ADDIS ABABA UNIVERSITY

SCHOOL OF GRADUATE STUDIES

COLLEGE OF EDUCATION AND BEHAVIORAL STUDIES

(MANAGEMENT OF VOCATIONAL EDUCATION)

AN ASSESSMENT ON THE PRATICES OF FINANCING OF TECHNICAL VOCATIONAL EDUCATION AND TRAINING INSTITUTIONS IN ADDIS ABABA CITY ADMINISTRATION

BY:

FEKADU AGONAFER

APRIL, 2011

ADDIS ABABA

AN ASSESSMENT ON THE PRACTICES OF FINANCING OF TECHNICAL VOCATIONAL EDUCATION AND TRAINING INSTITUTIONS IN ADDIS ABABA CITY ADMINISTRATION

A THESIS PRESENTED TO SCHOOL OF GRADUATE STUDIES OF ADDIS ABABA UNIVERSITY IN PARTIAL FULFILLMENT OF THE REQUIREMENT OF THE DEGREE OF MASTERS OF ARTS IN MANAGEMENT OF VOCATIONAL EDUCATION

SUBMITTED TO:

GIRMA ZEWDIE (ASSO. PROF.)

BY:

FEKADU AGONAFER

APRIL, 2011

ADDIS ABABA

DECLARATION

AN ASSESSMENT ON THE PRACTICES OF FINANCING OF TECHNICAL VOCATIONAL EDUCATION AND TRAINING INSTITUTIONS IN ADDIS ABABA CITY ADMINISTRATION

By:

Fekadu Agonafer

Approved by Examining Board

Worku Mekonnen (PHD)	
Chairman, Department Graduate Committee	**Signature**
Girma Zewdie	
Advisor	**Signature**
Dr. Dessu Wetro	
Examiner	**Signature**

April, 2011

Acknowledgments

First of all, I thank the Lord for the help He has rendered me to bring my study in to completion. I would like to express my thanks to a number of people for their support throughout the writing of this thesis. I would like to express my heartfelt thank and appreciations to my advisor Associate Professor Girma Zewde who devoted his valuable time in correcting and giving insightful comments as well as for his patience without which the completion of this study would have not been possible. I am also taking this opportunity to express my sincere thanks to my wife W/ro Seble Enawgaw and her parents for their moral support and constant inspiration throughout my study. Moreover I would like to extend my gratitude to respondents from all samples TVET institutions and the sub-city for their cooperation in filling the questionnaire and providing me with the required information by devoting their valuable time. Finally, I would like to thank school of Graduate Studies of Addis Ababa University for financing my research study.

List of Acronyms

BoFED	Bureau of Finance and Economic Development
ESDP	Educational Sector Development Program
ILO	International Labor Organization
MoE	Ministry of Education
MoFED	Ministry of Finance and Economic Development
NGOs	Non-Governmental Organizations
TVET	Technical and Vocational Education and Training
UNESCO	United Nations Educational, Scientific and Cultural Organization
VET	Vocational Education and Training

List of Tables

Table of Contents

Abstract

The purpose of this study was to assess the practices of financing public TVET institutions in Addis Ababa city Administration. To this end descriptive survey method was employed. The sample consists of 12 principals and vice principals 44 department heads, 4 TVET leaders in the sub city, 9 experts of TVET 12 finance and purchase officers. Purposive sampling approach was employed in selecting principals, vice principals and TVET leaders where as simple random sampling method was used to select the TVET expert and finance and purchase officers. A questionnaire structured, interviews and documents were used as the main instruments of data collection. The data collected from these sources were analyzed using percentages and rank order. The results of the study clearly indicated that there were noticeable problem in practices of financing public TVET institutions. Major problems that affected the practices of financing in TVET institutions were limited source of finance shortage of budget for training, budget execution problem, using of traditional budget preparation and allocation mechanism. To alleviate this problem diversifying finance through searching new sources externally and internally within TVET institutions, involvement of all the direct beneficiaries (the government, employers), improving ways of purchasing and distribution of material and budget utilization through training and revision of the existing system.

CHAPTER ONE
THE PROBLEM AND ITS APPROACH
1. Introduction
1.1. Background of the Study

Education consumes an overwhelming amount of resources in almost all countries. It is believed that the achievement of educational goals greatly depends on the adequate financial support. The ever growing demand for educations the resultant expansion of educational system, the need for more modern equipment in education have all led to a massive increase in spending on education all over the world. In this connectssion there is an enormous expenditure on TVET program.

One of the major factors that determine the quality of TVET implementation is availability of sufficient financial resources. This means technical and vocational education and training programs are expensive to run as compared to general education. According to UNESCO (1998) the cost of one TVET school is equivalent to two or three schools offering general secondary education.

The question of financing Technical and Vocational Education and training (TVET) is usually among the most crucial and at the same time most contentious issues discussed in the framework of TVET reforms. Underlying reasons may vary, however in countries, overall expenditure for TVET is expected to rise, as a result of quantitative expansion of training because TVET reform is aimed at quality improvement.

Furthermore, in many countries new institutions are created, such as national training authorities or organizations for standardization and quality assurance, trade testing, or technical teachers' training to establish and run these institutions additional resources are required (Fred and Amit, 2000).
Generally speaking, TVET institutions required huge financing resources in order to meet the skills need to the society, Failure to supply sufficient capital

and operating finance for TVET institutions results in poor quality of training and inability of the graduates to find jobs relevant to their field of study (Atchoareha and Andre, 2002). Franc (1997) states, high quality TVET is expensive usually significantly more expensive than general education. Hence governments need partners in training both in delivery as well as in financing in order to meet the challenges. Traditionally, the financial burden of TVET has fallen on the government in most countries as Africa, especially sub-Saharan Africa were Ethiopia is not an expect ion. However although the government budget is major source of finance for public training institutions, it would hardly be sufficient to satisfy the ever-growing demand for technical and vocational training (MoE 2002, Zederman, 2003).

Therefore, since education and training generate benefit both for society and individual financing TVET program should be shared amongst government and local community beneficiaries (mainly employees and trainees, religious and private organizations, and donors (UNESCO, 1998).

In thc Ethiopia context, TVET was a very important but the most neglected area in the education system until the end of the 1990s. However, since 2000/01 a massive expansion of this sub sector has been intensified more than ever before. In order to meet the middle level manpower demand of the country, expansion of TVET program has become very essential. The government commits itself to overhauling and reforming the basic framework conditions of NGO system during the late 1990s (MOE, 2006: 8).

Hence, TVET system parallel to the academic system was established and has got its independent structure but with appropriate linkage to the academic system. TVET centers were upgraded and expanded and new ones were built. Addis Ababa City had only 3 public TVET institutions until 2001 while the 7 comprehensive secondary schools were upgrades to TVET institutions. At the moment the city has 5 public TVET institutions, 6 public TVET colleges and one poly technique college running the level I- V programs. Besides, the management of TVET is decentralized to the administration of TVET Agency and the 10 sub-city TVET offices.

The Government undertook an extensive effort at restructuring and expanding the TVET program recognizing the fact that the country was in dire need of skilled technicians and framing programs lacked relevance to the work place reading (MOE 2006: 8). However, global experience has shown that the more expansion of TVET does not solve the problems of unemployment and low productivity of the economy alone. TVET has to respond to the skill needs of the labor market, and create the needed work force capable of drawing economic growth and development.

In line with this, the capacity building program emphasizes the need for expanding TVET facilities, development of relevant curriculum and improving standards of trainees. All these programs can be achieved only when there is sufficient source of finance (MOE, 2002: 15). Therefore in order to increase the quality and gradually the quality of TVET, new funding mechanisms have to be developed. The resource constraint of TVET program should be addressed by a combinations of cost saving mechanisms, generation of external resources and diversification of funding sources of public TVET programs. Thus, the concern of this study was to assess the quality of financing public TVET institution in Addis Ababa.

1.2. Statement of the Problem

All technical and vocational education and training will be achieved on the amount of finance invested out the training. TVET system needs adequate financial resources in order to implement the overall objectives.

It is true that inadequate facilities observed in government TVET institutions in Addis Ababa. Shortage of raw materials, and space parts, insufficient skilled teacher, over crowded classroom, shortage of books and absence of coordinated company training (cooperative training) program can be cited as some of the basic indicators for the low quality of TVET programs in Addis Ababa. These problems are mainly caused lack of adequate by finance for TVET institutions. Therefore, planning alone is not enough to attain a desired quality of training, but also the provision of adequate financial resources is highly essential.

Thus the purpose of this study will be to investigate the current system of financing TVET in four government TVET institutions in Addis Ababa. To this end, the following basic research questions were set:

1. What are the major sources of finance for government TVET institution in Addis Ababa?
2. What are the schemes currently used for financing TVET?
3. What are the major problems observed in financing government TVET institute in Addis Ababa?
4. What measures should be taken to overcome the constraints, if any, encountered in financing TVET?

1.3. Objective of the Study

1.3.1. General Objective of the Study

The principal objective of the study is to asses the practices of financing public TVET institute in Addis Ababa City Administration.

1.3.2. Specific Objectives

The specific objectives of this study are:

1. To identify the source of finance of TVET institutions
2. To find out the major problems of financing government TVET institutions in Addis Ababa, and to recommend solutions.
3. To examine the system of budget allocation particularly for TVET institutions in Addis Ababa.

1.4. Significance of the Study

This research study has the following major significances:

- It may help the Addis Ababa TVET institutions to develop better ways of financing TVET.
- It may help TVET institutions in Addis Ababa to utilize the scarce financial resources effectively.
- It may serve as a spring board for those who are interested to pursue further study in this area.

1.5. Delimitation of the Study

There are 11 government TVET institutions and colleges in Addis Ababa City Administration. Had it been possible to include all of them, the results gained from the study would have been more comprehensive. However, taking all constraints into account, the researcher delimited the study to the four government TVET institutions. These include higher 4 TVET institution, higher 7 TVET institutions, higher 12 TVET institutions and higher 20 TVET institutions. Each of them is located in four different sub-cities of Addis Ababa City Administration. In additions, the study was delimited to the aspect of financing TVET in Addis Ababa.

1.6. Limitation of the Study

Successful research endeavor requires adequate materials, time and finance. However, among the main constraints that the researcher faced while conducting this research were lack of adequate finance and recent books that match with the topic under study.

1.7. Definition of Key Terms

The following key terms were defined according to the connotation they have in the study.

Budget: budget is a plan of expected spending and income (usually for one year). The annual plan of taxes and government spending proposed by a Ministry of Finance (Collen, 1986: 35).

Budgeting: preparing of budget to help plan expenditure and income (Collin, 1986: 35).

Cooperative training: "cooperative training" encompasses all forms of training conducted jointly by TVET institutions and enterprise. The training takes place alternatively in a school environment and the real life environment of the work place (MOE, 2007: 11).

Educational financing: the financial resources provided by sources which are public and private for provisions of educational services or the allocation of financial resources used to invest in education by the state, partners, communities and organizations (Muba, 2003).

Financing: refers to the purchase and sales of legal instruments that give owners specified right to a series of future cash flows (Radcliffe, 1994: 50)

Public TVET: TVET programmes provided by government agencies which are accessible to everybody who meets the defined entry requirements in respective level of grades (MoE, 2006a).

Technical and vocational education and training: the combines process of education are training and recognize the common objective of employment as their immediate goal (UNESCO: 2002).

TVET institution: location and organizational setup in which TVET is supplied (MOE 2006: 50).

1.8. Organization of the Study

This paper has five parts. The first chapter with the background of the study, statement of the problem, objective of the study, significance of the study, delimitation of the study, limitation of the study, definition of key term used, and organization of the study. Chapter two is the review of the related literature. The research design and methodology and the data presentation analysis and interpretation are treated under chapter three and chapter four respectively. The last chapter deals with summary, conclusions, and recommendations. Finally a list of reading materials used in this study has been attached preceding the appendices and supportive documents.

CHAPTER TWO

REVIEW OF RELATED LITERATURE

This chapter focuses on available knowledge and examines the research ideas and thoughts about TVET financing. It presents most known sources of TVET finance, system of budget allocation and brief history of TVET financing in Ethiopia.

2.1. Concept of TVET Financing

Educational financing is the science and practice of expending revenue for education and the management of monetary affairs for school (Good, 1973: 24).

Kennedy (1983:28) noted, "Finance has been called the existence of an organization. Without an adequate supply of finance all the activities of an organization are restrained and progress is impaired." This implies that the progress of any organization is highly affected by the flow and amount of finance.

Curter (1982: 13) further states that money or finance is one of the most important and compulsory resources used by all social organizations, and its deployment determines the effectiveness of other resources. In this regard financing education should need sufficient money that is allocated to support activity in educational system (Jordan et al, 1985: 188).

Financing vocational training is expensive and the government alone cannot afford the cost of training. The cost of one technical vocational institution is equivalent to two or three schools offering general education (Atchoarena, 1996; UNESCO, 1996: 32). Middleton, Ziderman and Adams (1993: 69) in Yekunoamlak (2006: 92) also stated that recurrent costs per students for vocational schools exceeds those of academic school by an average of 153% in developing countries.

The above authors further pointed out the following reasons for the higher recurrent costs of vocational training.

- Low student-teacher ratios required for training in workshops increase the cost of instructors.
- Where wage policies permit the hiring of skilled workers as instructors, the need to compete with other employers rises the cost of instructors.
- Technical requirements and cost factors for specialized equipment. This is caused by under enrollment, which stems from limited employment opportunities and consequently low students demand for places (Middleton, Ziderman and Adams 1993: 36).

According to ILO report by Johansson, (1996: 67),as cited in Yekunoamlak (2006: 98) the following three ways of financing TVET can be identified:

- Mobilizing additional resources by expanding revenues from the traditional sources (government budget or tax)
- Mobilizing additional resources by diversifying sources of financing vocational training
- Making better use of existing resources.

Due to economic declines, governments particularly in developing countries have no adequate money to finance vocational training to this end, there is a shift towards the second and third alternatives mentioned above. However, government intervention is still important in equity aspects. The equity agenda in government financing is permissible if the disadvantage groups cannot afford to buy the services themselves but need the skill to improve their incomes. This argument is acceptable in so far as the skills can be marketable. Market imperfection takes place when the market does not provide efficient incentives for employers or individuals to invest in training. For instance, apprentices accept lower wages during the training session. This is because if employers are required to pay higher wages, they are not encouraged to invest in training. At this moment, it is also justifiable for government intervention through incentives (Johansson, 1996: 72).

Therefore, the public and the private parties should be the two basic sources of TVET financing. According to Johansson (1996: 5) the public financing comprises of the following three administrative levels.

- The central or the federal government
- The regional governments or states and
- The local or the municipal levels of administration

There are various schemes used by the government to allocate financial resources for the TVET system. According to Johansson (1996: 29), the various mechanisms used to transfer resources within the TVET system as a whole are known as transfers between various levels of governments, transfers to enterprises, transfers to individuals and workers, and transfers to training providers.

Among these mechanisms TVET system can be financed through alternative schemes differently with regard to sources, organization, costs and results. Elements of all financing schemes are recipients objectives to be achieved and conditions. In this regard, providers and administrators of funds influence training policies and targets, training providers' programming and their accountability for the resource use. Therefore, systems towards certain policies and goals are directed by these bodies.

Hence, TVET financing mechanisms are never neutral, rather they intentionally or not, act in accordance with the fund providers and administrators interest and will(Gaskov 2000, 204).

2.2. Source of Funding TVET

Although various finance strategies are practiced in different parts of the world, different researchers identify some of the better-known mechanisms for financing TVET in the following four sources (Gaskov 2000: 204, Ziderman, 2004: 17; Johnansson 1996: 12). These are:

A. Public financing
B. Enterprise financing
C. Private and public sponsored financing
D. International donor assistance

2.2.1. Public Financing

Public financing is provided through public revenue. When the state finance vocational training through public funds it is on the assumption that the ultimate responsibility for development of human resources for national development lies with the state.

With regard to TVET financing, Durango (2002:2) noted that there are different and conflicting interests and perspectives between governments and the private sector on the areas of focus and utility of public funding. The private sector trends to lobby for the focusing the resources on demand-driven formal sector training and the skills upgrading of their employees through short-term specific training and the skills upgrading of their employees through short-term specific training. On the other hand the governments mandate extends beyond these specific requirements of the private sector to include the small-scale and informal sector and other disadvantaged target groups like the pre-employed and the unemployed.

Anyhow, either the training is provided in the public or private interest direction, it is no denied that the direct beneficiaries are individual, households and enterprises.

According to Johannson (1999: 7), the rationale for public financing of TVET lies mainly on the following economic and social grounds:-

a) External benefits, which means when shortage of key skills act as a break on economic development at the macro level.
b) Market imperfections, which means when the market doesn't provide sufficient incentive for employers or individuals to invest in training.
c) Equity, which means providing training service for under privileged segments of the population when they cannot afford to buy the services themselves and need the skills to improve their incomes, and
d) In order to safeguard private training capacity from weaknesses preferably by stimulating the provision of their training capacity through incentive provision.

Regarding to the public financing of TVET the governments have three main sources. These sources are general tax revenues and even public borrowing in budget deficit counties, taxes and the special training levies collected from enterprises in some countries and possibly external donor agencies. On the other hand, public expenditures for TVET may take place in forms of budget allocations to finance all or part of a centralized training agency or specific training institutions costs, either private or public; training grants or loans to individual trainees; and subsidies or tax incentive for enterprises (Johannson, 1997: 4).

Many public training systems operate under conditions of limited funding, which cover only wage related expenditure, while other important inputs such as curricula, equipment and staff development may receive insufficient funds.

At the same time public TVET institutions may be denied the possibility of earning part of their budget only from charging fees and selling training programmers'. But in many countries, demand for TVET is increasing and training is becoming more and more expensive whereas national training budgets are either stagnating or decreasing.

As Johannson (1996: 7), under financing due to fiscal shortages instability of budget because of variations in the revenues and competing priorities, distortions in allocation budgets for various components of the training equations, and red-tapes emanating from centralized control are weaknesses in public financing of vocational education and training.

Nevertheless, government budgets are yet one major sources of TVET financing. But since education and training also generate private benefits that accrue to individual trainees and employers which are represented as the major direct beneficiaries, they should Finance Technical and Vocational Education and Training.

Job-related training of employees is the most direct way to benefit from training and trainees and employers should contribute to the cost of such training. The cost of individual training however, is often subsidized by governments on the grounds that all the benefits of their training investment do not repaid by the trainees alone instead of some accrue to society as a whole. Accordingly, the government may require employers and private individuals to finance their training if enterprises and workers are clearly the direct beneficiaries of trainings.

In this regard, Johannson (1996: 4) pointed out that workers have an incentive to pay for their own training to the degree that the acquired skills are generally marketable or transferable, similarly, if specific skill training or firm specific training is conducted, the employer would pay the costs since the trainee would not receive greater income to reflect his increased specific skill in the firm.

2.2.2. Enterprise Financing

An enterprise-based training is often a more important source of skill development than institutional training for non-professional occupations and it is believed to consume more resources accordingly. Usually training organized by enterprises tends to be technical training for their own employees aiming at profit maximization by increasing employees' productivity. In this regard, Ziderman (2002:24) noted that enterprises may be reluctant to discharge their training role if business environment with in which they survive becomes not suitable for profit maximization.

In connection with this notion, MOE (2007:17) further points out that the need for enterprises to retain their competitive edge gives rise to a dilemma, that is, the short term objectives of keeping costs down tends to limit investment in training, while pressure to keep pace with rapid change competition and innovation makes investment in skills imperative in the long-term.

However, based on the 'benefit principle', being as a major beneficiary of investment in training enterprises should pay for the training. Hence, Enterprises, finance training through mechanisms of in company financed training, training levies, and vocational training funds.

In company training is mainly provided in high competitive technology industries. It is In Service Training including on the Job, Training (OIT), Vestibule Training and Formal Training, and Formal Training outside of the firm. Enterprises spend significant shares of their direct expenses for in company training. For example, Austria, Denmark, Germany and Switzerland are countries in which enterprises voluntarily finance substantially in company training through the dual system which combine practical on the job training with part-time and school based training of employees (Gaskov, 2000:217)

The Training Levies which means Earmarked levies on enterprises payrolls have emerged as the most widely adopted mechanism for financing training both in public training institutions (usually under the aegis of a national training authority) and in enterprises as well (Ziderman 2001:63). These levies may be assessed by public authorities in the form of compulsory taxes or voluntary through industry groups. The two basic groups of training levies are the output-based levies or production- based levies and the payroll-based levies. According to Johansson (1996:10), Kenya, under its Industrial Training Act of 1973, permits each of 12 sect oral training committees to impose their own levies for training on their out puts. The training committee for building and construction imposes a levy on all large construction projects; the levy for timber is based on quarterly turnover and for sugar on tonnage of production. In 1993, it was estimated that some 30 developing countries had introduced payroll levy systems. A classical example in the developing world is Brazil, which setup its levy based training fund in 1942. MOE (2003:11).Since the output-based levies are often associated with the ups and downs of the economic evaluation of the sector in question, the income of vocational training is unstable which in turn bring about training provision inconsistent. The major criticism of payroll based financed training agencies is the relatively high unit cost per trainee in comparison with privately financed training establishments that have an incentive to keep costs down (Johansson, 200:13) and in some countries (particularly the Latin American model) tends to lead to top-heavy bureaucracies.

The vocational training fund established at the national level is the other source of enterprise financing. Training funds originated with the development of early married training levies were assessed on the total payroll of enterprises. The income was designated mainly to fund public training institutions run by the training boards. While in older established training funds, training levies were the dominant (usually only) income source, these days the fund is established from various sources. But, in recent times, such as from the government budget allocation, training levies, donor funding, and income generated by the fund itself (Ziderman 2000:33-34). Though now sources of income for training funds are notably for their diversity, still the major income source of most training funds remain training levies, usually but not invariably, levied on enterprise payrolls. Where training levies are in place, they may be levied on a uniform basis such as a standard percentage of enterprise payrolls, or they may vary, say across sectors.

On the disbursement side, the range of institutions and training forms eligible for funding support also may vary markedly from case to case. Earlier training funds based on payroll levies were largely single purpose either aimed at financing public sector pre-employment training (revenue generating scheme) or at enhancing the amount and quality of enterprise training investment (levy-grant scheme) Ziderman (2002:34). Furthermore, levy income was not only committed to pre-designated disbursement targets, there was also a large degree of consonance between those who financed the levy and those receiving the benefits of training. But with the broadening of training funds both in terms of income sources and the allocation of disbursements, this link has been considerably weekend. Thus, Training funds are now increasingly regarded as a general funding pool, distributed across various recipient destinations according to established priorities and policies. This results frequently in a considerable degree of cross subsidization of training (Zidderman 2001: 46).

2.2.3. Private and Public Sponsored Financing

Government budgets are one major sources of TVET financing, but, since education and training' also generate private benefit that accrue to trainees and employers, they are the major direct beneficiaries and finance TVET (Gasskov 2000: 196).

When government faced with a shortage of resources, individuals, enterprises and non-government organizations (NGOs) would share the financial responsibility for TVET.

Different mechanisms like fellowship, grant, Loans, Co-financing, Production for profit, paid educational leave, and non-government and voluntary organizations are mechanisms to generate revenue in which employers or trainees bear part of the cost and government finances the remaining.

2.3. Funding Schemes or Approaches

2.3.1. Financing as a Management Technique

There are three basic management approaches to finance TVET. The first view is, as Gasskov (2000:98) pointed out, funding as traditional funding disbursement. Simple budgeting and disbursement procedures assume that certain standard costs for existing TVET institutions (Wages, and other operational and maintenance costs) are established and resources are allocated to them from year to year, irrespective of the types of programme they deliver, enrollments and outputs (budgeting and funding per institute rather than per output). When types of programmers' and planned enrollment are not considered in budgeting, the resource allocated determines the type of courses and training capacity. In this case' ministry routinely performs funding functions. Many industrialized and developing counties apply this approach.

The second approach views financing as a management technique. Financing schemes can aim at directing providers towards certain priorities and outputs (e.g. number of graduates, their level of achievements and rate of labor market success); encouraging a reduction in training unit cost; and improving providers' flexibility. This approach would distinguish between types of program me and planned enrollments and assumes that, since more sophisticated programmers' is more costly than entry level training, the institutions involved in technological courses should be better financed. Such funding schemes usually incorporate mechanisms for measuring performance and out puts/outcomes, and they link funding to the achieved out puts.

The third approach views education and training as an investment, emphasizing social and private rates of return expected measures of cost effectiveness and rates of return can drive resources allocation, as well as organizational management and programming decision. Applying TVET financing as an investment or as a management technique calls for solid management competence form administrators.

2.3.2. Structure of Financing Schemes

Diverse TVET financing mechanisms exist and they all send signals to their respective beneficiaries. Each of these mechanisms has limitations and produce the best result in particular environment. TVET financing mechanisms can be distinguished in terms of combinations of (1) the sources of funds and methods or redistribution (2) the types of authority, which administer funds; and (3) the formula and conditions for allocating funds to training providers (Gasskov 2000:198).

The first variety of financing mechanism arises from the types of funding sources and their distribution. TVET funds can be taken from general revenues, with school budgets allocated directly from the state education budget. (Central collection and redistribution of general revenue between regions do not encourage cost efficient uses of funds at local level, but remains viable in many larger countries). Alternatively, general revenues can be raised centrally but distributed through formula based transfer towards low levels of government. Or, governments at each level can tax and raise their own education funds, with training schools receiving funds from one or more government levels. Another option assumes that a special tax earmarked for TVET is collected from enterprises entities and administered centrally or redistributed, with receiving their funds either directly from the national fund combination of government grants and tax-based money.

The second factor is the government levels and bodies, which administer training funds, are not always the same as those, which generate them. The second variety of combinations arises, therefore, from distinguishing government levels and other actors from the authority- to administer the training funds. The responsibility for managing public funds may be delegated to lower level of government, specially created professional management bodies or national training agencies and employers and workers originations(Gasskov, 2OOO: 199).

The third point is the allocation formula, in its turn, establishes the link between training funds and providers. The formula may take account of national targets, if any, in order to ensure that providers are working towards them. The formula may also be linked to enrollment and school outputs. In this case, the TVET financing mechanisms becomes a management tool.

2.3.3. Allocation Formulas for Financing School

According to Gasskov (2000:201), in practice, there are two main types of resource allocation formula. The first may be called normative. It assumes that each training school is equipped with a certain number of teachers and technical and administrative staff and that a certain level of wage-related expenses as well as operational and maintenance costs are covered, sometimes with no link to enrollments, performance and out puts. Certain ratios, such as the number of students per teacher, may also be established for the purpose of budgeting. The school's performance may not affect its funding.

The central administration and funding model, which is normally based on standard decision and uses a standard cost principle, is simple and often cheap to implement. However, central decisions and funding schemes, by their nature, constrain schools initiative.

However, this approach lack operational flexibility and do not consider local variation in the demand for training and the corresponding need to reallocate funds. This approach also fails to respond to local and regional variations in school maintenance and operational costs. Normative models are often unable to command the best possible performance from individual school.

The second allocation formula is performance based financing. This approach links funding to providers' current or planned performance and output indicator. The following schemes have been applied.
State grants are linked to enrollment figures, so that schools, which attract and enroll more students, are encouraged. This mechanism however, promote enrollment alone and has been unable to encourage providers to develop expensive programmes. As a result, low level and low cost courses have been encouraged. In addition, this scheme encourages providers to enroll only the students who are most likely to remain on the courses, rather than those most in need of training.

On contrary, State grants per student vary for programmes of different degrees of sophistication. Since more comply programmes are assigned higher funding rates per students, schools may be encouraged to offer the programs that the government wishes to promote. By establishing higher rates for particular programmes, the supply of certain qualification can be expanded. It also allows promotion of training for particular target groups. Provider's efforts to attract and train disadvantaged populations, which arc often potentially unsuccessful, could be higher funding rates or each student enrolled and program(Ziderman, 2004 : 14).

Under performance related mechanism, no public funding is guaranteed to providers unless they demonstrate certain levels of performance and output. Those that are funded may have full or almost full freedom in the use of funds. Providers will find themselves close to the free market when they need to compete for enrolments and generate higher student's achievement in order to earn their funds. They can even be encouraged to make a profit. Obviously, in performance related funding schemes, audit of enrollment and assessment of graduates should be external. The introduction of such funding schemes seems to make providers' operations market driven and ensure that better performance are rewarded.

2.4. Types of Funding Scheme in Vocational Education

A variety of schemes, various combinations of sources, arrays of sophisticated allocation formulas and authorities functioning at different levels can all be seen in the funding of vocational education. Among these, the major once are:

2.4.1. Multi-Level Funding Led by Central Government

This funding scheme is a part of normative scheme in which money is generated and administered centrally and is still applied in many countries, especially developing countries experiencing resource shortage and attempting to plan operation and distribute of money directly(Gasskov 2000:205).

Central administration of public education funds is also used in some industrialized 'countries' which combine this model with a high level of independence for training providers funded according to performance and output (World Bank, 2004:66).

Multi-level funding schemes with the central government in the leading role assume that most education funds are generated at national level.

Although lower authorities receive formula based transfer, spending conditions are established and controlled by central government.
For instance, in France' the major decision-making authorities are the National Ministry of Education, which is responsible for the most important elements in the educational process (i.e., teaching staff, curriculum development and inspection of educational instruction) and the regions, which are strongly involved in financing TVET institutions(Ziderman 2004:37).

Moreover, construction and maintenance cost of TVET and other facilities, technological equipment, teaching materials and running costs (except for staff costs) are co-financed by central and regional governments. For this purpose, the state gives each region an annual decentralization grant to cover the TVET running cots and an annual regional grant for TVET equipment. On average, about 60% of construction costs and 95% of operational and maintenance costs have been covered control (Gasskov, 2000:206).

TVET staff costs are fully paid by the state. However, the number of teachers allocated to each TVET schools is decided by regional education authorities and depends on enrollment and various local conditions. The regions may, if they wish, allocate extra funds to TVET from their own resources, including tax revenue.

2.4.2. Multi-Level Funding Led by Local Government

Funding mechanisms controlled by local governments assume that funds sufficient to maintain TVET institutions can be generated at local level. Contribution from other government levels or national training funds plays a complementary role.

For instance, in the United Sates of America, there are three levels of government administration.

Federal, State, and local. Educational authority rests with the state, which in turn, delegates authority to local school districts. Local governments raise education funds through property taxes, which are based on periodic assessment of property values; they generate considerable revenue and are the most stable form of taxation. Individual school districts, however, vary greatly in the value of their taxable property. Property, wealth and the need for education funds are not distributed evenly between school districts. Local jurisdictions can choose to tax at higher rate if they want a higher level of local funding. These tax rates are set by public vote. State funding is used to offset local funding disparities, at least in part(World Bank. 2004:72).

State financing for public education comes mainly form income taxes, which are less stable than property taxes because they are directly influenced by economic fluctuations. Most states use some type of equalization scheme to equalize between school districts in their ability to support education. States usually allocate a given amount full-time equivalent (FTE) student enrollment to all schools. In order to compensate for differences in taxable wealth, states provide additional funds basic level regardless of community wealth. Common practice among state is to provide additional funding for TVET because it is a higher cost programme. The allocation may also vary, according to different categories of programme. Special TVET funds are usually percentage of regular FTE funding(Ziderman 2004:96).

Federal funds are distributed to correct differences in wealth and to encourage certain kinds of TVET programming locally. The federal government allocates funding from general tax revenues in two basic ways: matching and categorical. Matching funds are allocated to local districts on the basis of an equalizing formula. However, the local school district must first commit a certain amount of its own resources. Matching funds do not supplement public funding; they also encourage local initiative in generating funding, with local institution that wish to receive government funding embarking on revenue generation activities

Ziderman (2003:64). In this way, the over local programming, but its resource commitment is modest. Matching funds, however, are an unstable source of funding, since Federal appropriations are subject to delay and fluctuation. They usually account for no more than 6 to 8 percent of local school's recurrent expenditure(Gasskov 2000:207).

Through collaborative funding, each government level achieves objectives that it otherwise could not be attained by funding TVET alone. The three levels of funding complement one another's. In this way, some of the diverse consequence soft public financing are encountered and greater equity and sustainability is achieved. A collaborative relationship must be developed between three governmental levels, with clearly defined authority and responsibly. A three-tier system of a financing vocational education funds, like that in the United States, work in conditions of high decentralization and a very limited federal government role.

2.4.3. Funding Schemes that Involve Training Taxes

Some countries collect taxes such cases, enterprise funds mechanisms. Other countries earmarked for TVET from enterprises. In may become part of the overall funding encourage enterprises to provide grants to the institutions that supply them with trained enterprises contributions may be substantial they sporadic and training schools need to make continuous them. Such funding schemes are applied for instance, France.

Vocational education in Hungary is financed from three sources-State subsides, local government subsidies, and the vocational training fund. Companies are legally required to spend 1.5 percent of their wage bill on Training with in the compulsory training allocation; companies can make a payment to the Vocational Training fund (VTF), which is administered by the tripartite National Training Council (NTC). Alternatively they can finance their own courses or provide direct assistance to vocational schools for instance, in 1995, out of the compulsory training allocation companies spent about 43 percent on training their employees and 37 percent on direct financial assistance to schools, where 20 percent was remitted to the VTF (Gasskov 2002: 208).

The education fund comes from the wage tax, between 15 and 30 percent is left for local budgets. Country educational authorities receive and combine state grants with their own funds and make-up the budgets of local training schools. School budgets are enrollment- based, but schools are free to spend them as they see fit. In addition, the tripartite country labor council receives the VTF contribution, which they distribute between local schools on a competitive basis. Schools are invited to submit proposal for the development of training programmes.

The role of the three sources has been changing over time. In 1996, TVET schools received funding, on an average, in the following proportion: from state budget, 27.5 percent; from local governments, 53.5 percent; and form the VTF, 19 percent(Gasskov 2000:209).

2.5. Funding Schemes that Involve Market Force

2.5.1. Performance-Related Financing

Performance-related funding assumes that TVET schools demonstrate certain performance levels or achieve prescribed out puts in order to be financed.

This approach uses formulas and conditions for funding, and also for contracts between TVET schools and those who buy their services. The most developed version of such schemes is applied in Denmark and the Untied Kingdom.

In Denmark, the Ministry of Education no longer administrators training schools. Instead it develops vocational training policies and issues. Education orders which established a broad framework for TVET course; independent schools within to obtain public funds must comply with the education orders. The schools are expected to earn revenues through selling courses in the market, through the Ministry of Education remains the major purchaser of authorized training courses. 'Training schools receive grants that are calculated on the basis of actual performance (Gasskov 1996:210).

In untied Kingdom performance related financing aim to meet national training targets. For example, the main priority of 1994-95 was to achieve a 7 percent increases in student number. Institutions were invited to apply for additional funds to achieve this target. However, the availability of additional funding is linked to the degree to which college's achieved the previous year's performance targets. Applications for additional funding from those meeting targets were given priority, while the balance of growth funding was applied to those who had not met them. The funding model seeks to ensure efficiency gains; therefore, institutions are required to produce more output with less recurrent funding (World Bank 2004:110).

The performance of each college is monitored against agreement, and funding may be reduced if it fails to achieve puts. Funding is exclusively based on enrolment and out put.

2.5.2. Financing through Voucher

Vouchers are government-financed entailments to certain services for a given amount of money. States establish eligibility requirements, issue vouchers and monitor quality and compliance. Both private individuals and schools may be eligible for vouchers to buy public services (Gasskov 2000:213).

Funding schemes involving vouchers have several objectives. First, they attempt to improve the efficiency of training system by enhancing individual choice. Second, they expose providers to market forces. Providers have to compete for trainees' vouchers, from which they obtain part of their budget.

According to Ziderman (2003:75), financing through voucher is one mechanism of subsidizing training. Thus, subsidization could take one of two paths; subsides could be paid directly to the institution themselves, as a training fund as in current practice, or via the trainees. Students would meet tuition fees charged by training institutions, wholly (or in parts) through vouchers or entitlement to training courses.

In the early 1990s, the Untied Kingdom added a voucher system in an attempt to create a genuine training market. This voucher system increased competition between colleges for trainees with credit entitlements. The need to attract trainees has led colleges to adopt marketing strategies of a kind traditionally used in the private sector. College capacity to manage training programs under the new market conditions has improved. Reform of college management, featuring increased autonomy and employer participation in the newly established management boards, has contributed to genuine market development(World Bank 2004: 150).

2.6. Approaches to Expenditure Budgeting Strategies

Budgeting is a process of preparing a statement of the anticipated income and the proposed expenditure. The purpose of budget is to implement the policy which is formulated by management to attain the given goals and objectives. It is one most popular devices used for planning, it is deciding what should be done and how it should be done, while controlling assuring that the desired result are obtained. Therefore a budget, as a planning device provides a detailed plan of action for attainment of the educational institutions objectives and goals. In planning many problems are anticipated in advance and solution can be designed through research and studies. Budgeting as controlling device, ensures that plans and objectives are correctly implemented. This means that actual performance regularly monitored the result compared with the first plan and knows the variance (Lemma 2001:25).

The education sector strategy of Ethiopia says that the financing of educational system shall be improved increasing the government budget allocation particularly for infrastructure, building and provision of educational materials (MOE,1994: 18).

2.6.1. Incremental Budgeting

This involves adjusting the previous year's budget with increments for any change in volume. It is the traditional and most widely used budgeting technique through which the budget level of an institution of next year is determined by considering the current periods budget and actual results as well as expectation for the up coming budget year. It takes the current allocation pattern as the bases for budgeting for next year and adds a certain percentage to the current budget by taking allowances of additional activities and price up dates (Poston et.al., 1992:163).

2.6.2. Program Budgeting

It is an attempt to link a set of resources to a particular program. Program budgeting is not a mere estimate. There is sound planning.

The decision will be made to utilize a particular set of resources for a particular purpose by laying down the steps for carrying out the program all the expenditure or resources at each stage. Program budgeting recognizes the law of scarcity. Resources available to education are limited as they are in all other sectors. Economic resources generally have alternative uses. Money available for education can be spent for the cost of some other activities. However, an effective adoption of program budgeting is not an easy task. It needs to quantity the out comes, requires staff with analytical skill, and needs accounting system that supports it (Forojalla1993:322).

2.6.3. Zero Base Budgeting

It is an approach to budgeting which starts from the zero-level, regardless of the budget item is entirely new or an existing one. It requires every budget item to be justified every year. ZBB is a way which tries to reduce or eliminate non-essential activities. It is an innovative technique developed to guard wasteful use of public resources. This approach requires educational managers who are able to rank objectives, operations, and activities, to explore alternative means of conducting each of activity and determine activity costs. The disadvantage of this approach is that it might take a long time (Lemma 2001:36).

2.7. Financing TVET in Ethiopia

In Ethiopia, until the beginning of the twentieth century, education was exclusively on the hands of the priests and sheiks around the Orthodox Church and the mosque. However, though in the first decades of the twentieth century education was generally left in the hands of the clergy and sheiks, during the reign of Menelik II, proper missionary schools were established in different parts of country.

The first government sponsored modern school was also introduced during the Emperor Menelik II in Addis Ababa in 1908. This school was the only government school existed alone until the second school (known as "the Teferi Makonnen School") was established during the reign of Emperor Haile Sellassie I in 1929 (Abir, 1970:47-48). However, during the country was invaded by the Italians for five years (in 1930s), all schools were closed, and all of those Ethiopians who had been exposed to some form of modern education were ruthlessly eliminated by the fascists (Fassil 1990:4)

After the exile of fascists and during the earlier times of the country's liberation, the government gave a due attention on education. One of the basic tasks of the government was reconstruction of very few schools which were established during the pre-Italo- Ethiopian war. However, it was after 1941 that an effective type of educational policy was introduced for the promotion of education in the country (Solomon 2007:46).

Accordingly, the first Technical and vocational school was founded forty three years later after the establishment of modern schooling in the country. The Addis Ababa Technical School was established in 1951 to meet the growing demand for skilled technicians in industry. This was followed by the establishment of the Addis Ababa Commercial School and Engineering College in 1952. Subsequently, Ambo and Jimma Agricultural Schools as well as Bahir-dar polytechnic Institute were established (Teklehaymanot 2002:7).

During the earlier and middle periods of the Haileselasie I regime, after the country's liberation, there was a little doubt that the most pressing problem of the education system of the country was an inadequate budget. The government was adopting three main sources to finance the Ethiopian education system. The first was the budget of the Imperial Ethiopian Government obtained from various tax schemes mainly from agricultural products which was contributing 95% of the national product. However, because of that the government revenue during that period was not showing significant increases from year to year, the education system had been greatly diminished. Later in 1949, the second source which is known as a special tax was decided to be levied on all the agricultural land of the empire to help finance the free elementary education. The intention was that this special tax would finance elementary education, while the cost of secondary and higher education would be covered by the normal government budget. Immediately after the implementation of the new tax, however, it was found that the revenue from this source deemed to be insufficient to cover all the required of elementary system program.

Thus, due to the lack of sufficient finance and policy support, in the first half of the 20th century, the development of Technical and vocational Education in Ethiopia was very limited. There were only sixteen institutions that offered technical and vocational education with an annual in take of not more than 1, 000 students. Similarly, as the quality of education was not high enough, the trainees' contribution to the country's growth was far below expectations. Furthermore, despite their training, most graduates were even jobless (MOE 2002:90).

The major post 1974 development in Ethiopia is the phenomenal growth of the public-economy. During 1974/75 and by the middle of 1976 a very great portion of the economic wealth of the country became on the government hands. The major control and management responsibilities of the economy also lay with the government. The involvement of government in providing basic infrastructure and social service while at the same time engaging in the production and distribution of basic goods entails the development of the number of institutions and public enterprise which the outcome of such developments was the manifested pressure on government budget and which in turn led to persistent and widening fiscal deficit and macroeconomic imbalance (Nebiyu, N.D: 140).

Looking back to the post- 1974 development process, the government made a proclamation regarding to schools administration and control with the intention of integrating education with the lives of the broad mass and to enhance popular participation in the schools management.

The proclamation provided legal responsibility to each school committees to operate the school system through generating resources from their localities. In spite of this, the government was partly able to maintain most of recurrent expenditure incurred by all government school system in the country. However, the financing of capital expenditure remained the major concern for the society, because no sign of progress was revealed in the national economy Solomon, (2007:47).

In connection to this, Nebiyu (140:141) noted that a major consequence of the perceived fast growth in public sector economy during the Derg regime was the introduction of persistent structural deficits in the economic system. Because of that the government revenues and expenditures were not properly aligned, managing the government expenditure was very difficult. Hence, as a result of this, large budgetary deficits were frequently occurred during 1975-1991.

Though since 1984 E.C the education system including the TVET system in Ethiopia was undergoing the reform process, no significant increase was seen in the number of TVET institutions in the country until 1997. Up to the mid-nineties of the twentieth century, there were only 17 government and non-government TVET institutions offering training in a mere score of occupations. For example, in the year 1995/96 there were only 2, 738 TVET students (out of whom only 725 graduated in that year), compared to 402, 753 enrollment in the second level academic education stream (MOE, 1997 in Teklehaymanot, 2002:7). Thus, as Teklehaymanot (2002:7) stated, 99.3% of the senior secondary level of education students were engaged in the academic sub sector.

But this trend was not extended beyond 1997. In line with the 1994 education and training policy issue, twenty five skill development centres were opened in 1997. Thereafter, a high power National TVET capacity Building Task Force was established to study the ways and means of enhancing the TVET, and accordingly, the first National TVET strategy developed in 2001/02. (Teklehaymanot, 2002:7)

As stated in MoE (2003:3), one challenge of the system reform was to develop a financing mechanism for TVET in the country that will facilitate the generation of additional resources needed to implement the strengthening of the TVET system and its capacity increase. In connection, Wanna (2000:63) stresses that financial constraints and little or no success in developing alternative financing sources are among the major factors for unsuccessfulness of Vocational Education and Training programmes in Ethiopia.

By considering this background, all relevant policy statements and strategy papers, including the National education and Training policy, the capacity Building strategy, and the National TVET strategy, called for a new concept of cost-sharing in TVET with the intention that all beneficiaries (including trainees, employers in all sectors and the communities) contribute to the cost of training according to their capabilities. Furthermore, they also called for exploration of means to use the existing resources in more efficient and effective ways.
As a result of the due attention given by the government since the issuance of the new educational policy (1994) for a massive expansion of formal TVET, between 1996/7 and 2004/5, the number of TVET schools providing formal non-agriculture TVET increased from 17 to 199 and enrolment from 3,000 to 106,300. (MOE 2006:8).

According to ESDP III (2005/06 - 2010/11), to this end, much has been done to increase efficiency of the TVET sub-sector. One of the major undertakings was the Technical and Vocational Education and Training Proclamation which was issued in March 2004 to give proper guidance of the system.

Accordingly for the fulfillment of ESDP III, guidelines comprising various procedures including cost-sharing schemes (MOE 2005:14).

Furthermore, to move towards long term financial sustainability of the TVET system, other financing options, including additional sources as well as mechanisms of cost-saving and efficiency improvement, need to be developed in a committed, coordinated and dynamic effort (MOE, 2003:5). Thus, in the National Strategy to Raise Resources Available for TVET: Cost-sharing with beneficiaries of the training system, including trainees, employees, communities, NGO's and other stakeholders. Increase of income generating activities of TVET institutions, improving cost-effectiveness of the TVET system, and strengthening the private provision of TVET were recommended as options to diversify the resources base for TVET in Ethiopia(MOE 2003: 5).

CHAPTER THREE

3. RESEARCH DESIGN AND METHODOLOGY

This chapter deals with the methods used in carrying out the research, sources of data, sampling technequly, and data collection tools.

3.1. Research Methodology

This study has employed a descriptive survey method since it is used to describe the current status of financing public TVET institutions. The method also found to be sound to have a clear picture of the phenomena at a particular time on which the researcher hopes to collect data to assess the practice of public TVET institution's in TVET financing in Addis Ababa City Administration Sub-city.

3.2. Source of Data

To achieve the objectives of the study, various data were collected from primary and secondary sources. Primary data for the study were collected from public TVET institutions principals, department heads and finance and purchase officers, officials at the sub-city TVET and sub-city finance and economic development bureau. Secondary sources data were also collected from relevant document which constitute regulations, annual budgets and expenditure, internal income records and other research documents.

3.3. Population and Sampling

The sample for this study mainly consists of two purposely selected categories. The rationale behind using purposive sampling technique in determining the target groups was the population in the selected groups has direct contact with finance activities.

The selected groups included:

1. TVET institutions
   - Principals
   - Vice principals
   - Department heads
   - Finance and purchase officers
2. Sub-city
   - TVET leaders
   - TVET experts
   - Finance and budget officers

3.3.1. Sampling Technique

In this study purposive and simple random sampling techniques were used to select sample respondents from sampling frame. For the selection of principals, vice principals, department heads and TVET leaders purposive sampling technique was employed. The main reason behind using purposive sampling technique was due to the responsible to this sector area of study were as to select TVET experts and officers of finance and purchase from the institute and sub-city simple random sampling technique were used to give equal chance to the respondents.

3.3.2. Sample Size

Currently five middle level government TVET institutions namely “Higher 4”, “Higher 7” “Higher 12” “Higher 20” and “Berhane Ethiopia” are found in Addis Ababa City Administration.

Among the five institutions four “higher 4” “Higher 7” “Higher 12” and “Higher 20” were purposefully selected for this study to make the study manageable and within the resource capacity of the researches. The reason behind this selection was the researcher’s beliefs that these institutions were reasonably taken as a sample because of the fact that they have better experience in conducting TVET programs as they are the earliest formal public TVET institution established in the city. For this reason, the selected institutions and individual respondents can make the sample adequate and statistically acceptable to represent the remaining one institute which is not included in the sample.

3.4. Data Collecting Instruments and Procedure

3.4.1. Instruments of Data Collection

As stated above, data for the study were gathered from primary and secondary sources. The primary data were gathered through questionnaire. Three sets of survey questionnaire were developed based on the basic questions under study to collect data from sample respondents. Questionnaire was observed as a means of data gathering instrument because it is greatly helpful in a survey strategy (Saunders, Lewis and Thom hill 2003: 280). The questionnaires were originally constructed in English containing more closed-ended question items. According to Best and Kahn (1993: 231), questionnaire easy to fill out and the interview type is also an appropriate data gathering techniques obtain further detail information from higher (top) officials constituting few numbers. The secondary data were gathered from sub-city finance and economic development bureau and TVET institutions through document analysis.

Table 1. Questionnaire distributed and returned

No	Type of respondents	No of questionnaires distributed		No of questionnaire returned	
		No	%	No	%
1	TVET officials	16	-	13	
2	TVET academic staff	56	-	53	
3	TVET administrative staff	8		7	
3	Bureau of finance and economic development of sub-city	10	-	8	
	Total	90		81	

3.4.2. Procedures of Data Collection and Methods of Data Analysis

3.4.2.1. Pilot Testing and Assessing Validity

The data gathering instruments were used in this study drafted on the basis of review of the related literature and intended data to be collected. Prior to using questionnaire to collect data it should be pilot tested. The purpose of the pilot test is to refine the questionnaire. So that respondents able to fill in the questionnaires without difficulty and avoiding problems in recording the data. In addition, it enables the researcher to obtain some assessment of the questions validity and the likely reliability of the data to be collected.

3.4.2.2. Methods of Data Analysis

This paper data and statistical procedures to make the emerged data for analysis along with the purpose of the study and research questions, the questionnaire were checked for accuracy, usefulness and completeness, to be classified into different categories and groups. According to Best and Kahn (1993: 247) it is possible to indicate percentage responses for individual statement by combining the two outside categories from the used four. Thus, the data obtained from questionnaires were tabulated and analyzed using percentage and rank order. Accordingly out of the 90 questionnaires were distributed 81 (90%) were filled on and returned. Responses 60 TVET institutions staffs, 13 TVET officers and 8 bureaus of finance and economic development sub-city were used in the study. Moreover, original interviews with originally recorded in Amharic responses from open ended items and documents reviewed were described briefly by relating and compared with the data obtained through questionnaires.

CHAPTER FOUR

DATA ANALYSIS AND INTERPRETATIONS

This chapter presents analysis and interpretations of the data collected from respondents to seek appropriate answer for the basic research questions raised in accordance with the objectives stated at the beginning of the research.

4.1. Characteristics of Respondents

The following descriptions of the characteristics of target population gives some basic information about the sample population involved in the study.

Table 2: Characteristics of Respondents

No	Variables	Characteristics of categories	TVET institutions		Sub-city TVET officials		Sub-city BOFED		Total	
			N	%	N	%	N	%	N	%
1	Sex	Male	47	78.33	10	76.92	5	62.5	62	76.54
		Female	13	26.67	3	23.08	3	37.5	19	23.46
		Total	60	100	13	100	8	100	81	100
2	Age	20-25 years	7	11.67	-	-	-	-	7	8.64
		26-30 years	18	30	1	7.69	-	-	19	23.46
		31-35 years	5	8.33	5	32.46	3	37.5	13	16.05
		36-40 years	8	13.33	3	23.08	5	62.5	12	19.75
		Above 40years	22	36.67	4	30.77	-	-	26	32.1
		Total	60	100	13	100	8	100	81	100
3	Educational Background	Diploma	4	6.67	-	-	4	50	8	9.88
		BA/BSC/BED	50	83.33	11	84.62	4	50	65	80.25
		MA/MSC	6	10	2	15.38	-	-	8	9.88
		Other	-	-	-	-	-	-	-	-
		Total	60	100	13	100	8	100	81	100
4	Services years	1-5 years	6	10	-	-	-	-	6	7.41
		6-10 years	9	15	-	-	2	25	11	13.58
		11-15 years	10	16.67	5	38.46	3	37.5	18	22.22
		16-20 years	10	16.67	4	30.77	3	37.5	17	20.99
		Above 20 years	25	41.66	4	30.77	-	-	29	35.80
		Total	60	100	13	100	8	100	81	100
5	Position	Management/ Deans	12	20	4	30.77			16	19.75
		Department heads	44	73.33	-				44	54.32
		Finance heads	-		-		4	50	4	4.94
		Experts	-		9	69.23			9	11.11
		Finance and purchaser officer	4	6.67			4	50	8	9.88
		Total	60	100	13	100	8	100	81	100

A total of 81 respondents were participated in the study. As table 2 shows 60 (74.07%) of them were respondents from TVET institutions, while 13 (16.05%) were from Addis Ababa sub city TVET officials and the remaining 8 (9.88%) were from bureau of finance and economic development of Addis Ababa sub-city. this showed that the study would be highly depend on the respond of TVET Institutions sample.

Out of those who complete and returned the questionnaire the total 62 (76.54%) were males and 19 (23.46%) were females. This shows us that the participation of females in the TVET professions and the decision making of governmental institutions would be less in number. In addition to this society were believes that the management position and vocational education and training have to control by males. With regard to the age compositions of respondents 5 (62.5%) from the sub-city finance and economic development bureau were belongs to the age group of 36-40 years old the remaining 3 (37.5%) were belonged to the age group of 31-35 years old. Similarly the respondents from TVET institutions the majority 22 (36.67%) were above 40 years old while 18 (30%) were belongs to the age group of 26-30 years the remaining 7 (11.67%), 5 (8.33%) and 8(13.33%) were between the age groups of 25-30, 31-35 and 36-40 years respectively. This indicate that most of the activity occupied by adult.

Regarding TVET officials of Addis Ababa City Administration sub-cities the majority 5(32.46%) were belonged to the age group of 31-35 years the rest, 1 (7.69%), 3 (23.08%) and 4 (30.77%) were between the age groups of 26-30, 36-40 and above 40 years old respectively. This shows that the majority of respondents were found above 36 years old group so that their responses could be more dependable for the research. With respect to the educational background of the TVET institutions staffs, TVET officials and sub-city BOFED, a very high percentage of the sample respondents 65 (80.24%) are first degree holders. This may show that the TVET programs are carried out by appropriate personnel as per the required qualification for the position. With reference to general years of service of the TVET institutions staff and TVET officials 29 (35.30%) of the sample respondents have more than 25 years of services. This may imply that the majority respondents have rich experience in their professions so that dependable response could be provides by them.

With regard to the position of the respondents 60 (74.07%) are principals, vice principals, TVET leaders and department heads. So the responses of the management position could be dependable.

Current facilities of TVET institutions

To provide quality training basic training materials, equipment and other facilities are needed in workshops of the training institution besides. The available resources must be used wisely and effectively.

Adequate and proper materials and facilities are essential for the implementation of any educational program and vocational education is no exception to it (Aggarwal 1994).

The researcher had designed questions and requested the respondents to rate the availability of materials and facilities and to include the reasons for scarcity of the materials. The reasons have been summarized under table 3.

Table 3: Current facilities of TVET institutions

No	Item	Weighted total	Mean Order	Rank order
1	Instructional materials	237	3.95	1
2	Furniture	211	3.52	2
3	Workshops	178	2.97	3
4	Raw materials for workshops	143	2.38	5
5	Sport materials	115	1.92	6
6	Libraries and book	161	2.68	4

With refer to table 3 shows a number of critical facilities such as sport materials, raw materials for workshops and libraries and book were least ranked and rated mean values. This imply that the shortage of those essential facilities because of budget constraint and financing problem prevailed in the institutions. Because of this problem the quality of training delivered in the TVET institutions could be affected.

Table 4. Reasons for Shortage of Materials responded by TVET academic and administration staff.

		Academic staff		Administrative Staff	
No	**Item**	**NO**	**%**	**No**	**%**
1	The reasons for material scarcity				
	A. Inadequate budget	30	56.60	5	71.43
	B. Misuse of budget	19	35.85	2	28.5 7
	C. Other problem	4	7.55	-	-
	Total	53	100	7	100
2	Is there any program of plan collapsed due to budget shortage?				
	A. Yes	13	24.53	4	57.14
	B. No	40	75.47	3	42.86
	Total	53	100	7	100
3	Does the institute have enough finance to run the program?				
	A. Yes	10	18.87	2	28.57
	B. No	43	81.13	5	71.43
	Total	53	100	7	100

Regarding table 4 question items 1 is designed to identify the reasons for material scarcity. Accordingly, majority 30 (56.60%) of academic staff and 5(71.43%) of administrative staff responded that inadequate budget was the reason for scarcity of materials. In addition to those 19 (35.85%) and 2 (28.57%) academic and administrative staff respondent respectively and 4(7.55%) of academic staff stated, misuse of budget and other problem were reason for scarcity of material in the institute.

With respect to this for the question item 2 of table 4 to obtain information whether any program were collapsed due to budget shortage, 40 (75.47%) of the academic staff and 3(42.80%) of administrative staff assured that no program was collapsed due to budget constraint likewise 13 (24.53%) and 4(57.14) of academic and administrative staff respondents respectively respond that there were programs terminated due to budget shortages. Respondents were also requested under item 3 of table 4 about sufficiency finance to run the program. According to the data reveals that most respondents said that they do not believe that the annual budget was sufficient to run the TVET program from this and the data collected from bureau of finance and economic development, TVET officials and TVET institutions most of them responded that the annual budget allocated for public TVET institutions were not sufficient.

Table 5. Yearly budget preparation and allocated to TVET institutions

No	Item	Academic staff		Administrative staff	
		No		%	
1	How to prepare yearly budget				
	A.Based on performance	2	3.77	2	28.57
	B. Based on the previous year's budget	44	83.02	4	57.14
	C. Based on the budget formula	7	13.21	1	14.29
	Total	53	100	7	100
2	How much of the budget requested was allocated to your institution				
	A. 100%	-	-	-	-
	B. 75-99%	50	94.3	3	42.86
	C. 50-74 %	3	5.67	4	57.14
	D. Below 50%	-	-	-	
	Total	53		7	100

With regard table 5 question raise with the type of base of yearly budget preparation and the extent institute budget was allocated to TVET institutions. Accordingly 44(70.59%) and 4(57.14) of academic and administrative staff respondents respectively respond that institution budget preparation is based on the previous year's budget (incremental budgeting) 2 (3.77%) academic and 2(28.57%) administrative staff replied that the yearly budget preparation of the institute based on performance and the remaining 7(13.21%) and 1(14.29%) of respondent said that the preparation of budget is based on the budget formula.

In connection to as item 2 budget allocated the institute indicated 50 (94.33%)and3(42.86%) of the academic and administrative respondents replied that the budget allocated to the institution were between 75-99% of the requested budget and the remaining of them respond that the allocated budget of the previous year was below 50% of the requested budget.

From the above information the sub-city is widely used traditional and most widely used budgeting techniques through which the budget level is an institution for current year is determined by considering the last period's budget amount and pattern. This technique/strategy bases the last years allocated budget amount for budgeting the next year's budget by either adding some percentage on it or by cutting some percentage from it. Starting 2000E.C MOE was try to conduct the training based on labor market information. That is why Addis Ababa TVET agency deliver the training in to 20% soft skills (Business filed) were as 80% Hared skills (like construction auto machines etc.) while the researcher made interviewee with the principals. How to solve the budget problem. They respond that the new strategy of TVET there is in company training (enterprise training) which the trainee's spend more of their time in the company so this in company training helps to solve the teaching material cost even if the requested budget was not allocated to the training.

Table 6: Activities of purchasing current facilities in TVET institution

No	Item	No	%	No	%
1	Is the institute used the established procedures and regulation to procurement of materials?				
	Yes	21	39.62	3	42.86
	No	32	60.38	4	57.14
	Total	53	100	7	100
2	If there appropriate guidelines for finance and materials resources management?				
	Yes	34	64.15	5	71.43
	No	19	35.85	2	28.57
	Total	53	100	7	100
3	Does the institute have adequate inventory to keep the optimal levels of materials?				
	Yes	17	32.08	2	28.57
	No	36	67.92	5	71.43
	Total	53	100	7	100
4	Is there convenient storage for training materials?				
	Yes	53	100	7	100
	No	-	-	-	-
	Total	53	100	7	100

One of the basic indicators for the efficient and proper utilization of annual budgets in TVET institutions can be planning and programming activities of purchasing and supplying facilities that are needed by various training departments as to facilitate the overall teaching learning activities of the institutions. In relation to this table 6 shows activities of purchasing current facilities in TVET institution. Concerning, item 2 of this table6 34 (64.15%) and 5(71.43)of academic and administrative staff respondents respectively were stated that there is appropriate guidelines for finance and material resources management while 19 (35.85%)and 2(28.57%) the above two respective staff were responded that there is no appropriate guidelines for finance and material resources management.

Item 1 of table 6 showed that 32 (60.38%)and 4(57.14) of academic and administrative staff accordingly the respondent were not used the established procedures and regulation to procurement of materials whereas the remaining 21 (39.62%)and 3(42.86%) the academic and administrative staff were not use the established procedures and regulation to procurement of materials. In item 4 concerning the convenient storage for training materials were respondent replied that there is convenient storage. Lastly item 3 considering the inventory carried out in the institution as adequate regardless of its program and approach while 36 (67.92%)and 5(71.43%)of academic and administrative staff accordingly respond that the inventory as inadequate since the inventory was not programmed and the participation of the TVET institutions staffs was low which in turn affected forecasting demand.

Table 7. Income generating schemes of TVET institutions

No	Item	Academic staff		Administrative staff	
		No	%	No	%
1	Does the institution have internal income source other than allocated budget by the government				
	Yes	53	100	7	100
	No	-	-	-	-
	Total	53	100	7	100
2	What are the source of internal income other than tuition fees (more than one answer is possible)				
	A. from night program	53		7	
	B. from sales of production	7		-	
	C. from rent of class	-		-	
	D. from consultancy	40		5	
	Total	53	100	7	100
3	Have right to utilize the income generated internally?				
	A. Yes	50	94.34	3	42.86
	B. No	3	5.66	4	57.14
	Total	53	100	7	100
4	Does the institution collect tuition fees from trainees				
	A. Yes	53	100	7	100
	B. No	-	-	-	-
		53	100	7	100

With reference to table 7 to concerning to the income generating schemes of the TVET institutions question raised in items of table 7 were at obtain information about TVET institutes whether generating internal income other than tuition fees and budget support by governance all respondents were asserted/assured that the institutions have internal income other than tuition fees and budget support. In connection to the item 2 question to investigate about source of internal income of TVET institutions. As the result the majority of the institutions internal income obtains from night classes and rent of class in addition to tuition fees. Lastly question was about the right to utilize the income generated internally. Accordingly 50 (94.67%) were responded that the TVET institutions are autonomous to utilize their internally generated income. Even if TVET strategy 2006 support to use internal income of the institution but sub-cities are not permit to the institution that may discourage the TVET institution to search for other sources of finance to strengthen their financial capacities and there by improve their facilities and offer quality TVET trainings in their TVET institution in each sub-city.

Managing Staffs Training Participation

The quality of educational and training is affected by poor management organization system. Efficiency on the public training institutions is vital as they have to compute with private which may be achieved through improved management performance. Hence, effective management in the public training institutions has a key role including the implementation of new financing system. This environments pressures managing staff to upgrade their managerial competence on a continuous basis. Appropriate capacity buildings programs are therefore needed to be developed and implemented in order to build the management capacity of the public TVET institutions.

Three questions were prepared and presented to the managing staff to respond on there training participation and to rate the degree of awareness gained through the training. The summary of the results has been presents under table.

Table 8. Participation of principals and vice principles on training related to financing.

No	Item	No	%
1	Have you participated in training related to financing?		
	A. Yes	7	58.33
	B. No	5	41.67
	Total	12	100
2	How many times in the last 3 years		
	A. once	5	71.43
	B. twice	2	28.57
	C. three times		
	D. more than three times		
	Total	7	100
3	Does the training received enable you to be aware of financing mechanisms?		
	A. yes to very great extent		
	B. yes to a great extent	1	14.29
	C. yes to some extent	6	85.71
	D. yes to very small extent		
	E . No		
	Total	7	100

Regarding this managing staff (Principals) were asked whether they have participated in any training related to financing, item 1tabl 8 participated majority of respondents, 7 (58.33%) responded that they have participated. While 5 (41.67%) responded that they have not participated in any training related to financing. This group of respondent could be new comers to the positions.

The respondents who said that they have received training asked how many time in the last three years in item 2on table 8. In this regard 5 (71.43%) said once and 2 (28.57%) said twice these responses showed that the majority of managing Staff (principals) hasn't sufficient training related on financing on continuous basis.

The respondents were asked whether or not training they received enables them to be aware of financing mechanisms in item 3 on table 8. Accordingly 6 (85.71%) responded that they were aware to some extent of the financial mechanisms. Where as 1(14.29%) respond ended that they were able to be aware of a great extent. This implies that the managing staff (principals) does not have a clear idea on the mechanisms of financing public TVET institutions.

In support of this finding, the interview secured from TVET leaders pointed out that turnover of the principals had its own contributions on the problem s the trained ones left and new ones come to the training institution. Moreover it was also indicated that the capacity building programs were started lately and not continuously running particular in relation with the effort of engineering capacity building program with Germany technical cooperation.

From the above one can conclude that there was a problem on the managerial capability which in turn led to low institutional capacity to implemented the financing mechanisms.

Table 9. Awareness about policy guidelines and strategy documents of TVET (Filled by principals and TVET leaders)

No	Item	Principal no 12		TVET leaders No4	
		No	%	No	%
1	National education training policy	7	58.33	3	75
2	National TVET strategy	9	75	2	50
3	TVET training cost sharing guideline	9	75	3	75
4	TVET national strategy of to raise resources	8	66.67	3	75
5	Educational sector development program (ESDP)	9	75	3	100
6	Educational management organization community participation and finance guideline	6	33.33	2	100

According to table 9 most principals and TVET leaders (75%)and(50%) respectively respond that they were aware on 'National TVET strategy' are also(66.67%) and(75%) aware of 'TVET national strategy to raise resources' (58.33%)and(75%)of principals and TVET leaders accordingly respond that they were aware on 'National education training policy' and 'Educational sector development program (ESDP)'. 75% of the principals and TVET officials were aware on the TVET training cost sharing guideline and lastly 50% of the respondent didn't know educational management organization, community participation and finance guideline.

This show that the principals and TVET leaders lacked awareness on the policy institutions need to be encouraged and capacities to utilize the opportunities from the new policy issues. Awareness creation about new policy on financing among the principals of TVET institution is important.

Table 10. Factors affecting to diversifying financial sources

No	Item	Academic staff		Administrative staff	
		No	%	No	%
1	What factors are affecting for searching and diversifying other financial sources at the institution level?				
	A. Lack of awareness about the sources	47	88.68	7	100
	B. Budget insufficiency for searching purpose	3	5.66	-	-
	C. Prohibition by law	3	5.66	-	-
	D. Other (lack of guideline)			-	-
	Total	53	100	7	100

Table 10 is designed a question dealing with that the factors which affect diversifying and searching other financial sources other than the currently existed sources in the institution level. Accordingly 47 (88.68%)of academic staff and all administrative staff responded were replied that lack of awareness about the source as a factor which affect to searching and diversifying other financial sources whereas the remaining3(5.66%)of the academic staff were states that budget insufficiency and other factor such as lack of guideline in habiting factors for searching and further diversifying financial sources at the institution level. From these data one can infer that, there was an awareness problem on how to search other source of finance to support TVET institution finance to each sub-city administration regarding to encountering problems of financing public TVET institutions some official and TVET experts were suggested they should be taken measures as to solve the encountered problems. In their responses they emphasized that TVET institutions should engage themselves in different activities to raise their revenue must be fully autonomous in using their income generated internally, and search for further financial sources and in addition to these to minimize the training cost the institute facilitate enterprise training which helps to solve the finance problem.

Table 11. Sources of TVET Budget

No	Item	No	%
1	Government treasury	8	100
2	Taxation from enterprise	-	-
3	Vocational training fund	-	-
4	Internal income	8	100
5	Tuition fees	5	62.5
6	Production profit	-	-
7	Community support	-	-
8	NGO's and voluntary organization	-	-
9	Foreign /domestic loan	4	50
10	From training service	-	-
11	Foreign assistance	-	-

As shown in table 11 all respondents replied that the government treasury and internal income as the main sources of TVET budget in all institutions in Addis Ababa City Administration. Among the respondents 62.5%considered tuition fees are a source of TVET budget 50% of respondents replied that NGOS and voluntary organization are source of TVET budget. This informed as the government treasury and internal income are the main source of TVET institution financing.

Table 12. Comparison of the internally generated income with the budget allocation to TVET institutions

No	Name of institution	Variables	Ethiopian budget year		
			2000	2001	2002
1	Higher 4	Budget allocation	1,345,293	1,668,359	2,113,063
		Income generated	203,978	188,407.50	275,627.50
		Share on %	15.16	11.15	13.04
2	Higher 7	Budget allocation	1,015,819	1,684,650	2,341,221
		Income generated	184308.45	175256	261,121.78
		Share on %	18.14	10.40	11.15
3	Higher 12	Budget allocation	1,103,201	1,467,911	1,965,727
		Income generated	148913.50	148015.0	297,990.10
		Share on %	13.49	10.08	15.15
4	Higher 20	Budget allocation	1,846,573	2,105,200	2,518,742
		Income generated	197,833.50	202096	279,420.40
		Share on %	10.71	9.59	11.09

Source: from the budget report and internal income ledger of the institute

N.B: The income generation includes:

- internally generated income
- Tuition fees
- Night shares of TVET's

With regarding table 12 was designed to obtain information and compare the share of the institution budget allocated by the Addis Ababa City Administration sub-city with internally generated income. As displayed the 4 sample TVET institutions have different ratios of internally generated income to their budget allocated. All have significant share in each consecutive budget years on (2000, 2001 and 2002) for example, in 'Higher 4' the maximum share was recorded is 2000 (15.16%) and the minimum in 2001 E.C (11.15%). The 'Higher 7' the maximum share was recorded is 2000 (18.14%) and the minimum in 2001 E.C (10.40). The 'Higher 20' TVET institute, which generated relatively the least internal income over the three years, has the minimum ratio in 2001 E.C. (9.59%) the maximum was recorded in 2002 E.C (11.09%) as the Higher 12 institution the minimum (10.08%) and the maximum (15.15%) share were recorded in 2001 and 2002 budget years respectively.

In addition to the above points in all TVET institutions 2001 budget year show were least from the rest two years. These were happened because of the reform of TVET agency in Addis Ababa Administration level all TVET institutes wasted their time on reformation of TVET structure.

We can understand that TVET institutes' internal income is not this much significant even though not sufficient to finance themselves without the government budget support.

In this regarded the Addis Ababa City Government technical and vocational education and training institutions establishment regulations number 2/1196 and 22/1999 have provides the TVET institutions to derive various mechanisms to develop their own internal incomes and make use of such income up on approval. However, in utilizing the internally generating income it was observed from documents that expenditure were made without the knowledge and approval of the sub-cities finance and economic development bureau and without incorporating it in the annual budgets according to plans.

Table 13: Comparison of TVET institutions allocated budget with utilized budget

No	Ethiopian budget year	Allocated budget in birr	Utilized budget in birr	Unutilized budget	
				In Birr	%
1	2000	5,310,886	4,898,508.12	412,377.88	7.76
2	2001	6,926,120	6,760,820.74	165,299.26	2.39
3	2002	8,938,753	8,778,440.88	160,312.90	1.79

Source: The annual report of TVET institutions budget from sub-city BoFED

As table 13 helps to compare the TVET institution's allocated budget with their expenditure of three consecutive fiscal year budget. As shown the table in 2002 budget year the four sample TVET institutions were utilized above 98% of their budget. But in 2000 and 2001 budget years 7.76% and 2.39% of their respective budgets were not consumed.

From the data portrayed in the table, we can, thus infer that there observed misuse of budget in the TVET institutions had its own impact for improper consumption of budgets.

With refer to this as the data collected from documents known as the annual budget requisition and declaration forms of the sub city finance and economic development bureau, none of the four selected TVET institution were allotted all amount requested for all Ethiopian budget year which was included in the research. This implied that the budget allocation way do not consider the requisition of TVET institution, and this indicate that budget allocation strategy used by each sub-city administration was traditional (incremental) that bases the previous year's budget allocation pattern for the following year's budget estimate.

Table 14. Comparison of education sector budget with TVET budget institution

No	Ethiopian budget year	Education budget	TVET budget	Share in %
1	2000	26,820,194	5,310,886	19.8
2	2001	28,520,000	6,926,120	24.28
3	2002	31,465,900	8,938,753	28.41

Source: Annual budget report from four sub-city BoFED

As indicated table 14 the compare of the share of TVET budget with the total education sector budget in the selected TVET institution in their respected Addis Ababa City Administration sub-city. As can be seen in the table for the years 2000, 2001 and 2002 constitute 19.8%, 24.28 and 28.41% respectively from the total education sector budgets of the selected administration city sub-city. In general as can be observe from the table during the last 3 years, the share of TVET budget had significantly increased. From the analyzed result, thus we can infer that due attention was give to finance TVET institutions from budget sub city of the Addis Ababa City government. To technical vocational education which helps the country to minimize unemployment rate that is why government allocate a better finance time to time to TVET.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

This last chapter presents the summary of the main findings of the study. Based on these findings conclusions and recommendations are forwarded.

5.1. Summary

The major purpose of this study was to assess the quality financing of public TVET institutions in Addis Ababa City administration. In order to achieve the purpose of this study, the following basic questions were raised.

1. What are the major sources of finance for government TVET institution in Addis Ababa?
2. What are the schemes currently used for financing TVET?
3. What are the major problems observed in financing government TVET institute in Addis Ababa?
4. What measures should be taken to overcome the constraints, if any, encountered in financing TVET?

The study was carried out a total of 81 respondents from the four sample TVET institutions, the respected four sample sub-city TVET office and finance and economic development bureau of each sub-cities of Addis Ababa Administration were used as data sources. Purposive sampling was applied to select the sample principals, vice principals, department head and TVET leaders where as simple random sampling technique were used to select sample respondents from TVET experts and finance and procurement section of each sub-city were included as subjects of the study.

Information was obtained through questionnaire document analysis and interview. The data obtained were analyzed using percentage, weighted mean and order rank to find out the highlights of the respondents to the different factors in the study. Based on the analysis, made the following findings were resulted.

- All of the respondents, revealed that the government treasury was the major source of TVET finance, in addition to this internal income generated by the TVET institution namely tuition fees, were additional sources of TVET institution finance in Addis Ababa City Administration.
- A greater majority of the respondents 54 (90%) declared that lack of awareness about the sources was the inhibiting factor for searching and inventing new sources to further diversity TVET institution's income sources.
- It was found out that 30 (56.6o%) of academic staff and 5(71.43%)of administrative staff of the respondent agreed that scarcity of budget was the reason for material scaring occurred in TVET institutions. Besides all respondents agreed that the TVET institutions do not have adequate budget to run their programs and resulted difference programs to collapse due to budget shortage.
- According to many of the respondents, 44 (83.02%)of academic and4(57.14%) of administrative the annual budget preparation for TVET institutions was based on the previous years budget (investment budgeting) and 53 (88.33%) budget was allocated of the requested budget to the TVET institutions.
- Higher percentages respondents replied that, budget allocation formula of the city is traditional. Moreover lack of data during budgeting and lack of standard to implement performance based budgeting hindered to use performance based budgeting.
- All respondents indicated that TVET institution have internal income from different sources like rental rooms, tuition fees (from both regular and extension programmers')

Accordingly, as replied by most respondents and as observed from TVET institutions establishments regulations number 8/1996 and 22/1994, TVET institutions have rights to utilize the internally generated income.

- Most of the respondents indicated that the budget execution/ administration problem and budget shortages were the primary and secondary lessons for the occurrence of material scarcely in the TVET institutions.
- Comparison of the yearly allocated budgets with the utilized budgets of TVET institutions revealed that 7.76%, 2.39 and 1.29% of the allocated budgets for 2000/2002 budget years were underutilized respectively.
- All document analysis and interview that TVET institutions were administered their budget in accordance with the government budget rules and regulations and they further indicates that there budget performance were rates above average. Besides, mostly of them stated that government budget rats and their performance rated above average, there efficiency in utilizing their budgets were below. Furthermore, mostly respondents ascertained the materials purchases are distribution performance in your institution were below average.
- Almost all respondents replied that the annual budget allocated by the government was insufficient to run TVET programs properly. According to the responses TVET forwarded by respondents of the interview, the major problems for not allocated sufficient budget were; limited government resources at regional level, unlike other administrative regions, lack of budget subsidy by the city administration that the federal government the appropriation of a great share of the region's budget by the newly imparked big constitution projects in the city administration and non-participatory budget allocation decision made solely by the finance bureau of he city administration.

5.2. Conclusions

Based on the findings specified above the following conclusions are drawn.

- Although government sources are the major ones, it is important to fund TVET institutions from other sources. In this respect. Lokheed et.al (1991:193) pointed out that government sources may be limited depending on local economy. The world Bank (1995:157) also stated that heavily reliance on single source like public revenue has a substantial impact on the amount of fund flow to education. Thus the government should shift the financial burden of providing TVET education to other sources. In connection to this, the respondents of this study indicated that the sample TVET institutions have other revenue like rent of classes and night classes. But the income generated was very small and insignificant.
- The effectiveness of any training program by and large can be determined by the quality of the training conducted at the training institutions. The result of the assessed data from the concerned respondents indicate that there is lack of trainers, equipments workshops and finance to run thc program even though training institutions have good training environment. Besides this, it is pointed out that the only source of budget for the target group of TVET institutions in the government. From this information it can be deduced that trainees do not get adequate practical training and they invest their time in attending theoretical classes which is more than pre stated standard. Moreover, it can be concluded that trainees do not acquire the expected standard of knowledge, skill and attitude unless and other wise the institutions extend their effort in exercising efficiency of work at every level of the training program.

- The institution budget is basically an instrument of educational planning, and incidentally, an instrument of control. It reflects the organizational pattern by categorizing the elements of a total plan into sect oral, comply, and departmental components, allowing costs to be more easily estimated. On the above premises, to attain the objectives envisaged in a institution plan, spending of budget should comply with the budget law. Budgets should be spent for components they are budgeted properly and spending should be matched with the estimated cost of the budget plan as well. However, the findings justifies that TVET institutions did not utilize some percentages of their yearly budgets during three budget years. Furthermore majority respondents indicated that the budget execution problem was the main reason for the occurrence of material scarcity in the institute.

❖ Funding mechanism or allocating government training budget among TVET institution is a major component of financing system. Ziderman (2002: 21) and Johansson (1996:22) stressed that allocation of funds for TVET institution can base objective criteria relating to the internal workings of the training institutions, that is, either to the outputs or the inputs of the training program (performance bases). But findings of this study show that the funding mechanism applied by the city administration to finance TVET institution is normative (traditional type).

5.3. Recommendation

Based on the findings and conclusions of the study, the followings solutions are suggested to improve the quality of public TVET financing in the institution.

Sub-city administrations should allocate adequate budget and release it timely so that TVET institutions able to purchase the necessary materials and make available for the training thereby minimize unnecessary time spent relating with practical course offering. Availability of adequate budget is also decisive for coherent staff development strategy.

With regard to the budget execution (administration) problems revealed in the study findings in general the sub-city TVET offices jointly with government TVET institutions should further investigate what the cause are and take the appropriate corrective measures for detected causes as follows.

- Revising and re-designing the overall budget administration system of the institute, of the cease is deemed to be existing.
- Facilitate trainings, if the cause is found to be incompetence of the existing budget executing staff members.
- The government particularly the regional state have to encourage the efforts towards income-generating activities by providing incentive to public TVET institutions in the following manner:
    - Granting financial autonomy to public training institute to decide on the use of internally generates income
    - Establish appropriate and clear financial regulation and procedure considering the local context
    - Capacity building programs for manager of public TVET instituted to enable them to initiate and appropriately manage income-generation activities.

- Finance is a backbone to keep the quality of training in every training institute. To alleviate the existing financial problem of the institutes the keeping quality and raising employees' motivation through expanded training programs both Addis Ababa TVET agency and sub-city and training officers should organize a fund raising, grant development and community mobilization training program for the respective representatives of bureau, sub-city, and training institutes that help them to mobilize finance from community, NGO and private investors.

- Most of TVET institutions appear to be inactive in making and searching other means of financing like enterprising financing, private and public sponsors financing. Therefore, all concerned bodies should be active to investigate other sources which are common even in developing countries. Moreover, lack of awareness on TVET financing was the major obstacle in TVET schools. Therefore, Addis Ababa TVET agency ought to crate more awareness using different workshops, panel discussions to concerned bodies.
- Training institutions must strengthen and widen their relation with employers, communities and other stakeholders to secure the financing system by involving them in supervision and in all major decisions in the activities of the training center through managerial boards of the training institutions.
- Addis Ababa Administration has to use performance and program budgeting strategy for TVET institutions.

REFERENCES

Atchoarena, D. (1994). Financing Vocational Education Concepts. Examples, and Tendencies. Paris: UNESCO/IIPE.

Atchoarena, D. (ed). 1996. The Financing and Management of Vocational Educaiton and Training in Eastern and Southern Africa. Paris: UNESCO/IIEP.

Atchoarena, D. (2002). Revisiting Technical and Vocational Education in Sub-Saharan Africa: an update on trends, Innovations and Challenges: Paris UNESCO.

Brockngton, R. (ed). (1987). Financial Management. East-lancing Publication Ltd.

Duccl, M. A. (1991). Financing of Vocational Training in Latin America. Training Discussion paper NO 71, ILO. Geneva.

Durbin, J.A. et.al. (1989). Management and Organization. Ohio: Southern Publishing Company.

_______ (1969) Educational Development in Africa Costing and Financing IIEP African Research Studies: Paris, IIEP, France.

Fasil, R. Kiros. (1990). "Implementing Education Policies in Ethiopia", World Bank Discussion paper Africa technical departments series. Washington DC: World Bank.

Gasskov, V. (2000). Managing Vocational Training System. A Handbook for Senior Administrator Great Britain Biddies Ltd.

Gasskov. V. (2002). Managing Vocational Training System. Geneva: ILO.

Gebru Zemenay (2008). Financing Public TVET College in Addis Ababa unpublished MA thesis. AAU.

Girma A. (1982). Education in Ethiopia: Education in Africa A Comparative Survey, Sydney: George Allen Urain.

Good, C. V (1973). Dictionary of Education. New York: Mc Graw Hill. Inc.

Hallak, J. (1990). Investing in the Future Setting Educational Priorities in the Developing World. London: Pregaman Press, UNESCO.

ILO, (2001). Modernization in Vocational Education and Training in Latin America and the Caribbean Region: Montevideo.

Johansson, R. (1997). "Diversifying the Source of Financing Vocational Training: A Set of Training Modules", (Unpublished Report for ILO).

Jordan, K. F. et al (1985). School Business and Administration. New Bury Park: SAGE Publications.

Kennedy, R. Y. (1983). Handbook of Financial Planning and Control. England: Gower Publishing Companies.

MOE (2002). Education Sector Development Programme II (ESDP II) Program Action Plan (PAP). A.A: MOE

MOE (2002b). Ethiopian Technical and Vocational Education and Training Strategy: Addis Ababa: Berhanena Selam Printing Press.

MOE (2003). Financing TVET in Ethiopia: Addis Ababa. MOE

_____ (2002). The Education and Training Policy and its Implementation Feb. 2002.

_______ (2005). Educational Statistics Annual Abstract. Dec. 2005. Addis Ababa.

MoFED (2002). Federal Democratic Republic of Ethiopia: Sustainable Development and Poverty Reduction Program, Addis Ababa, July 2002.

Nebiyu Taddese (ND). Educational Materials and Finance Management, USAID (BESO project (Unpublished materials) AAU.

Neway Adane (2008). Assessment of the Status of Income Generating Activities in Selected Public TVET Colleges. Unpublished. MA Thesis AAU.

Poston et.al. (1992). "Vocational Education and Training Today: Challenge and Response" Journal of Vocational Education and Training.

Radclitte, C. R. (1994). Investment: Concept, Analysis, and Strategy, Florida: University of Florida.

Saanders, M. Lewis. P and Thomhill. A. (2003). Research method for Business Students. (3rd ed.) London. Prentice Hall.

Seyoum Tefera (1996). The Ethiopian Journal of Education Vol XVI #1 December, 1996 IER.

Steven Klein (2001). Financing Vocational Education: A State Policy Maker's Guide, California (CA).

UNESCO, (1990). Development in Technical and Vocational Education. A Comparative Study UNESCO, Paris.

Whalley, T. Ziderman, A. (1990). "Financing Training in Developing Countries: The Role of Payroll Taxes" Economics of Education Review, Vol. 9. No. 4.

World Bank. (1980). Vocational and Technical Education and Training. World Bank Policy Paper. Washington D. C: World Bank.

World Bank (1995). Priorities and Strategies for World Bank (2004): Aid and Reform in Africa Final Education, Washington Greenwood Printing Press.

Yekunoamlak Alemu (2006). Networking Between Vocational Training and Employment in Ethiopia (Unpublished Dissertation Paper).

Zekaria, H. (2002). "The Financing of Selected Government Secondary Schools in Addis Ababa" (Unpublished Senior Essay).

Ziderman, A. (1997). "National Programs in Technical and Vocational Education Relationship", Journal of Vocational Education and Training 49 (3).

Ziderman A. (2003). Financing Vocational Training in Sub-Saharan Africa. Washington, D. C., The World Bank.

Appendices

Appendix 1

Addis Ababa University

Faculty of Education

For Partial Fulfillment of Master's Degree in Management of Vocational Education

Questionnaire to be filled by: Each sub-city TVET heads, TVET team leaders, expert and sub-city Finance and economic development heads, budget departments

The objective of this study is to assess the source of finance and funding schemes of selected public TVET institution in Addis Ababa city administration. The success of this study depends on your genuine response. Therefore to maintain the quality of a research and to have a true picture of what is actually practiced. You are kindly requested to fill in questionnaire consists of closed and open ended items. You do not need to write your name.

Part One:

1. Personal Data

1. Sex A. Male ☐ B. Female ☐
2. Age A. 20-25 ☐ B. 26-30 ☐
   C. 31-35 ☐ D. 36-40 ☐ E. and above ☐

3. Educational Background
   A. College diploma ☐ B. BA/BSC/BEd ☐
   C. MA/MSC ☐ D. Other ☐
4. Field of Specialization ______________________________
5. Total services years ___________________________
6. Current position ______________________________

Part Two

1. What are the sources of TVET budget of each Addis Ababa sub-city administration?

   ____

   ____

2. What is the budget allocation formula for education particularly for TVET institution?

   A. Normative (traditional)
   B. Performance based (no of student enrolled)
   C. As requested by the institution

3. If you answer for question No 2 is A, why not used performance based budgeting?

   A. Lack of awareness on performance based budgeting
   B. Lack of data during budgeting
   C. Lack of standards to implement performance budgeting
   D. Because the method encourage enrollments only
   E. Other cases

4. What is the budget allocation strategy?

    A. Zero base budgeting B. Incremental budgeting

    C. Program budgeting

5. Do you believe that the annual budget is sufficient for TVET institutions to run their programmers?

____

____

6. If your answer for question No. 5 is "No" what do you suggest to overcome the problem?

____

____

7. Do TVET institution expend their budget in accordance with publics finance rules and regulations?

____

____

8. If so, how do you judge their performances compliance with rules and regulation?

____

____

9. Do you think that public TVET institution strives for efficient use of budgets allocated to them?

____

____

10. Accordingly, what do you suggest to solve the problems of financing public TVET institution?

____

____

11. What additional financial source/method do you suggest to sustainably financing public TVET institution?

____

____

12. Are they aware about policy guidelines and strategy of documents of TVET? (filled by TVET leaders)

No	Item	Yes	No
1	National education training policy		
2	National TVET strategy		
3	TVET training cost sharing guideline		
4	TVET national strategy of to raise resources		
5	Educational Sector of Development Program (ESDP)		
6	Educational management organization community participation and finance guideline		

Appendix 2

Addis Ababa University

Faculty of Education

For Partial Fulfillment of Master's Degree in Management of Vocational Education

A. Guide for document analysis

This guide will be filled by the selected sub-city of Addis Ababa City Administration Finance and Economic Development Bureau's treasury and Budget department heads, and the institution finance heads.

1. The amounts of general budget allocated to sub-city of Addis Ababa City Administration for the last three years Ethiopia budget year.

   2000 ______________

   2001 ______________

   2002 ______________

2. What are the sources of TVET budget of each sub-city of Addis Ababa City Administration?

No	Sources of budget	Mark
1	Government treasury	
2	Taxation from enterprise	
3	Vocational training fund	
4	Internal income in general	
5	Tuition fees	
6	Production for profit	
7	Form training service (other than tuition fees)	
8	NGO's and voluntary organizations	
9	Foreign/domestic loan	
10	Community support	
11	Foreign assistance	

3. The share of TVET budget from the sub-city administration general education budget during the last three years

Budget year	**Amount in Birr**	**Percentage**
2000		
2001		
2002		

4. What is the total allocated budget for your institution for three succeeding budget years since 2000?

Budget year	Higher 4	Higher 7	Higher 12	Higher 20
2000				
2001				
2002				

5. The amount of utilized budget from allocated budget during the last three years in the institutions

Budget year	Higher 4	Higher 7	Higher 12	Higher 20
2000				
2001				
2002				

Appendix 3

Addis Ababa University

Faculty of Education

For Partial Fulfillment of Master's Degree in Management of Vocational Education

Questionnaire to be filled by government TVET institutions principals, vice principals, department heads and finance heads

The object of this study is to assess the financing sources and funding schemes of selected public TVET institution in Addis Ababa City Administration. Success of this study depends on your genuine responses. Therefore, to maintain the quality of a research and to have a true picture of what is actually practiced you are kindly requested to fill in questionnaires with due care and attention. The questionnaire consists of closed and open ended items. You do not need to write your name.

Thank you in advance for your kind cooperation

Part One

1. Personal Data

1.1. Sex

A. Male ☐ B. Female ☐

1.2. Age

A. 20-25 ☐ 26-30 ☐ 31-35 ☐ 36-40 ☐ Above 40 ☐

1.3 Educational background

A. College diploma ☐ C. MA/MSC ☐

B. BA/BSC/BED ☐ D. Others ☐

1.4. Field of specialization ________________

1.5. Total service years ______________________

1.6. Current position __________________________

Part Two

This part refers to budget sources, budget allocation schemes and budget utilization in your TVET institution

2.1. How do you rate the availability of the following materials in your TVET institution?

Item	Very sufficient	Sufficient	Less sufficient	Not sufficient
Furniture				
Workshops				
Raw material for workshop				
Libraries and book				
Instructional material				
Laboratories				
Sport materials				

2.2. If the availability of each of the above facilities in your institutions is scarce, what do you think are the reasons?

A. Inadequate budget ☐

B. Misuse of the budget ☐

C. Administrator problem ☐

D. Other problem ☐

2.3. Is there any program of plan collapsed due to budget shortage?

Yes ☐ No ☐

2.4. If you answer for question number 2.3 is yes specify

The program(s) plans (s)

____

____

2.5. Does the institution have internal income source other than allocated budget by the government?

Yes ☐ No ☐

2.6. If your response for item 2.5 is "yes" what are the sources of income for the institution?

(more than one answer is possible)

A. Form night program me ☐

B. Form sales of production ☐

C. From rent of class ☐

D. From consultancy ☐

E. Other ______________________

2.7. Does your institution collect tuition fees from trainees?

Yes ☐ No ☐

2.8. If you answer for question number 2.7 is "no" what are the reasons?

____

____

2.9. Amount of the school income generated internally from different sources for the last three years

Year	Amount in birr
2000	______________
2001	______________
2002	______________

2.10. Does the institution have the right to utilize the income generated internally?

Yes ☐ No ☐

2.11. If your answer for question 2.10 is "No" what are the reason?

____

____

2.12. What is the base of your yearly budget preparation?

A. in terms of performance (number of enrollments) ☐

B. In terms of previous years budget ☐

C. As the budget formula of the region ☐

D. Others ☐

2.13. How much of the budget requested was allocated to your institution last year?

A. 100% B. 75% C. 50% D. 25%

E. Below 25%

2.14. What are the monitoring factors for diversifying other financial sources at the institution level?

A. Lack of awareness on source of finance ☐

B. Budget insufficient for searching purpose ☐

C. Prohibition by law ☐

D. Other ☐

2.15. Are they aware about policy guidelines and strategy documents of TVET: (filled by principals are vice principals)

No	Item	Yes	No
1	National education training policy		
2	National TVET strategy		
3	TVET training cost sharing guideline		
4	TVET national strategy of to raise resources		
5	Educational Sector of Development Program (ESDP)		
6	Educational management organization community participation and finance guideline		

Appendix 4

Addis Ababa University

Faculty of Education

For Partial Fulfillment of Master's Degree in Management of Vocational Education

Interview guide for region and sub-city educational officials

1. What are the source/mechanisms used in financing public TVET?
2. How much of the budget requisite is allocated to the TVET institutions?
3. Do you expect that the annual budget allocate is sufficient to run the TVET programs?
4. What types of income generating activities are performed in the training institutions?
5. Do the training institutions have the right to utilize the income generated internally? If no what are the reasons
6. How do you evaluate the managerial capacity of the managing staff in the training institutions? If your answer is law, what is the reason?
7. Do you believe that it is necessary to have a TVET council responsible for the training operations and effective implementations of various funding mechanisms? Why?

This thesis is my original work, has not been presented for a degree in any other university and that all sources of material used for the thesis has been duly acknowledged.

Student's name: Fekadu Agonafer

Signature: ______________

SUBMISSION APPROVAL SHEET

The thesis has been submitted for examination with my approval advisor.

Name: Girma Zewde

Title: (Asso Professor)

Signature: ______________

Datc of Submission ______________