. Ndou (2004) quoting Kaufman (1977) observes, "the traditional bureaucratic paradigm, characterized by internal productive efficiency, functional rationality, departmentalization, hierarchical control and rule-based management is being replaced by competitive, knowledge based requirements, such as: flexibility, network organization, vertical/horizontal integration, innovative entrepreneurship, organizational learning, speed up in service delivery, and a customer driven strategy, which emphasize coordinated network building, external collaboration and customer services" all of which are supported by ICT.

Governments around the world have been engaged in the process of implementing a wide range of ICT applications. Countries have been classified by the United Nations according to their Computer Industry Development Potential (CIPD) as advanced or less developed (Kaul and Odedra, 1991). Advanced include, for example, the United States, Canada, West European countries and Japan; less developed include for example Argentina, Brazil, India, Mexico, Kenya and Bulgaria. For all countries, use of ICTs for government reinvention is increasing not only in investment but also in terms of visibility with a number of high-profile initiatives having been launched during the 1990s. This reinvention has taken place especially in the advanced countries (Heeks and Davies, 2000). Western countries are convinced that the information society will result in economic and social benefits (Audenhove, 2000). The author quoting Organization for Economic Cooperation and Development, notes that information infrastructures are expected to stimulate economic growth, increase productivity, create jobs, and improve on the quality of life.

There is a big difference between ICT implementation and use between developed and developing countries (Heeks, 2002). However, Westrup (2002) observes that similarities can also be expected (Westrup, 2002). These similarities include funds which are never sufficient, bureaucracy and user needs. The difference is how problems are addressed in different countries. It can be argued that with their adequate resources and advanced technology, the Western countries have an easier way of implementing ICT projects than DCs. Most developing countries are characterized by limited computer applications in the public sector, inadequate infrastructure and shortage of skilled manpower (Odedra, 1993). Odedra (1993) notes that "this situation exists not merely due to lack of financial resources, but largely due to lack of coordination at different

levels in making effective use of the technology". This uncoordinated efforts can only result in duplication if each department implements its own ICT projects without due regard to compatibility within the government.

The factors for failure are those occurrences that constraint proper/smooth implementation of ICT projects in government. These can either be barriers or inhibitors as described by Khaled (2003), Gakunu (2004), Aineruhanga (2004), Heeks (2003a), Ndou (2004), Bhatnagar (2003), and Saul and Zulu (1994). Barriers can be considered as those occurrences that hinder ICT implementation. Some of these factors for failure are: infrastructure; (finance; poor data systems and lack of compatibility; skilled personnel; leadership styles, culture, and bureaucracy; and attitudes. Inhibitors‟ do not necessarily prevent the implementation of ICT projects but they do prevent advancement and restrict successful implementation and sustainability. Some of these factors for failure are: user needs, technology, coordination, ICT policy, transfer of ICT idolizers, and donor push.

12.4.2.1. E-Government

E-government has several meanings. One narrow definition focuses only on Internet applications inside government. However, narrow definition sometimes is expanded to include the use of the Internet in restructuring government-citizen interactions and related political relationships (Farelo & Morris, 2006). A broader definition looks at e-government as the use of ICT to strengthen government performance in areas such as more effective and more efficient provision of services, opening new channels for people to access government and official information, and making government more accountable to its citizens. Kumar and Best (2006) defined e-Government as the use of information and communication technologies (ICTs) in the public sector to improve its operations and delivery of services. Government organizations have public functions that are of general interest to citizens and businesses. While exercising their tasks like research, policy making, policy execution, democratic control, communication with the citizens, and internal administrative processes, information emerges.

The World Bank (2004) defines E-government as the use by government agencies of information technologies (such as Wide Area Networks, the Internet, and mobile computing) that have the ability to transform relations with citizens, businesses, and other arms of government. E-government therefore involves using ICTs to transform both back-end and front-end government processes and provides services, information and knowledge to the public. It has the potential to help build better relationships between government and the public by making interaction with citizens smoother, easier, and more efficient. Indeed, government ministries report using

electronic commerce to improve core ministries operations and deliver information and services faster, cheaper.

Wide range of information technologies, such as the Wide Area Networks, Internet, and Mobile Computing, are used by e-computing to transform government operations through the ministries in order to improve effectiveness, efficiency, service delivery and to promote democracy.

12.4.2.2. Information Systems and its Components

According to Laudon (2012), from a technical perspective, an information system collects, stores, and disseminates information from an organization's environment and internal operations to support organizational functions and decision making, communication, coordination, control, analysis, and visualization. Information systems transform raw data into useful information through three basic activities: input, processing, and output.

From a business perspective, an information system provides a solution to a problem or challenge facing a firm and represents a combination of management, organization, and technology elements.

The management dimension of information systems involves issues such as leadership, strategy, and management behavior. The technology dimension consists of computer hardware, software, data management technology, and networking/telecommunications technology (including the Internet).

The organization dimension of information systems involves issues such as the organization's hierarchy, functional specialties, business processes, culture, and political interest groups

12.4.2.3. How Information Systems Impact Organization and Business Firms.

Information systems have become integral, online, interactive tools deeply involved in the minute-to-minute operations and decision making of large organizations. Over the last decade, information systems have fundamentally altered the economics of organizations and greatly increased the possibilities for organizing work. Theories and concepts from economics and sociology help us understand the changes brought about by IT. (Laudon, 2012)

From the point of view of economics, IT changes both the relative costs of capital and the costs of information. Information systems technology can be viewed as a factor of production that can be substituted for traditional capital and labor. As the cost of information technology decreases, it is substituted for labor, which historically has been a rising cost. Hence, information technology should result in a decline in the number of middle managers and clerical workers as information technology substitutes for their labor (Laudon, 1990).

As the cost of information technology decreases, it also substitutes for other forms of capital such as buildings and machinery, which remain relatively expensive. Hence, over time we should expect managers to increase their investments in IT because of its declining cost relative to other capital investments.

IT also obviously affects the cost and quality of information and changes the economics of information. Information technology helps firms contract in size because it can reduce transaction costs—the costs incurred when a firm buys on the marketplace what it cannot make itself. According to transaction cost theory, firms and individuals seek to economize on transaction costs, much as they do on production costs. Using markets is expensive because of costs such as locating and communicating with distant suppliers, monitoring contract compliance, buying insurance, obtaining information on products, and so forth (Coase, 1937; Williamson, 1985). Traditionally, firms have tried to reduce transaction costs through vertical integration, by getting bigger, hiring more employees, and buying their own suppliers and distributors, as both General Motors and Ford used to do.

Information technology, especially the use of networks, can help firms lower the cost of market participation (transaction costs), making it worthwhile for firms to contract with external suppliers instead of using internal sources. As a result, firms can shrink in size (For instance, by using computer links to external suppliers, the Chrysler Corporation can achieve economies by obtaining more than 70 percent of its parts from the outside. Information systems make it possible for companies such as Cisco Systems and Dell Inc. to outsource their production to contract manufacturers such as Flextronics instead of making their products themselves.

Information technology also can reduce internal management costs. According to agency theory, the firm is viewed as a "nexus of contracts" among self-interested individuals rather than as a unified, profit-maximizing entity (Jensen and Meckling, 1976). A principal (owner) employs "agents" (employees) to perform work on his or her behalf. However, agents need constant supervision and management; otherwise, they will tend to pursue their own interests rather than those of the owners. As firms grow in size and scope, agency costs or coordination costs rise because owners must expend more and more effort supervising and managing employees.

Information technology, by reducing the costs of acquiring and analyzing information, permits organizations to reduce agency costs because it becomes easier for managers to oversee a greater number of employees.

2.14.3. Managerial Factors

The extent of success of donor funded projects is determined by managerial capacity of the human resources of the implementing agencies. Arndt (2000) argued that the officers in the donor funds projects chain may lack the formal training in foreign aid management, budgeting and accounting. These weak skills may lead to poor understanding of the donor expenditure protocols resulting in ineligible expenditures, which lead to rejection for further funding by the donor. This may be affected by the quality and timeliness of the liquidation documents which complicate the donor fund release, with obvious implications on levels of donor aid effectiveness. From a skill development perspective, Ngwenyama et al. (2006) have reported on a complementary relationship between education and ICT in the analysis of the Human Development Index (HDI), particularly in Africa, and conclude that ICT and education have a positive impact on development. One worrying trend to note (Ngwenyama et al., 2006) has been the consistent low ranking of African nations. The 2003 HDI Report warned that Africa in general may be facing "an acute development crisis" with many African countries suffering serious socio-economical reversals. HDI in Africa cannot therefore afford to take a "business as usual" approach. Hawkins (2002) contends that Africa needs to have workers who learn how to learn, and are able to quickly acquire new ICT skills.

Poverty and low levels of ICT capital investment in East Africa by public and private sectors and the absence of fully trained local citizens in ICTs explains the economic disparities between East African states and Southern Africa (Ochilo, 1999). The appropriate use of ICT does "give civil society an opportunity to formulate new forms of activism and participation in democracy" (Fleming, 2002). Human capacity projects in Kenya have taken various forms. At Moi University in Kenya, a collaborative project with Delft University of Technology in the Netherlands helped in raising computer awareness and trained staff in management of information systems and project management (Mutula, 2003).

Studies suggest inadequate ICT skills training in eastern Africa and reveal that a total of 57.8% of professionals coming out of institutions of higher learning rated their institutions as being "less professionally capable of dealing fully with ICT training needs" with only "28.1% of the professionals rating the institutions as capable". Of concern here is the content and curriculum of these institutions which has been noted as inadequate to fully cater for the emerging ICT African professional in terms of robust training program including data processing, systems management, and advanced computer training. The situation is exacerbated by the lack of "effective dissemination of information" and an "excessive dose of theoretical courses not fully blended

with the practical courses that fail to cover the contemporary ICT international issues" (Ochilo, 1999).

Contrasting the above African phenomena with Wessels's (2005) account of developed countries shows the magnitude of seriousness placed on the ICT competency by skilled professionals in other parts of the world. This view is supported by Hostrom and Hunton (1998) who argued that professional educators and their students must either develop high levels of information technology competence or risk becoming functionally obsolete. It can be inferred from this argument that HDIs can become functionally obsolete by proxy.

2.15. Utilization of Donor Funds

Utilization of donor funds had been a challenge to both the donor community as well as the agencies that are responsible for effective utilization of the same.

Therefore there is need for institutions that are response for the management of these funds to come up with the right framework and procedures in order to ensure that funds given are utilized as expected and that the funds serve the purpose (Fowler, 1995).

With an effective framework and policies governing utilization of donor funds nothing much will be expected in form of results. All relevant organizations must work in harmony if the expected outcomes are to be achieved. It is clear that there is need for coordination and collaboration among various stakeholders to ensure that funds received are made use of efficiently and effectively (Edwards & Hulme, 1995).

2.16. Issues Affecting Donor Resource Management

Fostering good relationships is a vital component to both professional and personal success. Good relationships are crucial when working within an organizations' stewardship business model which allows individuals to specialize and focus on what they do best. Relationship management involves recognizing and respecting the unique competencies of others and working together to achieve common goals.

Competencies in relationship management can be defined, as a core group of skills, knowledge and behaviors that collectively will help employees to be successful in their work as the organization transitions to its objectives. Relationship management entails much more than how one deals with co-workers, it involves a number of components: customer service, partnership building teamwork and concern about the organization's reputation both within and outside. Setting and adhering to standards for good customer service is a key piece of relationship management. Good relationship management means working co-operatively with others to meet mutual goals, looking for opportunities to collaborate, managing conflict and challenges

positively, and focusing one's effort on discovering and meeting the needs of the customer or client be it the public, colleagues, partners or peers (Robert,2000).

Good relationship management is about building partnerships through listening, respect, and valuing and sharing information." Effective relationship management is potential of an employee, and part of the way a company encourages improvement is through training. Often, good training is just as important as a good benefits package for an employee. For employers, training allows them to locate a wider range of people with the kind of outlook that matches the company mission statement. The right kind of perspective is a hard thing to cultivate, whereas workplace specific proficiencies are easier to nature. The other advantage employers should remember about training is it offers them an improved retention rate. Employees are more loyal to companies that value their growth and want to cultivate it, and thusly provide a better performance and decrease the rollover rate at any company, no matter how small or large (Keller & Frank,1998).

2.17. Ways to Improve Donor Fund Effectiveness

The Paris Declaration and Accra Agenda Action embodied a new and broad consensus on what needs to be done to produce better development results. Its principles lay open the possible ways to undertake, which can be interpreted also as the major objectives of good aid fund: fostering recipient countries' ownership of development policies and strategies, maximizing donors' coordination and harmonization, improving aid transparency and mutual accountability of donors and recipients, just to name a few.

The Accra Agenda for Action states that transparency and accountability are essential elements for development results, as well as drivers of progress. Mutual accountability and transparency is one of the five partnership commitments of the Paris Declaration. Through transparency, donors and recipients can be held accountable for what they spend and aid can be made more effective by knowing: Who gives money to which recipient, what project is being funded and for what donor aid predictable and reliable. Transparency has been shown to improve service delivery and to reduce opportunities for diversion and therefore corruption (Pranay & Hubbard,2011).

Transparency can be defined as a basic expression of mutual accountability. Mutual accountability can only work if there is a global culture of transparency that demands provision of information through a set of rules and behavioral norms, which are difficult to enforce in the case of official development cooperation. In particular for emerging economy donors and private development assistance, these norms are only at a nascent stage.

Kharas (2011) suggest adopting the regulation through information approach, which has been developed and has proven its effectiveness in the case of the European integration. In fact, at the international level, when the enforcement of mandatory rules is difficult, the solution could be to provide and make available transparent, relevant, accurate and reliable information, which can be used to reward or sanction individual aid agencies according to their performances. This means establishing a strong culture of accountability within donor aid, which rewards aid successes but penalize failures.

In order to achieve this, donors should agree on adopting a standardized format for providing information on volume, allocation and results, such as the International Aid Transparency Initiative (IATI), or other similar standards, and commit to improve recipient countries' databases with technical, financial and informational support. The format should be easily downloadable and with sufficient disaggregation to enable comparison with other data. Making aid data public and comparable among donors would be likely to encourage a process of positive emulation towards a better usage of public funds.

After all, official development assistance (ODA) is a voluntary transfer that depends on the support of donor country taxpayers. Donors should therefore consider improving the transparency and traceability of aid funds also as a way of increasing enhancement and support towards aid inside generalized adoption of IATI would ensure the publication of donor aid information in a timely way, the compatibility with developing countries' budgets and the reliability of future projections, which would have a strong and positive impact on the predictability of aid (Droop, Isenman & Mlalazi, 2008). Finally, to improve accountability while building evaluation capabilities in aid recipient countries and systematically collecting beneficiaries' feedback, different mechanisms to evaluate and monitor transparency should be considered, such as independent third-party reviews, peer reviews or mutual reviews

2.18. Conceptual Frame Works of the Research

According Mugenda and Mugenda (2003), a conceptual framework helps reader to quickly see proposed relationships between variables in the study and show the same graphically or diagrammatically. In this study, financial management, managerial factor and technical factor influence the dependent variable of utilization of donor funds.

The frame works of the research was depicted in the following section.

Dependent variable. Utilization was considered dependent variable**.** It is influenced by the following factors among others:

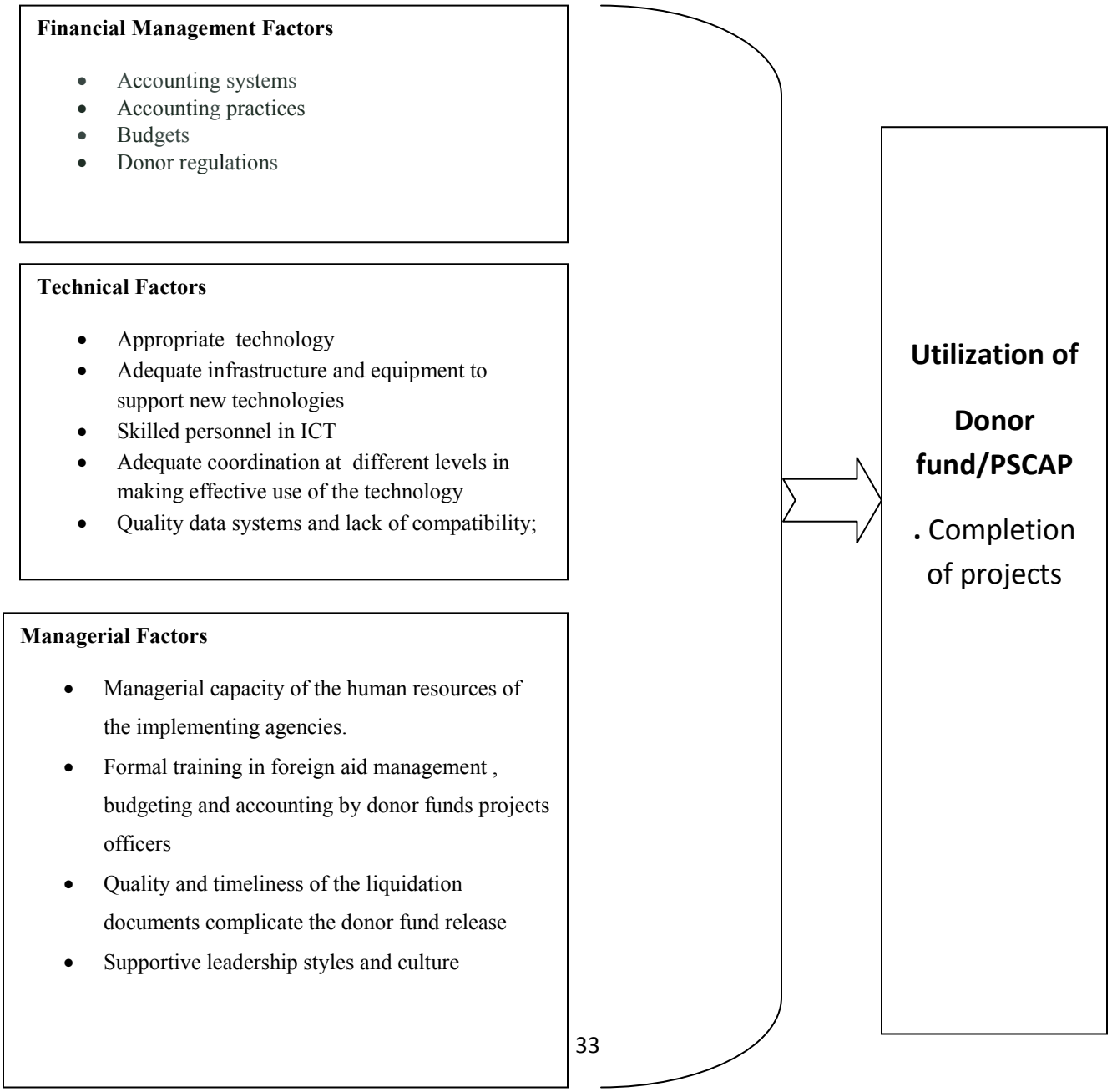
(i) Technical factors, which comprise appropriate technology, adequate infrastructure and equipment to support new technologies, skilled personnel in ICT, adequate coordination at different levels in making effective use of the technology, quality data systems and lack of compatibility, and supportive ICT policies.

(ii) Managerial factors, which comprise managerial capacity of the human resources of the implementing agencies, formal training in foreign aid management, budgeting and accounting by donor funds projects officers, quality and timeliness of the liquidation documents which complicate the donor fund release, and supportive leadership styles and culture.

(iii**)** Financial Management factors –this dimension comprises of accounting systems, Accounting practices, Budgets and Donor regulations.

Fig. 2.1 Conceptual Frame works of the Research

Source: - Developed from (Adan Haji , Hedayat and Francis (2013))



CHAPTER THREE

RESEARCH METHODOLOGY AND REGIONAL PROFILE

3.1. Introduction

The chapter discussed the methodology and description of study area. The methodology outlines the various approaches that were followed to obtain data for the study and how the data was analyzed. It comprises the research design and methodology, the targeted population, sampling size and techniques, the methods of data collection and analysis and reliability and validity of variables for internal consistencies.

3.2. Research Design and Methodology

Quantitative research approaches and descriptive type of research design is selected as it produces quantitative information about the social world and analyze several variables simultaneously (Babbie, 1986; Neuman, 1994).

3.3. Sampling Design

3.3.1. Population of the Study

The target population was from Procurement, Finance and Property Administration and Internal Audit Department of all PSCAP implementing sectors found in Oromia at regional level. In total there are five implementing sectors or stakeholders. These are Bureau of Civil Service, Bureau of Finance and Economic Development, Revenue authority, Bureau of Urban and Industry and Information Communication Technology Agency of the region. Total number of target population is 127 employees.

The population chosen has no homogeneous characteristics. Hence, a stratified sampling technique was used for this research paper. The populations were stratified into team or crews based on their special technical skills as finance, procurement and property administration team and Internal audit team or crews. After stratification as finance, procurement and property administration and internal Audit team, the questionnaires were administered to all crews or teams, and simple random sampling technique/lottery method was used for all teams in whom every single element in the population has a known and equal chance of being selected as a subject.

3.3.2. Sampling Size and Techniques

The sample of respondents was determined using stratified sampling which relies on mere chance to determine who would be selected in the sample and called for random selection in the inclusion of the cases into the sample. According to Hayer (1997), it was a statistical determination of the appropriate sample size and it enabled the researcher to generalize results to the population. Stratified sampling eliminates the possibility of biasness in the selection of a sample under investigation. Out of five implementing sectors comprising a total population of 127, 30% was taken from Procurement, Finance and Property Administration and Internal Audit Departments. 30% of sample size is a fair number and would hopefully yield fair results and recognized as being representative of the entire population (Mugenda and Mugenda, 2003). The researcher used inferential statistics in the analysis and interpretation of the research hypothesis. The 30% sample is also better as it also takes into account natural bias and budgetary constraints (Kothari, 2006). However, for Precision purposes the researcher used 50% of the total population (127*50% = 64).

A 95% confidence level was assumed to determine the sample size, at e=0.05.

Table.3.1. Sampling size

Strata	Sample frame	Sample size (50%)
Bureau of Civil Service and Good Governance	**32**	**16**
Finance team	9	4
Procurement team	5	3
Property administration team/crew	14	7
Internal Audit officers	4	2
Bureau of Finance and Economic development	**30**	**15**
Finance team	9	5
Procurement team	5	1
Property administration team/crew	12	6
Internal Audit officers	4	2
Revenue authority	**24**	**12**
Finance team	8	4
Procurement team	3	2
Property administration team/crew	9	4
Internal Audit officers	4	2

Bureau of Urban and Industry	**25**	**13**
Finance team	8	4
Procurement team	3	2
Property administration team/crew	9	4
Internal Audit officers	5	3
Information Communications Technology Agency	**16**	**8**
Finance team	5	3
Procurement team	3	1
Property administration team/crew	5	2
Internal Audit officers	3	2
Grand Total	**127**	**64**

Source: PSCAP Implementing Sectors Human Resource Department

3.2.3. Method of Data Collection and Analysis

Methods of data collection that was used involved both primary and secondary data. Primary data was collected via questionnaires (five point likert-scales) and distributed to stakeholders or implementing sectors' Procurement, Finance and Property Administration and Internal Audit Department employees selected using simple random sampling or lottery method after stratification. The researcher personally administered the questionnaires. The secondary data such as work plans, operational guide lines, records manuals, annual reports (audited), books and budget and utilization were reviewed and used for triangulation purpose. The secondary data also consists of internet data. Based on the data gathered using five point likert-scale questionnaires, the data were analyzed using quantitative techniques such as descriptive statistics (percentage, mean, and standard deviation and inferential statistics (variance or regression analysis). The Statistical Package for Social Sciences (SPSS) version 20 was used to analyze the quantitative data.

3.3. Reliability and Validity

The questionnaire that was used was seen, edited and commented by concerned senior officers who have educational level of Masters and working in Oromia Bureau of Civil Service and Good Governance and Bureau Finance and Economic Development. Totally five people were participated in to review and comment the questionnaire. The Cronbach's Alpha coefficients for each variable range 0.707 to 0.889 for all dimensions under the consideration as presented in the

table 3.4. If the value of Cronbach Alpha is above 0.7, the scale is deemed to be a reliable measure for examining the sample Pallant (2001), cited in Monia Lola (2008). This indicates that the items of this study have internal consistencies as they lied above the recommended cutoff.

Table 3.2: Scale Reliability of the Variables

S/N	Variable	Cronbach Alpha
1	Financial Management	.889
2	Technical Factor	.707
3	Managerial Factor	.850

Source: Researchers Survey Result

3.4. Regional Profile

According to 1995 Constitution of Federal Government of Ethiopia, Oromia National Regional State is one of the nine member states of Federal Government of Ethiopia (FDRE)

3.4.1. Location

Oromiya National Regional State is located between $3^{o}24'20"$ –$10^{o}23'26"$N latitudes and $34^{o}07'37"$-$42^{o}58'51"$E longitudes, extending for about eight degrees (8^{o}) west to east and for about seven degrees (7^{o}) north to south or vice versa (excluding Oromiya Zone of Amhara National Regional State). As a result, the Region has physical contacts/borderlines with all Regional States of the Federal Democratic Republic of Ethiopia, except Tigray National Regional State. The Region has also international borderlines with Sudan (66 km) to the west and Kenya (521 km) to the south. The total boundary length of the Regional State of Oromiya is about 5700 kms, of which the longest borderline (1860 kms) is with the National Regional State of Southern Nation and Nationalities, followed by Somali National Regional State (1410kms). Similarly, the Region shares borderlines with Amhara National Regional State (706kms), Benishangul-Gumuz National Regional State (690kms), Gambella Peoples National Regional State (255kms) and Afar National Regional State (164kms). See appendix II.

3.4.2. Size

The total area of the National Regional State of Oromiya varies from study to study. According to recently obtained GIS output (BoFED, Regional Data and Information Preparation and Dissemination Core Process, 2010), its total area is 363,375 km^2, accounting for about 34.3 percent of the total area of the Democratic Republic of Ethiopia. The Region is administratively classified into 18 zones and 304 districts (39 towns considered as districts). In addition the

Region has more than 6349 Peasants and 540 Urban Dwellers Kebeles as the 2007 final Census report indicates. The Region has physical contacts/borderlines with all Regional States of the Federal Democratic Republic of Ethiopia, except Tigray National Regional State. The Region has also international borderlines with Sudan to the west and Kenya to the south.

3.4.3. Population

According to the population projection made based on 2007 (1999 E.C) Population and Housing Census Result, the total population of Oromiya National Regional State is about 30,322,846 (15,051,431 females) as of July 1, 2011. Of the total population of the Region, male population accounted for 50.4%, while the remaining 49.6% were females. Rural population was 26,245,473 (13,100,138 females), while urban population was 3,951,678 (1,951,292 females). About 12.3% of the total population of Oromiya Region lives in urban areas, while the remaining 87.7% lives in rural areas. Similarly, about 83.9% of the country's total population was living in rural areas, while the remaining 16.1% of the total population lives in urban areas.

Agriculture is the dominant sector of the economy. The sector provides foodstuffs, industrial raw materials, generates employment for about 89 percent of the economically active population, accounts for the largest share (more than 90%) of the export items and constitutes the largest proportion of the Regional Gross Domestic Products. (BoFED, Regional Data and Information Preparation and Dissemination Core Process, 2010)

CHAPTER FOUR

DATA ANALYSIS, DISCUSSION AND PRESENTATION

4.1. Introduction

This chapter presents results arising from the analysis of data collected using questionnaires. The data collected was analyzed using descriptive and inferential statistical methods for each variable and the findings are presented in tabular summaries, and their implications discussed.

Out of 64 questionnaires distributed to Finance, Procurement, Property Administration and Internal Audit officers of implementing sectors; 64 (100%) questionnaires were returned with and without information. So the analysis was based on this 64 respondents' response.

4.2. Profile of Respondents

The biographical variable that is presented in this research is gender and age of the respondents whereas the organizational variables are educational level, job level/position/, and experience of the employees which are shown and discussed in the table in the following sections.

Table 4.1: Profile of the Respondents

Gender of the respondent		
Description	**Frequency**	**Percent**
Male	43	67.2
Female	21	32.8
Total	**64**	**100.0**
Age of the respondents		
Description	**Frequency**	**Percent**
18-29	7	10.9
30-40	35	54.7
41-50	16	25.0
51-60	6	9.4
Total	**64**	**100.0**
Level of Education		
Description	**Frequency**	**Percent**
Diploma	10	15.6
Bachelor	50	78.1
Master	4	6.3
Total	**64**	**100.0**

Job Position of the respondents		
Description	**Frequency**	**Percent**
Finance officer	21	32.8
Procurement specialist	19	29.7
Property Administration officer	18	28.1
Internal audit officer	6	9.4
Total	**64**	**100.0**

Experience of the respondents		
Description	**Frequency**	**Percent**
1-5	9	14.0
6-10	17	26.6
11-15	20	31.3
16-20	12	18.8
above 20	4	6.3
Total	**62**	**97.0**
Missing	2	3.0
Total	**64**	**100.0**

Source: Researcher's Survey report

4.2.1. Gender of the Respondents

As indicated in table 4.1 above, of the total number of 64 respondents, 67.2 % were male and 32.8 % were female.

4.2.2. Age of the Respondents

With respect to the age of the employees, 10.7% of the respondents were between 18 and 29 years of age, 54.7 % were aged 30 to 40 which is vibrant work force excluding respondents of age between 18 and 29. 25% aged 41 to 50 and 9.4% aged 51 to 60.

4.2.3. Educational Level of the Respondents

Concerning the educational level, 15.6% (n=10) of respondents held diploma, 78.1% (50) were first degree graduates and 6.3% (n=4) had second degree or masters. In general, 84.4% (n=54) of the respondents is held degree and above

4.2.4. Job Position of the Respondents

The result from the table: 4.1 indicates that the majority of the respondents 32.8% (n=21) were finance officers, whereas 29.7% (n=19) and 28.1% (n=18) were procurement officers and property administration officers respectively. The rest were Internal Audit officers 9.4% (n=6).

4.2.5. Experience of the Respondents

Regarding the working experiences, 14% (n= 9) of respondents worked up to 5 years, while the service years of 26.6% (n=17) of them were 6 - 10 years ,31.3% (n=20) of respondents rendered 11-15 years services while, 18.8% (12) of the respondents have service year of 16-20 years and 6.3% (4) respondents render above 20 years of services. The rest 3% (n=2) is missing.

4.3. Descriptive Statistics

This section presents the results of the descriptive statistical analyses of the data and their interpretations. The descriptive statistics used are the means and standard deviations. The main purpose of using this statistical parameter is to interpret the average response rate of respondents for each item. The respondents were to give their independent opinion on the determinants of PSCAP fund utilization. The range was 'Strongly agree - (5)' to 'strongly disagree - (1)'. According to Kajuju (2012), the scores of strongly agree /agree have been taken to present a variable which had a mean score of 3.5 to 5 on the continuous Likert scale; (3.5≤ S.E <5). The scores of 'neutral' have been taken to represent a variable with a mean score of 2.5 to 3.4 on the continuous Likert scale; (2.5≤ M.E<3.4).The score of disagree/strongly disagree have been taken to represent a variable which had a mean score of 0 to 2.5 on the continuous Likert scale; (0≤ L.E<2.5). A standard deviation of >0.8 implies a significant difference on the impact of the variable among respondents.

Table 4.2: Descriptive Statics for Financial Management Factors

S/ N	Statements	N	Mean	Std. Deviation
1	All financial transactions of PSCAP are properly documented and recorded.	61	4.16	1.143
2	There is adequate supervision of accountants in PSCAP fund program	62	4.13	1.079
3	There is an approval system for all transactions by the authorized managers in PSCAP fund utilization	62	4.34	.904
4	There is a chart of accounts used to categorize expenditures in implementing sectors for the program fund	63	4.27	.937
5	The balance in the cashbook is reconciled to the balance on the bank statement every month for every bank account.	64	4.19	1.067
6	Financial duties are split between different members of staff.	63	4.19	1.067
7	Donors and government has a 'system of regularly reviewing expenditures against approved budgets.	62	4.21	1.103
8	The government and donors are aware that they are responsible for ensuring strong internal control systems	61	4.39	.822
9	Any irregularities in financial management are promptly reported	64	4.17	1.106
10	All assets owned by program fund are recorded in an asset register	64	1.48	.504
11	My organization uses donor compliance financial system.	64	3.94	1.254
12	Terms and Conditions of the sub agreement are adhered to by all implementing sectors.	64	3.78	.934
	Overall average Score	**64**	**3.9531**	**.86244**

Source: - Researcher's Survey Report

- As shown in table: 4.2. Above, under financial management variables, 'All asset owned by the program are recorded in an asset register' has a mean score of 1.48. This shows that majority of respondents disagree or doesn't support the statement and the result indicates fixed assets or non expendable equipments are not recorded in separate non expendable equipment register. The other statement of financial management dimensions scored mean of 3.78 to 4.39 which means majority of the respondents agreed on the statements. The overall average summed up mean score of 3.9 and standard deviation of 0.91233, which is strongly agree or agree. This shows that financial management factor has a strong effect on utilization of the fund.

Table: 4.3. Descriptive Statistics for Technical factors

S/N	Statements	N	Mean	Std. Deviation
1	Lack of appropriate technology	63	2.10	.640
2	Inadequate infrastructure and equipment to support new technologies	63	4.17	1.13
3	Shortage of skilled personnel in ICT	61	4.39	.822
4	Lack of coordination at different levels in making effective use of the technology	63	4.17	1.13
5	Poor data systems and lack of compatibility	62	2.23	.838
	Grand Mean	**64**	**2.1563**	**.56957**

Source: - Researcher's Survey Report

As it is depicted in table 4.3., lack of appropriate technology, poor data system and lack of compatibility scored 2.10 and 2.23 respectively. This shows respondents either strongly disagree or disagree with the statements and viewed as there is no problem with issue of technology on one hand and, data system and compatibility on the other. The other statements of technical factors scored a mean of 4.17 and 4.39. This means respondents agreed with the statements "Inadequate infrastructure and equipment to support new technologies, shortage of skilled personnel in ICT and lack of coordination at different levels." Therefore, more attention is required to have coordination at different levels, skilled ICT staff, infrastructures and equipment to support new technologies. Generally the technical factors summed up to a mean score of 2.1563 and standard deviation of 0.5697 indicating that on average respondents either strongly disagree or disagree to the issues of technical factors and further shows low effect of technical factors on PSCAP fund utilization.

Table: 4.4 Descriptive Statistics for Managerial Factors

S/N	Statements	N	Mean	Std. Deviation
1	Lack of managerial capacity of the human resources of the implementing agencies	63	3.02	`.421
2	Lack of/or inadequate technical and managerial knowledge and skills of implementers	63	4.17	1.13
3	Lack of formal training in foreign aid management, budgeting and accounting by donor funds projects officers	63	4.17	1.13
4	Inadequate understanding of the donor expenditure protocols resulting in ineligible expenditures, which lead to rejection for further funding by the donor.	61	4.39	.822
5	Poor quality and timeliness of the liquidation documents complicate the donor fund release	64	3.66	.895
6	Poor leadership styles, culture, and bureaucracy	63	4.17	1.13
	Overall average score	**64**	**3.0859**	**.61434**

Source: - Researcher's Survey Report

As one can see from table 4.4 above the statement 'Lack of managerial capacity of the human resource of implementing sectors' revealed the mean score of 3.02 which is the least score. This indicates the respondents neither agree nor disagree with the statement. Poor quality and timeliness of the liquidation documents complicate the donor fund release scored the next least mean of 3.66. In addition lack of formal training in foreign aid management, budgeting and accounting by donor funds projects officers, inadequate understanding of the donor expenditure protocols resulting in ineligible expenditures, which lead to rejection for further funding by the donor and Poor leadership styles, culture, and bureaucracy scored a mean of 4.17 to 4.39, which indicates majority of respondents agreed with presence of problems stated by these managerial variables. The managerial Factors summed up grand mean score of 3.0856 and standard deviation of 0.61434 indicating neutrality which means medium effect of Managerial factor on PSCAP fund utilization. However, more attention should be given to training in foreign aid management, budgeting and accounting for donor funds projects to improve managerial factors stated.

Table: 4.5 Descriptive Statistics for Fund Utilization

S/N	Statements	N	Mean	Std. Deviation
1	More than 85% of the funds received are utilized for projects and less funds goes for overheads	64	4.16	1.143
2	Donor funds are utilized for the purpose it was meant.	64	4.13	1.079
3	In my view, implementing sectors have managed to complete all projects and realized the intended impact	64	4.34	.904
4	For purpose of transparency in the way funds were utilized, implementing sectors prepare donor reports that reflect the true status of implementation in the sectors.	64	4.27	.937
5	Stakeholders are involved on the planning and utilization of the funds.	64	3.78	.934
6	The financial accountability for PSCAP fund can be rated as satisfactory	64	3.72	.925
7	Implementing sectors in the region properly account for funds advanced to them by BoFED.	64	4.17	1.129
8	The Federal and regional government and donors have developed detailed implementation plans and budgets, setting out how they expect to achieve the goals agreed in dialogue with others. Implementation plans are likely to be adapted during the course of project in the light of feedback and other new circumstances.	64	4.39	.802
	Overall average score	**64**	**4.2891**	**.81067**

Source: - Researcher's Survey Report

As it is indicated in the table 4.5 above all variables of fund utilization scored mean of 3.72 to 4.39. Generally, the utilization of PSCAP fund summed up grand mean of 4.28 and standard deviation of 0.81 which shows that majority of respondents either strongly agree or agree as there was good utilization of the funds.

4.4. Inferential Statistics

Inferential statistics are used whenever we wish to infer things about the population at large from information taken from a small sample of that population. Inferential statistics are important in social sciences research as we typically study a sample yet we wish to reach conclusions about the larger populations from which the sample drawn. Inferential statistics allow us to make generalization from the situation not studied. This study used correlation and regression analysis in the data analysis.

4.4.1. Correlation statistics

The statistical treatment of the study included the determination of the correlation between the different variable dimensions and fund utilization. The Pearson's correlation coefficients were used to determine the level of association. The level of association as measured by Pearson's co-efficient that falls between -1.0 and +1.0, which indicates the strength and direction of association between the two variables.

The significance of each correlation coefficient is also displayed in the correlation table. The significance level or p-value is the probability of obtaining results as extreme as the one observed. If the significance level is very small (less than 0.05) then the correlation is significant and the two variables are linearly related. If the significance level is relatively large (for instance, 0.50) then the correlation is not significant and the two variables are not linearly related.

Table 4.6: Correlations Results

		Financial Management Factors	Technical factors	Managerial factors	Utilization of funds
Financial Management Factors	Pearson Correlation	1			
	Sig. (2-tailed)				
	N	64			
Technical factors	Pearson Correlation	.047	1		
	Sig. (2-tailed)	.710			
	N	64	64		
Managerial factors	Pearson Correlation	.420**	.063	1	
	Sig. (2-tailed)	.001	.620		
	N	64	64	64	
Utilization of funds	Pearson Correlation	.786**	.091	.611**	1
	Sig. (2-tailed)	.000	.476	.000	
	N	64	64	64	64

**. Correlation is significant at the 0.05 level (2- tailed).

Source: Researcher's Survey report

The result of Pearson correlation in table 4.6 above indicated positive and significant relationship between PSCAP fund utilization and financial management and managerial factors (r=0.786 & 0.611, n=64, p=.000) as P<0.05 respectively which implies the existence of strong positive and significant correlation between the variables. However, Technical factors had weak, negative and insignificant relationship with dependent variable(r= -0.091, n=64, p=0.476) as P > 0.05.

4.4.2. Regression Analysis of Fund Utilization

Table: 4.7 Model Summaries

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.857[a]	.734	.721	.42851
a. Predictors: (Constant), Managerial factors, Technical factors, Financial Management Factors				

Source: Researcher's Survey report

Table: 4.7 illustrate the model summary of multiple regression models, the results showed that all the three predictors (Managerial factors, Technical factors, Financial Management factors explained 73.4 percent variation of fund utilization, this showed that using the three tested variables fund utilization can only be predicted by 73.4% (R squared =0.734). The remaining 26.6% is by extraneous uncontrollable variables. This result also indicates that there may be other variables that could have been neglected by the current study in predicting fund utilization.

Table: 4.8. Analysis Of Variance (ANOVA)

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	30.385	3	10.128	55.159	.000[b]
	Residual	11.017	60	.184		
	Total	41.402	63			
a. Dependent Variable: Utilization of funds						
b. Predictors: (Constant), Managerial factors, Technical factors, Financial Management Factors						

Source: Researcher's Survey report

Study findings in ANOVA Table 4.8 indicated that the above discussed variation was significant as evidence of F ratio of 55.16 with p value = 0.000 <0.05 (level of significance). Thus, the model was fit to predict fund utilization using managerial, technical and financial management factors.

Table: 4.9. Multiple Regression Model

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.908	.363		2.499	.015
	Financial Management Factors	.608	.069	.647	8.810	.000
	Technical factors	-.204	.095	-.143	-2.149	.036
	Managerial factors	.460	.097	.348	4.743	.000
a. Dependent Variable: Utilization of funds						

Source: Researcher's Survey report

The result of the multiple regression analysis in table 4.9 showed that each of the predicted parameters in relation to the independent factors were significant; ($\beta1$, $\beta2$, $\beta3$= 0.647, -0.143, 0.348; p-value = 0.000, 0.036 & 0.000) which is less than $\alpha = 0.05$)

4.5. Hypothesis Testing

Six major hypotheses were constructed in this study to test the determinants of PSCAP fund utilization in implementing sectors of Oromia National Regional State. Hypothesis testing was conducted using 0.05 significant levels.

4.5.1. Hypothesis testing for the Relationship between Dimensions of Donor Fund Utilization and Utilization of PSCAP Fund

H1o: Financial management factors have no positive and significant relationship with PSCAP fund Utilization.

H1A: Financial management factors have positive and significant relationship with PSCAP fund Utilization.

Pearson Correlations results in Table 4.6 showed that financial management was positively and significantly correlated to fund utilization($r= 0.786$, $\rho<0.05$). Thus financial management had 78.6% positive and significant relationship with fund utilization. Therefore, the researcher has sufficient statistical evidence to reject the null hypothesis stating financial management factors have no positive and significant relation with PSCAP fund Utilization and accept financial management factors have positive and significant relation with PSCAP fund Utilization. The

study is in line with Adan Haji (2013) that indicated relationship between fund utilization and financial management in his study of factors influencing effective utilization of donor funding.

H2o: Technical factors have no strong, positive and significant relationship with PSCAP fund utilization.

H2A: Technical factors have strong, positive and significant relationship with PSCAP fund utilization.

Pearson Correlations results in Table 4.6 showed technical factors was correlated with fund utilization ($r = -.091$, $\rho>0.05$). That is technical factors had 9.1% negative and weak relationship with fund utilization. The Rules of Thumb proposed by Field (2005) suggests that "moderate" ends at ±0.49, and "strong" starts at ± 0.50. Accordingly the result of the finding revealed that technical factors had weak, negative and insignificant relationship with fund utilization. Therefore, the researcher has no sufficient statistical evidence to reject the null hypothesis stating technical factors have no strong, positive and significant relationship with PSCAP fund utilization and reject the alternative hypothesis stating technical factors have strong, positive and significant relation with PSCAP fund utilization.

H3o: Managerial factors have no positive and significant relationship with PSCAP fund utilization.

H3A: Managerial factors have positive and significant relationship with PSCAP fund utilization.

Pearson Correlations results in Table 4.6 showed managerial factors was highly and significantly correlated with fund utilization ($r = 0.611$, $\rho<0.05$). Managerial factors had 61.1% positive and significant relationship with fund utilization. Therefore, the researcher has sufficient statistical evidence to reject the null hypothesis stating managerial factors have no strong and significant relationship with PSCAP fund Utilization and accept the alternative hypothesis stating managerial factors have strong and significant relationship with PSCAP fund utilization. The finding is concurred with Francis (2013) and Hedayat, Dr,Mahammed and Dr.Monsoor (2013) which stated there is significant relationship between management of fund and liquidity and managerial skill of managers in their study of effect or impact of managerial knowledge and skills on fund utilization and liquidity management.

4.5.2. Hypothesis Testing for the Effect of Dimensions of Donor Fund Utilization on PSCAP Fund Utilization.

The regression results in Table 4.9 show that each of the predicted parameters in relation to the independent factors was significant.

Hypothesis:

H1o: Financial management factors have no significant effect on utilization of PSCAP fund.

H1A: Financial management factors have significant effect on utilization of PSCAP fund

The regression results in Table 4.9 show that each of the predicted parameters in relation to the independent factors were significant; $\beta 1 = 0.647$ (p-value = 0.000 which is less than $\alpha = 0.05$). Therefore, the researcher has sufficient statistical evidence to reject the null hypothesis stating financial management factor have no significant effect on PSCAP fund utilization. This indicates that there is up to 0.647 unit increase in PSCAP fund utilization for each unit increase in financial management factors. The findings are in line with Francis (2013) which states the effectiveness of donor funded projects is determined by financial management, technical and managerial capacity of the human resources of the implementing agencies in his study of factors affecting donor aid use by international organization.

H2o: Technical factors have no significant effect on utilization of PSCAP fund.

H2A: Technical factors have significant effect on utilization of PSCAP fund.

The regression results in Table 4.9 show; $\beta 2 = -0.143$ (p-value = 0.036 which is less than $\alpha = 0.05$). Therefore, the researcher has sufficient statistical evidence to reject the null hypothesis stating technical factors have no significant effect on utilization of PSCAP fund. This implies for each unit increase in technical factors there is up to -0.143 unit decreases in fund utilization. The finding is concurred with literature review that stated information technology helped to decrease transaction and agency costs which decrease utilization of fund.

H3o: Managerial factors have no significant effect on utilization of PSCAP fund.

H3A: Managerial factors have significant effect on utilization of PSCAP fund.

The regression results in Table 4.9 show $\beta 3$ was 0.348 (p-value = 0.000 which is less than $\alpha = 0.05$). Therefore, the researcher has sufficient statistical evidence to reject the null hypothesis stating managerial factors have no significant effect on utilization of PSCAP fund. This implies that there is up to 0.348 unit increase in PSCAP fund utilization for each unit increase in managerial factors. The findings are in line with Francis, Hedayat, Dr,Mahammed and Dr.Monsoor (2013) who stated there is significant relationship between management of liquidity and management skill in their study of impact of managerial skills on liquidity management.

Table 4.10: Summary of the Hypotheses

S/n	Hypotheses	R value	P value	Decision: Accept/ Reject
1	Financial management factors have positive and significant relationship with PSCAP fund utilization	.786	0.00	Accept
2	Technical factors have strong, positive and significant relationship with PSCAP fund utilization	-.091	0.48	Reject
3	Managerial factors have positive and significant relation with PSCAP fund utilization	.611	0.00	Accept
4	Financial management factors have significant effect on utilization PSCAP fund		0.000	Accept
5	Technical factors have significant effect on utilization of PSCAP fund		0.036	Accept
6	**M**anagerial factors have significant effect on utilization of PSCAP fund		0.000	Accept

Source: Researcher's survey Report

CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATIONS

5.1. Introduction

This chapter presents summary of major findings of the research, conclusion and suggested recommendations to help fine-tune determinants of public sector capacity building program (PSCAP) fund in Oromia National Regional State

5.2. Summary of Findings

The ultimate purpose of this study is to analyze the determinants of PSCAP fund utilization in Oromia National Regional State, Ethiopia. Total number of target population was 127 employees. The target populations were from finance, Procurement, property administration and internal Audit department of the implementing sectors.

- Findings on gender brought to light the fact that, majority of the respondents were male comprising 43(67.2%) where as 21 (32.8%) were female. It was also affirmed that majority of the respondents were between the age bracket of 30-40 years which are vibrant work force excluding respondents of age between18 and 29 and they were reliable to give sufficient information desired by the researcher. It was also brought out to light that majority of the respondents were fairly educated with first degree 50 (78.1%) level of education followed by those with a diploma 10 (15.6%) and Masters 4(6.3%) holders respectively. In general, 84.4% (n=54) of the respondents is held degree and above which are able to give reliable information.
- The job level analysis (position) of the respondents indicates 21 (32.8%) were finance officers, 19 (29.7%) were procurement officers, 18 (28.1%) were Property Administration officers and 6(9.4%) were Internal Audit Officers of the PSCAP Program implementing sectors.
- To make sure whether the study is reliable or not, Cronbach Alpha test is conducted. Accordingly, the Cronbach Alpha for all dimensions was greater than 0.70 indicating the research is reliable.
- The researcher employed descriptive type and quantitative research method. Based on this all dimensions of PSCAP fund utilization is analyzed descriptively.
- Among the dimensions technical factors had minimum score with mean score 2.15 whereas financial management and managerial factors has grand mean score of 3.95 and

3.0895 respectively. According to mean score, technical factors was strongly disagreed or disagreed by respondents. These show the technical factors have low effect on PSCAP fund utilization. However, there are certain issues like inadequate infrastructure and equipment to support new technologies, shortage of skilled man power in ICT, lack of coordination at different levels in making effective use of technology need attention. In addition, managerial factors scored mean of 3.0895 which is rated as neutral. The result shows that managerial factors have medium effect on PSCAP fund utilization. Financial management factors scored highest mean among the dimensions. However, fixed asset of the program fund needs to be recorded in an asset register.

- The correlation analysis was undertaken to test the relationship between dependent (PSCAP Fund Utilization) and independent variable; Financial Management, Technical Factors and Managerial Factors. Accordingly the research result of Pearson correlation indicates positive and significant relationship between PSCAP fund utilization and financial management factors and managerial factors ($r=0.786$ & 0.611, $n=64$, $p=.000$) as $P<0.05$ respectively which implies the existence of strong positive and significant correlation between the variables. However, technical factors had weak, negative and insignificant relationship with dependent variable($r= -0.091$, $n=64$, $p=0.476$) as $P > 0.05$.
- Regression analysis was undertaken and the results showed that all the three predictors (Managerial, Technical, Financial management factors explained 73.4 percent variation of fund utilization, this showed that using the three tested variables fund utilization can only be predicted by 73.4% (R squared =0.734). ANOVA analysis indicated that the variation was significant as evidence of F ratio of 55.16 with p value = 0.000 <0.05 (level of significance). Thus, the model was fit to predict fund utilization using managerial, technical and financial management factors.
- Hypothesis testing was done at 0.05 significant level and the result of the regression analysis showed that each of the predicted parameters in relation to the independent factors were significant; ($\beta1$, $\beta2$, $\beta3$= 0.647, -0.143, 0.348; p-value = 0.000, 0.036 & 0.000) which is less than $\alpha = 0.05$) which implies that we reject all the null hypothesis stating that financial management, technical and managerial factors has no significant effect on PSCAP fund utilization and accept the alternative hypothesis stating the financial management, technical factors and managerial factors have significant effect on PSCAP fund utilization.

5.3. Conclusion

The critical purpose of this study is to analyze the determinants of PSCAP fund utilization in implementing sectors of Oromia National Regional State.

The study revealed that Pearson correlation statistics indicated financial management factors and managerial factors had strong and significant relationship with fund utilization (dependent) ($r=0.786$ & 0.611, $n=64$, $p=.000$) as $P<0.05$ respectively which implies the existence of positive and significant correlation between the variables. However, Technical factors had weak, negative and insignificant relationship with dependent variable($r= -0.091$, $n=64$, $p=0.476$) as $P > 0.05$).

The study also revealed that financial management, technical and managerial capacity of human resource of implementing sectors had significant effect on PSCAP fund utilization ($\beta1$, $\beta2$, $\beta3= 0.647, -0.143, 0.348$; p-value = 0.000, 0.036 & 0.000) which is less than $\alpha = 0.05$).

Financial management is one of the key paradigms that affect how funds are utilized by any organization. Good practice in financial management is important for the successful utilization of funds in every project. This study reveals that there is a relationship between financial management in the implementing sectors and how they utilize PSCAP fund. It is therefore paramount that all the implementing sectors institute good financial management practices so as to ensure successful management of PSCAP fund.

Managerial capacity of the human resources of the implementing agencies need to be addressed to enhance the management of the projects, besides providing formal training in foreign aid management, budgeting and accounting by donor funds projects officers. Hence, the implementing sectors should build managerial capacity of their sectors and regular and formal training of PSCAP staff in foreign aid management, budgeting and accounting should be given by donor agency officers which lack of it may lead to poor understanding of the donor expenditure protocols resulting in ineligible expenditures and which lead to rejection for further funding by the donor.

The technical factors that would affect utilization of donor fund include lack of appropriate technology, inadequate infrastructure and equipment to support new technologies, shortage of skilled personnel in ICT, lack of coordination at different levels in making effective use of the technology (this uncoordinated efforts can only result in duplication, if each department implements its own ICT projects without due regard to compatibility within the government), and poor data systems and lack of compatibility. Therefore, sufficient infrastructure and equipment which support new technologies (such as server, power, internet options enough work

space and furniture) and building the capacity of ICT personnel, avoiding duplication within the organization is vital for the sound utilization of PSCAP fund.

Based on the data analyses discussed in the preceding chapter, it is also found that among the independent variables, financial management has the highest standardized coefficient and it has also significant relationship with fund utilization at 0.05. That means financial management, is the best predictor of fund utilization.

On the other hand, technical factors have the lowest Pearson correlation coefficient or standardized coefficient of -0.143 and the p-value of 0.036 which indicated that it has significant effect and negative relationship with fund utilization. Thus, the relative importance of the significant predictors was determined by looking at the standardized coefficients.

5.4. Recommendations

The three major factors investigated by this study including financial management, Technical factors and managerial factors have been established to impact utilization of PSCAP fund.

- Among financial management dimensions, 'All asset owned by the program are recorded in an asset register' has a mean score of 1.48 which indicated fixed asset owned by the program is not recorded in an asset register. This finding is also confirmed from report of audit general of the region. Therefore according to the Government Financial Management Guide line all non expendable equipments or fixed assets are recorded in separate non expendable equipment register with their location and custodianship to physically counted and reconciled with accounting records in order to ensure the physical existences of the equipments. In addition continuous monitoring and evaluation is crucial by donors and other concerned parts to make appropriate adjustments.
- Statements of technical factors such as, "Inadequate infrastructure and equipment to support new technologies, shortage of skilled personnel in ICT and lack of coordination at different levels scored mean of 4.17 to 4.39. Therefore, the researcher recommended that the concerned parts has to provide sufficient infrastructures such as (servers, internet options, power and enough work space and furniture) with skilled ICT staff to use existing technologies which help to deliver efficient service of the program.
- Having coordination at different level of organization in making use of technologies is necessary to reduce cost of implementing new technologies at different departments in the organization and at different level of government.
- The managerial factors summed up grand mean score of 3.0856 and standard deviation of 0.61434 indicating neutrality which means medium effect of Managerial factor on

PSCAP fund utilization. However, statement of the managerial dimension like "Lack of managerial capacity of the human resource of implementing sectors 'and Poor quality and timeliness of the liquidation documents complicate the donor fund release revealed the mean score of 3.02 and 3.66 respectively among all managerial dimensions. In view of the fact that managerial factors (Managerial knowledge and skill) is about planning, organizing, leading, coordinating and controlling program or project activities to achieve intended purposes, formal training of PSCAP staff in foreign aid management, budgeting and accounting should be planned by donor and implementing organizations to have capable human resource in enhancing management of PSCAP program to serve the purpose.

- Generally, implementing sectors are expected to have effective capacity of management with managerial knowledge and skills, skilled staff in ICT and financial management to implement the program properly and to use the resource allocated efficiently, as having strong capacity (human, financial and technology) leads an organization to perform its operation in a better way and utilize its resources efficiently.

5.5. Areas of Further Research

As our country is not at the level of covering its full expenditure from domestic sources and dependent on foreign aid or the fund from different donor agencies to spend in different sectors of economies for issue of developmental aspect or reforms, the study is better to be replicated at national level, in other regions and in different Non-Governmental Organizations (NGO's) to further identify and compare the determinants of donor funds utilization.

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APPENDICES

APPENDIX I: Questionnaires

ADDIS ABABA UNIVERSITY

FACULTY OF BUSSINESS AND ECONOMICS

DEPARTMENT OF MANAGEMENT

(MBA PRGRAM)

Questionnaire for conducting research on **Determinants of Donor Fund Utilization: The Case of PSCAP Fund in Implementing Sectors of Oromia National Regional State.**

Questionnaire is to be filled by concerned officers implementing sectors. To achieve relevant information the honest and relevant information you give to the questionnaire make the study complete and reliable. All your response are confidential and are not used other than the purpose of the study.

Accordingly, no need of writing your name, select your response among the choices and write smartly your reason where you are asked to do so.

For all the efforts and time you sacrificed to fill and return the questionnaire that would not otherwise make this study complete, and representative, I would like to say thank you in advance.

PART I: PERSONAL INFORMATION

1. Gender:

Male ☐ Female ☐

2. Age:

18-29 ☐ 30-40 ☐ 41-50 ☐ 51-60 ☐

3. Your level of Education:

Diploma ☐ Bachelors ☐ Masters ☐ PhD ☐

4. Your responsibility in PSCAP Program:

1. Finance officer ☐
2. Procurement Specialist ☐
3. Property Administration Officers ☐
4. Internal Audit Officers ☐

5. The duration you have worked on PSCAP fund put tick mark"√" in the box provided.

1. 1-5 years ☐
2. 6-10 years ☐
3. 11- 20 years ☐
4. above 20 Years ☐

Part II

Please indicate the extent to which you agree/disagree that each of the listed financial management, technical and managerial factors that determine utilization of PSCAP fund in your organizations by ranking the factors on a five point scale and putting a tick mark**"√"** where appropriate.

1=Strongly Disagree, 2=Disagree, 3=Not sure, 4=Agree, 5= Strongly Agree

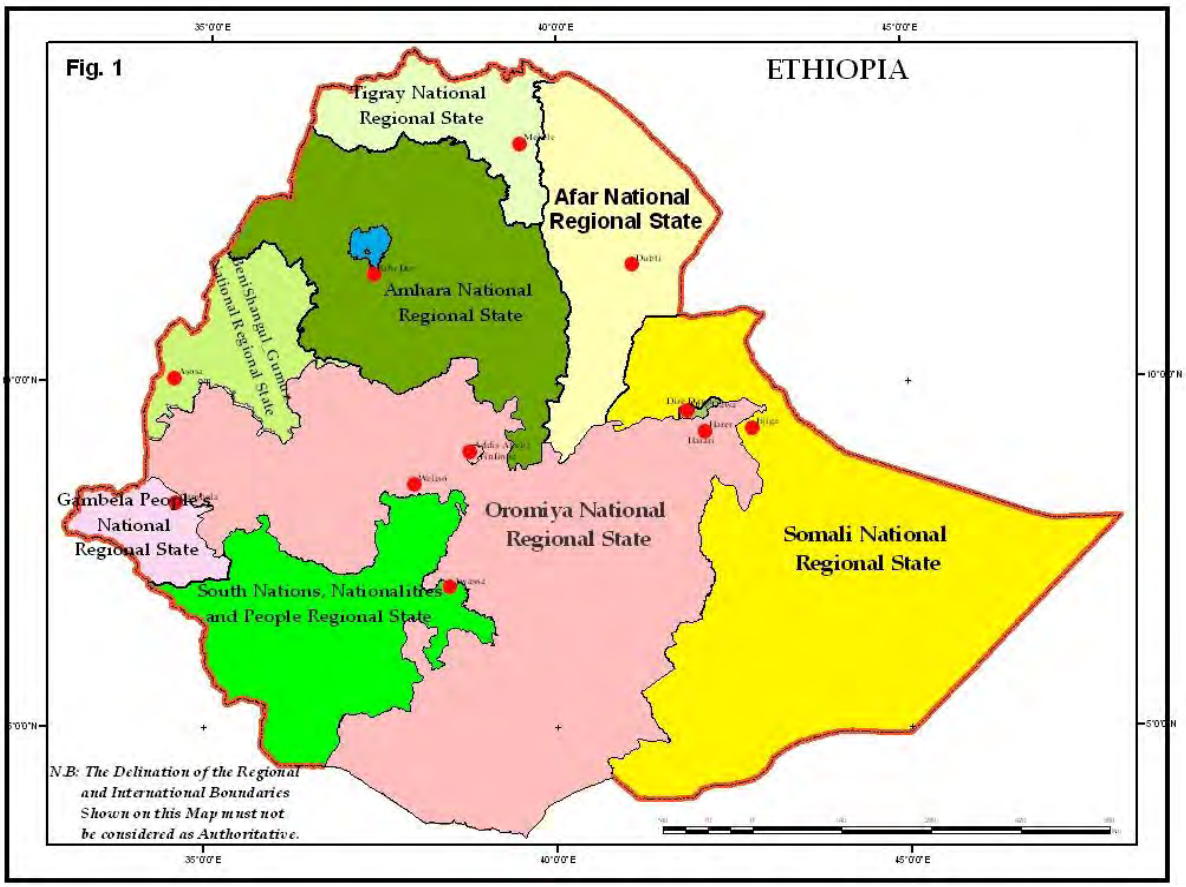
S/n	Statements	1	2	3	4	5
	Financial Management					
1	All financial transactions of PSCAP are properly documented and recorded.					
2	There is adequate supervision of accountants in PSCAP fund program					
3	There is an approval system for all transactions by the authorized managers in PSCAP fund utilization					
4	There is a chart of accounts used to categorize expenditures in implementing sectors for the program fund					
5	The balance in the cashbook is reconciled to the balance on the bank statement every month for every bank account.					
6	Financial duties are split between different members of staff.					
7	Donors and government has a 'system of regularly reviewing expenditures against approved budgets.					
8	The government and donors are aware that they are responsible for ensuring strong internal control systems					
9	Any irregularities in financial management are promptly reported					
10	All assets owned by program fund are recorded in an Asset register.					
11	My organization uses donor compliance financial system.					
12	Terms and Conditions of the sub agreement are adhered to by all implementing sectors.					
	Technical factor	**1**	**2**	**3**	**4**	**5**
1	Lack of appropriate technology					
2	Inadequate infrastructure and equipment to support new technologies					
3	Shortage of skilled personnel in ICT					
4	Lack of coordination at different levels in making effective use of the technology					
5	Poor data systems and lack of compatibility					

	Managerial Factors	1	2	3	4	5
1	Lack of managerial capacity of the human resources of the implementing agencies					
2	Lack of/or inadequate technical and managerial knowledge and skills of implementers					
3	Lack of formal training in foreign aid management, budgeting and accounting by donor funds projects officers					
4	Inadequate understanding of the donor expenditure protocols resulting in ineligible expenditures, which lead to rejection for further funding by the donor.					
5	Poor quality and timeliness of the liquidation documents complicate the donor fund release					
6	Poor leadership styles, culture, and bureaucracy					
	Utilization of funds	**1**	**2**	**3**	**4**	**5**
1	More than 90% of the funds received are utilized for projects and less funds goes for overheads					
2	Donor funds are utilized for the purpose it was meant.					
3	In my view, implementing sectors have managed to complete all projects and realized the intended impact					
4	For purpose of transparency in the way funds were utilized, implementing sectors prepare donor reports that reflect the true status of implementation in the sectors.					
5	Stakeholders are involve on the planning and utilization of the funds					
6	The financial accountability for PSCAP fund can be rated as satisfactory					
7	Implementing sectors in the region properly account for funds advanced to them by BoFED.					
8	The Federal and regional government and donors have developed detailed implementation plans and budgets, setting out how they expect to achieve the goals agreed in dialogue with others. Implementation plans are likely to be adapted during the course of a project in the light of feedback and other new circumstances.					

Part III. Guide lines for document review (Secondary data)

1. Reviewing annual Plan and activity report including financial plan and its application.
2. Reviewing audit report of the program.
3. Reviewing Mid-term monitoring and evaluation reports.
4. Reviewing financial and procurement guidelines of the program.

APPENDIX II: Location of Oromia (MAP)



Source: Bureau of Finance and Economic Development of Oromia(BoFED)

APPENDIX III (A): Sources and Uses of PSCAP Fund at Federal Level

R.No	Source	Cumulative collection in Birr	Cumulative application of funds		Unsettled
1	IDA Grant & credit account	785,150,297.92	CSRP	482,545,018.39	
2	Irish Aid Account	36,905,927.25	JSRP	471,207,404.94	
3	DFID Account	677,444,585.69	TSRP	323,921,104.92	
4	Italian	60,517,780.00	UMRPP	461,562,748.18	
5	IDA AF	836,539,658.94	ICT	654,790,753.29	
6	EU grant	113,822,634.00	DLDRP	597,428,255.48	
7	CIDA grant	143,180,820.67	PS	263,035,162.06	
8	Government contribution	825,665,747.73	EMCP	112,394,458.81	
9	Exchange rate gain & adjustment	32,635,837.86	Other	24,282,149.09	
			Prior year adjustment	(2,326,448.46)	
	Total	**3,511,863,290.06**	**Total**	**3,388,840,606.7**	**123,022,683.36**

Sources: PSCAP Financial Report (June 2013), MoFED channel one coordinating office.

APPENDIX III (B): Application of PSCAP fund in Oromia Regional State

R.No.	Year (G.C)	Budget approved(A)	Transfer or collection by region(B)	Expenditure (C)	Unutilized transfer (D) D=B-C
1	2004/05	78,196,506.00	12,229,220.00	11,398,101.00	831,119.00
2	2005/06	134,772,832.00	61,121,408.15	45,322,426.22	15,798,981.93
3	2006/07	93,523,960.00	93,521,903.13	72,112,390.93	21,409,512.20
4	2007/08	117,826,684.57	60,639,557.00	57,815,079.2	2,824,477.80
5	2008/09	168,345,350.00	70,825,505.00	75,913,471.82	-5,087,966.82
6	2009/10	98,630,217.00	14,551,552.00	49,730,391.44	-35,178,839.44
7	2010/11	180,121,200.00	68,244,700.00	26,843,530.77	41,401,169.23
8	2011/12	191,783,250.00	45,068,696.39	63,130,919.6	-18,062,223.21
9	2012/13	163,281,740.00	153,281,740.00	153,281,735.5	4.50
	Total	**1,226,481,739.57**	**579,484,281.67**	**555,548,046.48**	**23,936,235.19**

Source: BoFEDO PSCAP Finance Section.