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ADDIS ABABA UNIVERSITY

COLLEGE OF BUSINESS AND ECONOMICS

DEPARTMENT OF ACCOUNTING AND FINANCE

**ASSESSMENT OF PROGRAM BASED BUDGETING APPLICATION
EFFECTIVENESS IN SELECTED PUBLIC BODIES OF ETHIOPIA**

**A Research Project submitted for the partial fulfillment of the requirements of the Degree
of Master of Science in Accounting and Auditing**

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JUNE, 2019

ADDIS ABABA, ETHIOPIA

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Assessment of Program Based Budgeting Application
effectiveness in selected public bodies of Ethiopia

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A Research Project Submitted to Department of Accounting and Finance, Addis Ababa
University

In Partial Fulfillment of the Requirements for the Degree of Masters of Science in Accounting
and Auditing

June, 2019

Approval

The undersigned certify that they have read and here by recommend acceptance of the research project submitted by Dawit Shimelis, entitled “Assessment of Program Based Budgeting Application effectiveness in selected public bodies of Ethiopia” in Partial fulfillment of the requirements for the Degree of Masters of Science in Accounting and Auditing.

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Declaration

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

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Acknowledgments

First and for most, I would like to thank the Almighty God for blessing my entire life. It is his blessing that gives me courage to realize all my dreams. I would like to express my gratitude to my Advisor Dr. Tekalign Nega for the useful comments, remarks and engagement through the learning process of this research project. I would like to thank my wife and daughters for their lovely support they gave me. Furthermore, I would like to thank Ministry of Finance, Ministry of Innovation & Technology and Ministry of Transport staff members for all unreserved support they gave me throughout data collection process of the study. Also, I like to thank the participants in my study, who have willingly shared their precious time and giving me genuine information during the process of interviewing. I would like to thank my friends, who have supported me throughout entire process, both by keeping me harmonious and helping me in all aspects. I will be grateful forever for your love.

List of Acronyms

ACCA	Association of chartered Certified Accountants
CABRI	Collaborative Africa Budget Reform Initiative
EMCP	Expenditure Management and Control Program
FDRE	Federal Democratic Republic of Ethiopia
FTA	Financial Transparency and Accountability
GDP	Gross Domestic Product
IMF	International Monetary Fund
MOF	Ministry of Finance
MOFED	Ministry of Finance and Economic Development
MOFEC	Ministry of Finance and Economic cooperation
MEFF	Macro Economic Fiscal Forecast
MTEF	Medium Term Expenditure Framework
OECD	Organization for Economic Cooperation and Development
PB	Public Body
PBB	Program Based Budgeting
PPBS	Planning Programming Budgeting System
ZBB	Zero Based Budgeting

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Abstract

This study focuses on an assessment of program-based budgeting implementation effectiveness in selected public bodies of Ethiopia. In order to undertake this study 3 Ministerial level government bodies are selected with a specific focus on Budget departments of each Ministry. The research design selected to assess the study subjects is descriptive. The study used both quantitative and qualitative methods by using instruments like questionnaires and interview protocols to collect data from respondents. The main findings of the study are poor monitoring and evaluation of program-based budgeting, high level of leadership and staff turnover, insufficient provision of refresher trainings on the program-based budgeting, lack of ownership of programs by top management, and insufficient participation of stakeholders in planning and execution process of PBB.

Key words: Budget, PBB, Programs, MOF, Spending Ministries, Monitoring & Evaluation

Chapter one

Introduction

1.1. Background of the study

A budget is defined as the formal expression of plans, goals, and objectives of management that covers all aspects of operations for a designated time period. It is a tool that provides targets and direction. According to Abdul Kareem, (2011), “The term budget has been derived from a French word ‘bougette’ which means a leather bag or purse. The term ‘budget’ is commonly understood as a document presented by a government containing an estimate of proposed expenditure for a given period and proposed means of financing them for the approval of legislation”.

On the other hand, Shim & Siegel (2005), explained Budgets provide control over the immediate environment, help to master the financial aspects of the job and department, and solve problems before they occur. Budgets focus on the importance of evaluating alternative actions before decisions actually are implemented. A budget is a financial plan to control future operations and results. It is expressed in numbers, such as dollars, units, pounds, hours, manpower, and so on. It is needed to operate effectively and efficiently. Budgeting, when used effectively, is a technique resulting in systematic, productive management. Budgeting facilitates control and communication and also provides motivation to employees.

Shim & Siegel (2005) also further noted that Programming is deciding on the programs to be funded and by how much. A common application of program budgets is to product lines. Resources are allocated to accomplish a specific objective with a review of existing and new programs. Some suitable program activities include research and development, marketing,

training, preventive maintenance, engineering, and public relations. Funds usually are allocated based on cost effectiveness. In budget negotiations, proposed budgetary figures should be explained and justified. The program budget typically cannot be used for control purposes because the costs shown cannot ordinarily be related to the responsibilities of specific individuals. Depending on needs and convenience, budgets can be classified as incremental, add-on, supplemental, bracket, stretch, strategic, activity-based, target, and/or continuous.

Lakin & Magero (2015) define Program based budgeting as organize the budget around objectives rather than inputs. A program-based budgeting presents a set of programs and usually subprograms with clear policy objectives. Each program has a set of indicators, which measures whether objectives are being achieved and time-bound targets which are related to each indicator and measure the progress towards achieving these objectives. A program-based budgeting is based on economic classification that clearly identifies the different categories of expenditure, such as that dedicated to personnel, goods and services or infrastructure. Each of these can be broken down further to illuminate the connection between spending on these categories and the objectives of related programs.

In this context, in Ethiopia public sector, program-based budgeting is defined as, it is a system or tool used to evaluate development plans with a budget, integrate budget with a result to evaluate the effectiveness, to assure transparency and accountability as a result used to gain the budget efficiency and effectiveness.

To get those benefits from this system or tool, it's mandatory to have a clear and measurable program objective, program outcomes, and outcome indicators within the scope of the result chain and also it is a must to have sufficient and quality information to evaluate,

analyze the results and the capacity to do these activities.

In this context, the government started to use the current system from 2012 on in a phased approach at a full scale. According to Ministry of Finance data, currently all federal public bodies are using this system as their budget preparation and administration tool. But Regional governments are using line item budgeting system which is by far different with the current system used by Federal Government.

Even though this is said by government, there is no study conducted by government whether the system is well taken by federal government institutions and applied as per required at a full scale. In this context, this study focused on the assessing the practical applicability of the system at ground and also give concrete recommendations that adds a value by identifying gaps that needs an immediate solution and also finally it gives for researchers to focus on this area for further research.

1.2.Statement of the problem

Different governments of Ethiopia in history were using different types of budget reforms to manage the public finance in all aspects of the budget cycle based on their way of political leadership style or administration. The history of public budgeting reform in Ethiopia government passes through different budgeting system reforms starting from line item budgeting and the current program-based budgeting systems.

As part of that, the current government of Ethiopia also enacted and Act called Finance Administration proclamation number 648/2009 and implementing it accordingly. In this proclamation there are a number public finance management working systems or internal controls mentioned to be followed by the government institutions. One of them is budget

preparation and administration. It is written on the proclamation that the government of Ethiopia shall use budgeting system which correlates result with budget to prepare and administer its budget expenditure. With this background, Ministry of Finance is given the coordinating role in roll out the reform in this aspect. Based on that, the Ministry currently rolled out the system to all federal public bodies.

However, even though the current system is rolled out to all federal public bodies, during different consultative seminars and other evaluation meetings with related stakeholders, different international organizations like International Monetary Fund (IMF), Collaborative Africa Budget Reform Initiative (CABRI), World Bank and other think tanks working on the area commented that there is a reservation or gap in application of the system at a full scale and scope. In addition, some of the public bodies are also still using the legacy system which is line-item budgeting.

On the other hand, there is a plan by government (Ministry of Finance) to roll out the system to the states (Regions) without undertaking an assessment on the efficiency gains and effectiveness of the system on Federal public bodies which are already using the system. So, without knowing or professionally identifying the effectiveness element of the system, going forward to implement to other government institutions may have an adverse effect in committing the same mistakes that may be experienced during implementation at federal level. Eventually, it will have economic damage to the government.

In response to this problem, this research project study identifying the basic bottlenecks that may be experienced in federal public bodies in respect to full scale application of the system. This study also identifies the practical problems of system implementers and proposes remedial actions (recommendations) to government which have a considerable contribution for further

efficient and effective roll out and use/application of the system at regional/state level as per the intended plan of the government.

1.3.Objectives of the study

The general objective of this research is to assess how program-based budgeting system is practiced in Selected Federal public bodies of Ethiopia with the following specific objectives:

- a. To assess whether the Plan and Budgeting department of public bodies are performing their budgets based on program budgeting standards set
- b. To assess the gaps that may arise in implementation of the system
- c. Recommend on the gaps identified to implementers of the system based on the results of the study

1.4.Significance of the study

The result of the study has the following significances:

- a. It gives an insight about the program-based budgeting reform implementation and their challenges at federal level of government
- b. It also gives as a bench mark or an experience of federal level implementation for further roll out of the system to the regions effectively

1.5.Scope and limitation of the study

The study is focusing on assessing the effective implementation of program-based budgeting at 3 selected federal government Ministries of Ethiopia namely Ministry of Finance, Ministry of Transport and Ministry of innovation and technology. Specifically, the Planning and Budget departments of each Ministry participated in this study.

So, due to homogeneity in the structure of government and uniformity of rolling out PBB in the Ministries, it is valid to say that the above-mentioned 3 Ministries are well representative to others which are not included in this study. Due to this, findings identified in this study are also be applicable for the Ministries not part of the study.

1.6.Organization of the Study

The study is organized in five chapters. The first chapter is an introduction, which includes statement of the problem, objective of the study, significance of the study, scope and limitation of the study and organization of the study. The second chapter reviews related literatures. The third presents the research design and methodology. The fourth chapter presents the data, its analysis and interpretation. The fifth chapter provides conclusion and recommendation.

Chapter Two

Review of the Literature

2.1 Introduction

Governments generally manage public resources through their fiscal policy instrument. Fiscal policy is about the government's revenue and expenditure policy. The revenue collected from domestic and international sources are allocated to execute the development plans of the country. So, allocating of the resource is leading to budgeting. Budget, thus, reflects the government's fiscal policy. Even though budgeting has similar meaning across all countries, the way or the procedural approach to prepare and administer it is different. Since the concern of this study is program-based budgeting, before going in to the details of the system, it is going to be significantly important to elaborate the background of public resource management at a glance. In the following sections the study looks into public budgeting concepts related to program budgeting accordingly.

2.2 Fiscal Policy Expenditure Management

In emerging economies, public expenditure decisions are complex, critical to macro-economic policy. Governments of emerging economies are under pressure to improve public sector performance. Thus, it is crucial that decision-makers receive effective guidance for planning, decision making and control (Fadi Alkaaran, 2018).

This leads us to the concept of Public expenditure management. According to Abdul Kareem (2011, pp. 16), "the expenses incurred by the governments for its own maintenance, preservation and welfare of the economy as a whole is referred to as public expenditure. In other words, it refers to the expenses of public authorities-central, state and local governments in a federation-for the satisfaction of collective needs of the citizens or for promotion of economic and social

welfare”. So, managing the public resources in properly allocating and execution in an efficient manner is one of government major duty to be performed in achieving respective citizen’s demands.

2.3 Public Finance Management

Public finance is a field of economics concerned with how a government raises money, how that money is spent and the effects of these activities on the economy and society. It studies how governments at all levels—national, state and local—provide the public with desired services and how they secure the financial resources to pay for these services. Public finance deals with the finances of public bodies –national, State or Local – for the performance of their functions. The performance of these functions leads to expenditure. The expenditure is incurred from funds raised through taxes, fees, sale of goods and services and loans. The different sources constitute the revenue of the public authorities. Public finance studies the manner in which revenue is raised; the expenditure is incurred upon different items etc. Thus, public finance deals with the income and expenditure of public authorities and principles, problems and policies relating to these matters. (Abdul Kareem, 2011)

Public financial management is absolutely critical to improving the quality of public service outcomes. It affects how funding is used to address national and local priorities, the availability of resources for investment and the cost-effectiveness of public services. Also, it is more than likely that the general public can have greater trust in public sector organizations if there is strong financial stewardship, accountability and transparency in the use of public funds. It is important for governments to get it right because it impacts on a broad range of areas including:

- a. Aggregate financial management – fiscal sustainability, resource mobilization and

allocation

- b. Operational management – performance, value-for- money and budget management
- c. Governance – transparency and accountability
- d. Fiduciary risk management – controls, compliance and oversight (ACCA, 2010).

The budget is a central policy document of government that shows how governments prioritizes and allocates among competing needs. Besides an allocative mechanism, it serves as a policy instrument to influence the economy. Through the effective implementation of approved budgets, plans and aspirations are translated into practical actions. Budget also serves as a contract that establishes responsibility between citizens and state since it sets deliverables.

To establish responsibility between citizens and state, budget documents should be clear, transparent and credible (OECD, 2014). In particular, OECD (2014) clearly stated that “A sound budgeting system is one which engenders trust among citizens that government, in the broad sense, is listening to their concerns, has a plan for achieving worthwhile objectives, and will use the available resources effectively, efficiently and in a sustainable manner in doing so. “Budgetary governance” refers to the processes, laws, structures and institutions in place for ensuring that the budgeting system meets these objectives in a sustainable, enduring manner. Budgeting is not simply the preserve of central governments: it is a process that encompasses all levels of government, national and subnational, where different mandates and levels of autonomy apply in different countries. Budget systems and procedures should be coordinated, coherent and consistent across levels of government. These budget principles are therefore relevant, and should be applied as appropriate, to all levels of government”.

Public expenditure in all developed countries accounts for between one-third and one-half of a country’s gross domestic products (GDP). Given the fact that many OECD countries

continue to suffer from budget deficits and high levels of debt, public expenditure management remains high on the political agenda. Overall economic efficiency depends upon how well these public sector resources are managed, not only because of the opportunity cost of wasted resources but because of the impact of taxation and public borrowing on private sector decisions (Tony & Elke, 2009).

Many countries start budget formulation with a ‘strategic budgeting’ phase to ensure that high-level policy directives inform the government’s budget decisions. At its most basic, this stage involves translating broad policy goals into financial targets, given expected conditions in the economy and society. Revenue forecasters determine how much money to expect in coming periods, for instance, leading to the setting of a resource envelope (the amount of money anticipated to be available to the state, which includes domestic revenue, foreign aid and borrowing). Similar calculations are done for proposed expenditures too, generating estimates of the spending needs in different sectors, organizations, or spending areas (like functions or programs). The expenditure estimates are sometimes called ceilings and are used to indicate the maximum amount of funding available to each spending entity or for specific objectives in the coming budget.

2.4 Public Finance Management reform in Ethiopia

PFM reforms are commonly introduced to help improve functionality. Such reforms can be defined as ‘purposeful changes to budget institutions aimed at improving their quality and outcomes’ they intended to achieve in a medium and longer period of time. Based on that, as one of the reformer countries, Ethiopia had its own history.

According to Bulletin published by MOFED in 2015, the history of the current public finance management reform started when the current government took the power from the

former one. When the new government came to power, it was coming with new way of governance style which is fiscal decentralization. So, based on that, in 1994 the government set up a task force which undertook an extensive evaluation of civil service management arrangements and practices at all levels of government. After conducting this extensive study, the task force finalized primary phase of the study after two years which is 1996. Accordingly, the study identified a lot of findings and based on the finding's recommendations were also provided. Consequently, the government took the recommendations of the study team, and developed a Strategic program which guides to implement the initiatives proposed by the task force in 1997. This designed document is called the Civil Service Reform Program.

According to this document, this program was having 5 sub components namely human resource management reform sub program, ethics reform sub program, Service delivery reform sub program, top management development reform sub program and Expenditure Management and Control Reform Sub Program.

Based on that, the government assigned a mandate to all institutions to perform according to designed and implemented program. As a mandate of public finance management of government is directly related to Ministry of Finance, the expenditure management and control sub program implementation was assigned to former MOFED. Accordingly, MOFED form an institutional arrangement which coordinate and implement these assigned reform missions.

While starting its duties the reform coordination office aspired to create an efficient, accountable and result oriented financial management that contributes to the economic development of the country and managed by transparent laws, directives guidelines, and qualified manpower.

To do so, the reform office was preparing an institutional arrangement at regulatory

(oversight) level and at technical level as well. The oversight of the reform implementations was conducted through different high-level steering committees. The technical detail works were done through 12 project teams formed under EMCP which are Legal framework, Budget Reform, Cash management and Disbursement Reform, Accounts reform, Public Procurement Reform, Public Property mgt. Reform, Internal Audit reform, Information Technology reform, Financial Transparency and Accountability (FTA), Accountants and Auditors profession reform and External Audit reform.

Based on this, from 1996 on most of the reform agendas planned to be executed were successfully implemented. Even though, there were mostly success stories of this reform program, it's undeniable to say that there were also a lot of challenges. But due to the dynamism of changes time to time in the world, it is expected to change (upgrade) the system of the management of public resources accordingly. So, the reform programs on this area are still on going.

2.5 Types and reforms of Budget

2.5.1. Line Item Budgeting

From theoretical point of view, line-item budgeting uses a budget prepared using a previous period's budget or actual performance as a base, with incremental amounts added for the new budget period. It assumes activities and methods of working will continue in the same way. There is no incentive for developing new ideas. In this system the budget is stable and change is gradual and Managers can operate their departments on a consistent basis. (Abdurahman Aliyi, 2011)

According to World Bank Public Expenditure management hand book (1998), "in a line item system, expenditures for the coming year are listed according to objects of expenditure, or

“line items.” These line items are often quite detailed, specifying how much money a particular agency or subunit will be permitted to spend on personnel, fringe benefits, travel, equipment, and the like. The most important focus of the budget system is to specify the line item ceilings in the budget allocation process and to ensure that agencies do not spend in excess of their allocations.”

This type of budget system was applied in Ethiopia public sector before Program based budgeting was introduced. Due to the shortages of the system identified by government it is currently replaced by Program based budgeting at federal level. But at regional and local level still this system is currently used as their budget preparation model.

2.5.2. Performance Budgeting

Performance budgeting aims to improve the effectiveness and efficiency of public expenditure by linking the funding of public sector organizations to the results they deliver. It uses systematic performance information (indicators, evaluations, program costings, etc.) to make this link. The impact of performance budgeting may be felt in improved prioritization of expenditure, and in improved service effectiveness and/or efficiency. (Marc, R. & Duncan, L., 2009)

This type of budgeting drew on a long-term concern with the efficiency of government and attempted to integrate information about government activities into the budget process so that budget decisions could be based to a greater degree on the relationship between what government did and how much it cost. The specific reform, known as "performance budgeting," was designed to allow managers to develop measures of workload and unit cost. A performance budget usually divides proposed expenditures into activities within each organization and a set of workload measures that relate the activity performed to cost. Performance budgeting allows the budget to be built, not incrementally (as in traditional line item budgeting), but on the basis of

anticipated workload. Managers could arrive at a budget by simply multiplying the cost of a unit of output by the number of units needed in the next year (World Bank, 1998). This type of budget is not experienced in the history of the reform period in Ethiopia but there are many countries which are using this system to prepare their public budgets.

2.5.3. Zero-based Budgeting (ZBB)

Zero based Budgeting is a budgeting method that allocates funds based on program efficiency and priority areas with suitable performance activities rather than budget history or incremental basis. So, in this regard, ZBB meant that no past results are taken for granted. Every previous budget decision is up for review. (Udeh, Sopekan & Oraka, 2016). Mustapha Ibrahim (2018) also strengthening the idea of ZBB by describing as “Zero-based budgeting entails constructing a budget without any reference to what has gone before, based on a fundamental reappraisal of purposes, methods, and resources. The distinctive and essential hallmark of zero-base budgeting is its focus on the total budget request. The current spending level is not regarded as an inviolate base, predisposal from detailed scrutiny.”

In a "pure" ZBB system, a 1970s era reform, instead of concentrating on budgetary changes at the margin, all programs are evaluated each year. The process of arriving at a budget is literally to start from scratch. At the national level, that would require answering such questions as, "What if we didn't have an army and navy?" or "What if Social Security did not exist?" In practice, no government ZBB system went this far. Many more governments have used a variant of ZBB in which agencies were asked to rank their programs within funding limits. (World Bank, 1998)

2.5.4. Program Based Budgeting

Program based budgeting is a budget based on programmes that bring together expenditures with a shared objective which, for most programmes, refers to the outcome which the programme aims to achieve. It uses performance criteria as a basis for budget allocations. (Charles & Kennedy, 2017)

The core objective of program budgeting is improved expenditure prioritization. Expenditure prioritization means that limited government resources are allocated to the programs that deliver the greatest benefits to the community given the money spent. By providing information on the costs and benefits of alternative programs, a program-budgeting system facilitates decisions about which areas of expenditure to cut back on and which to augment, to best meet community needs (Robinson, 2013).

Beginning in the 1960s, reforms began to focus on planning for the use of public resources. The predominant early reform of this type, program budgeting, is most closely associated with the efforts to institute a planning-programming-budgeting system (PPBS) during the administration of U.S. President Lyndon Johnson. In contrast to performance budgeting, program budgeting was explicitly focused on budgetary choices among competing policies. While performance budgeting was designed to discover the most efficient method of accomplishing a given objective, program budgeting treated the objectives themselves as variable. Program budgeting was not a management system, but a resource allocation system. It was a specific alternative to the traditional manner of making budgeting trade-offs, which focused on marginal adjustments to the status quo. Program budgeting attempted to link program costs with the results of public programs. (World Bank, 1998)

Key to program budgeting is the program - a public policy objective along with the steps

necessary to attain it. The budget is classified in terms of programs, rather than along organizational lines. Program budgeting requires that program objectives stretch beyond a single fiscal year. In addition, program budgeting requires effectiveness measures, which means the measurement of outputs and outcomes. (World Bank, 1998)

Program budgeting is the principal budget reform (beyond traditional line item budgeting) that has been exported to developing countries. In practice, program budgeting has not been very successful in either developed or developing countries. Criticisms range from those who believe that program budgeting is so flawed in concept that it would be inapplicable in any setting, to those who believe that the prerequisites that would be necessary to bring the reform to developing countries are currently not present. (World Bank, 1998)

2.5.4.1. History of Program Based Budgeting

Since the middle of the 20th century, the pressure to spend more effectively and develop better budgeting techniques produced an almost universal acceptance that budgeting is not only about planning for inputs, but also, perhaps primarily, about planning for the results that governments want to achieve. In developments that can be traced back to the introduction of program budgeting in the United States in the 1940s, more results-oriented budgeting techniques were developed in iterative processes that benefited from the country's own and other countries' mistakes. Although a lot of the early development occurred in industrial countries—the transfer of programming budgets to the United Kingdom in the 1970s, New Zealand's output focus in the 1980s, Sweden's system of management by objectives—the use of results-oriented budgeting by the United Nations as a precondition for aid assistance triggered its quick spread to the developing world. There are several variants of introducing a focus on the results of spending into budgeting practices, and they are often grouped together as a movement under the term

program budgeting. (Anwar, 2007)

The final emergence in 1960's of the program budgeting concept in its present form was preceded by a long history of budget innovation. In the early years of this century whatever little budgeting activities used to be undertaken were neither regular in nature nor uniform in their process and content, and were also restricted to the level of various scattered units of a government to cater for their respective local control needs. The next phase witnessed the formalization and consolidation of these unorganized budgeting activities in to the traditional form of departmental budgets and consolidated budget. The budget system practiced this stage is known as 'line item budgeting'. The era of line item budgeting continued for more than 25 years until the next phase began with the introduction of performance budgeting in US in 1949 and its subsequent application in other countries. Although performance budgeting acted as the forerunner of program budgeting in the US and gave way to the latter, it continues to be widely practiced now outside the US. (Dutta, K., 1975, p. 208)

Programming is deciding on the programs to be funded and by how much. A common application of program budgets is to product lines. Resources are allocated to accomplish a specific objective with a review of existing and new programs. Some suitable program activities include research and development, marketing, training, preventive maintenance, engineering, and public relations. Funds usually are allocated based on cost effectiveness. In budget negotiations, proposed budgetary figures should be explained and justified. The program budget typically cannot be used for control purposes because the costs shown cannot ordinarily be related to the responsibilities of specific individuals. (Shim & Siegel, 2005)

In addition, Dutta, K. (1975) also said that, Program budgeting or planning-program-budgeting system (PPBS) is a comprehensive management system integrating long range

planning, time bound and objective oriented programing and annual budgetary control. The system has as its final goal, the optimal allocation and the most efficient utilization of available resources with a view to achieving an organization stated objectives.

Based on the above worldwide review on budgeting, it is noted that the emergence of budgeting in a public sector have a long history passing through in different ways of approach to manage the public resources in efficient way and sustainably achieving the goal of the public institutions aspired goals. But to achieve those goals installing a system is one step and operationalizing it to get the value for money is another thing. So, assessing the performance of the system under study gives additional input to government to successfully execute as intended.

2.5.4.2. Program budgeting system in Ethiopia

The emergence of public budget preparation processes in Ethiopia passes through different phases starting from line item budgeting and now program-based budgeting. In this respect, the introduction of these budget preparation methods relied on the political ambition of governments passing through different periods. This is also reflected through the fiscal expenditure management tool used to properly handle public resources. As part of that, managing a budget is one of the critical areas where every government focuses on to manage public resources efficiently and effectively.

According to MOFEC 2018 publication of Fiscal policy, “Government of Ethiopia uses its fiscal policy tools to play decisive role in transforming the socio-economic development of the country. One of the instrumental tools is government spending, where optimal allocation of the government budget can have more direct influence on the level and quality of economic activities than taxes. The ever-increasing public spending and its composition over the past years demonstrated how the expenditure policy realized the multiple functions of fiscal policy. In

addition, it's noted that the Government expenditure policy that involves the planning, budgeting, funding, accounting, auditing and reporting activities, is properly and efficiently managed by the Financial Administration Laws, Regulations and Directives.

The Government has introduced the first Financial Administration Law in the country in 1996. In order to incorporate new developments several amendments have been made since its inception and the recent amendment is Proclamation No. 970/2016 (The Federal Financial Administration Law). The same is done in the regulations. For the smooth implementation of the Financial Administration laws and regulations a number of directives have been introduced and being implemented.

There are also Federal Public Procurement and Property Law and Regulation which determine the procedures of public procurement of the Federal Government. Among the principal instruments of realizing the Government expenditure policy are the Medium Term Macroeconomic and Fiscal Framework (MEFF) and the annual budget rationalized through program-based budgeting.

At the same time, Yemisrach & Mulugeta (2012) further noted that, the Ethiopian Government has been designing and implementing budgeting system since 2004 by recognizing the need to improve the efficiency and effectiveness of its spending in order to achieve national goals and objectives and enhance public service delivery. The budget reforms are primarily focused on curtailing dual budgeting through development of Medium-Term Expenditure Framework (MTEF), and moving from the traditional line-item budgeting system to a Program Budgeting (PB) system that links resources provided to agreed outputs.

According to the Program Budgeting manual prepared by Ministry of Finance (2015), the program budgeting reform started with the introduction of government civil service reform back

in 1996. As part of the reform on expenditure management of public institutions which was examined one of them was Budgeting systems of the country. The study outlined that the first reform on this thematic area was to introduce and roll out line item budgeting system in government institutions and was successfully implemented during the reform period up to 2004. The second round of the reform was to introduce the program budgeting system and rolling out to pilot public bodies of the country starting from 2005 up to 2009. Consequently, in 2012 all federal public bodies started the full version implementation of the system until now.

According to the manual, to successfully implement the current budgeting system (program budgeting) the following preconditions should be fulfilled.

- a. If the budget procedural system currently followed by public bodies is line item budgeting system, it's very difficult to shift to the program-based budgeting smoothly
- b. The program-based budgeting resource allocation should be based on strategic framework
- c. In addition to strategic framework, to have a full-fledged system implementation, there should be annual results report of the outcomes that should be disclosed to the public.
- d. In program-based budgeting future planned results with their respective expenditure allocations with their monitoring and evaluation performance measurements should be taken in to account.
- e. Even though prioritizing objectives is difficult task, it's a must to list all of them by focusing on the priority and sequencing
- f. Program is the major area used in implementing program-based budgeting in preparing and analyzing plan and budget. The procedure will be based on the program structure which should be aligned to the institutions organizational structure

- g. The program budget system should measure the public body infrastructure and service delivery whether it is efficient and effective or not.
- h. A program-based budgeting system require the head of public bodies or the owner of the program to sign performance agreement with the MOF

According to the Program based budgeting manual the major difference between Line item budgeting and program-based budgeting which were both used by Ethiopia government consecutively is presented as follows:

Table1: Difference between Line item budgeting and Program Based Budgeting

No	Program Budgeting	Line Item Budgeting
1	Outcome focused	Input focused
2	Based on the public body's vision, mission and strategic plan	Disregard public bodies vision, mission and strategic plan
3	Link budget with development plan	The budget is not linked with development plan
4	Integrate the recurrent and capital budget	The recurrent and capital budget are not integrated
5	Provide flexibility, responsibility and accountability to public bodies	It is control focused and does not put in place accountability for outcomes
6	Facilitate the implementation of performance budgeting	While it has no indicators and outputs, it is not possible to conduct performance audit
7	Measuring input, output and outcome of the budget	It measures inputs not outputs and outcomes
Source: MOFEC, Program Budgeting Manual		

The weaknesses that are identified in line item-based budgeting was forced the Ethiopian government to look for a new reform that fills the gap identified when implementing the former one. So, the government answers this issue by introducing program budgeting reform in the public sector.

Even though the above preconditions and differences with the legacy system used in Ethiopia public institutions were identified and passing through implementation phase, in the execution phase the current reform/program budgeting faced a lot of problems during the roll out to public bodies up to the current point in time. So, Ministry of Finance as a lead reform coordinator of the Public finance reform, it should take a breeze and check the gaps and hindering factors that contribute for not running the reform and whether the reform was properly applied by the public bodies in a consistent manner.

2.5.5. Expectation in successful implementation of program budgeting

In order to introduce any government reform interventions, the first thing should be designing and introducing a legal framework that supports the implementation of the initiative in smooth and sustainable manner. And also, it is a legal enforcement and accountability check mechanism for those who are not properly leading the reform at the right direction. The same procedure expected to be on board while planning the implementation and roll out of program budgeting reform.

Besides the roles and responsibilities of law makers and other stakeholders exercising their roles, the major responsibility to implement the system may rely on the reform coordinator which is Ministry of Finance and the executer of the system that is public bodies. So, to successfully do that, both parties should play their key role in a comprehensive manner.

Lienert (2003) further strengthened the above idea as “get the benefit out of the system,

the spending ministry's should develop sectorial or ministry-wide strategies of budget priorities, define outcomes, outputs, programs, subprograms, actions/projects, and inputs, prepare program structures consistent with sectorial/ministry strategies and "budget ministry" would scrutinize and validate the proposed program structure. On the other hand, Ministry of Finance should specify spending ministers' and ministries' responsibilities in budget management, clarify the extent of delegation of spending responsibilities to program managers, including for authorizing spending at different stages of budget execution, clarify the extent of MOF oversight ex-ante or ex-post controls and manage to deliver and ensure to do all of above the requires capacity of manpower is built through training, materials etc.

So, failing to achieve the above preliminary major expectations expose to failure in effectiveness of the system implementation. Based on this, this research project assesses the effectiveness of the system in federal public bodies in respect to the standards of requirement in achieving the aspired objectives of program budgeting system in Ethiopia.

Chapter Three

Research Method

3.1. Research design

The study followed descriptive research design; which describe the challenges and factors of carrying out program-based budgeting system in Public bodies of Ethiopia. Descriptive research is aimed simply at describing phenomena and is not particularly concerned with understanding why behavior is the way it is. This type of research is very useful for setting out baselines or ‘templates’ of how we think the world is (Adams et. al, 2007).

According to Anol B. (2012) Descriptive research is directed at making careful observations and detailed documentation of a phenomenon of interest. These observations must be based on the scientific method (i.e., must be replicable, precise, etc.), and therefore, are more reliable than casual observations by untrained people.

3.2. Sampling

In this study the researcher used non probability sampling methods. Non probability sampling is appropriate when the researcher’s emphasis is on studying the traits of a specific group rather than concerning about generalization of the data, and it usually uses purposive sampling to select study participants (Freedman & Taub, 2006). Particularly, purposive sampling is used to select research respondents from planning and budget directorates in each selected public bodies and the budget preparation and administration department of Ministry of Finance.

In purposive sampling units are chosen because they have particular features or characteristics which enables detailed exploration and understanding of the central themes and puzzles which the researcher wishes to study (Lewis & Ritchie, 2003, p.78). For the in-depth

interview respondents were selected from Budget Preparation and administration department and expenditure management and control reform department of MOF which are closely follow up the implementation of program-based budgeting implementation of government spending ministries at macro level.

3.3.Selection criteria

The respondents of this study are persons from Ministry of Finance (MoF) Budget Preparation and administration department and selected public bodies respective directorates. MOF Budget directorate is selected because it is the national reform unit and in charge of coordination, facilitation and follows up budget departments of public bodies in this regard. To describe on the issue that is supposed to be presented on the study respondents range from budget department heads to junior level experts on the area in selected public bodies.

3.4.Data collection procedures

The study was conducted after getting the permission from each selected public body. To obtain the objectives of the study and to ensure the trustworthiness of the collected data, the study was relied on two primary data collection methods which are questionnaire and in-depth interview. In order to substantiate the data collection methods, the researcher prepared appropriate guiding questions, interview protocol and other data collection instrument (field notes) and techniques.

In order to get the authentic information from the study participants, the appropriate time and place was selected in consultation with them. In order to secure the confidentiality of respondent's informed consent were well taken.

Questionnaire

A questionnaire is a research instrument consisting of a set of questions (items) intended to capture responses from respondents in a standardized manner. Questions may be unstructured or structured. Unstructured questions ask respondents to provide a response in their own words, while structured questions ask respondents to select an answer from a given set of choices. Subjects' responses to individual questions (items) on a structured questionnaire may be aggregated into a composite scale or index for statistical analysis (Anol, 2012).

As Louis, Lawrence, & Keith. (2007) remark “The presence of the researcher is helpful in that it enables any queries or uncertainties to be addressed immediately with the questionnaire designer. Further, it typically ensures a good response rate (e.g. undertaken with teachers at a staff meeting or with students in one or more classes). It also ensures that all the questions are completed (the researcher can check these before finally receiving the questionnaire) and filled in correctly (e.g. no rating scale items that have more than one entry per item, and no missed items). It means that the questionnaires are completed rapidly and on one occasion, i.e. it can gather data from many respondents simultaneously.”

In this regard, the questionnaires of the study were distributed to the respondents in the presence of the researcher. This facilitated the respondents to raise any issue that may need clarification of the questions. It also enabled the researcher to collect and reach the expected number of questionnaires fully.

Accordingly, questionnaires were distributed to 3 selected federal spending ministries of Ethiopia namely Ministry of Finance, Ministry of Transport and Ministry of Innovation and Technology. 30 questionnaires were distributed and all of them are completely responded.

Before filling the questionnaire, each respondent is briefed about the objective as well as the subject matter the study focused on to give a clear understanding about the issue.

In-depth interview

The use of in-depth interview in the study was allowing in describing the actual experience of respondents by building trust and demonstrating respect in order to get rich data. The face to face encounter between the researcher and respondent was also important for probing, to give clarification and to understand non-verbal cues like facial expression, voice tonalities etc. Beside this, in depth interview is important to address sensitive issues which are difficult to address in group setting (Lewis & Ritchie, 2003).

In-depth interview guiding questions were developed using semi-structured questions, which includes two main themes: the practices of program-based budgeting and their challenges. With respect to this, sufficient amount of key personnel was interviewed to get the macro level information about program-based budgeting reform design, implementation as well as coordination and follow up. In addition, interview questions were used to substantiate the gaps which are not covered through questionnaires.

In this regard, 6 key personnel's which have direct relationship with the subject matter were interviewed and these are from Ministry of Finance Budget Preparation Department technical reform team leaders, Expenditure Management and Control Reform directorate director, Public Finance Management Reform Projects Team Leader and Inspection Directorate team leader.

Secondary sources

Secondary sources are those that do not bear a direct physical relationship to the event being studied. They are made up of data that cannot be described as original. A secondary

source would thus be one in which the person describing the event was not actually present but who obtained descriptions from another person or source. These may or may not have been primary sources. Other instances of secondary sources used in historical research include: quoted material, textbooks, encyclopedias, other reproductions of material or information, prints of paintings or replicas of art objects (Louis et al., 2007).

In addition to the primary sources the researcher used secondary sources of data both published and unpublished materials and literature from different organizations. Consulting these sources helping the study to enrich the overall features of the study area and ways of analyzing and interpreting the primary data.

3.5. Population and Sample

Researchers must also carefully choose the target population from which they wish to collect data, and a sampling strategy to select a sample from that population. For instance, should they survey individuals or firms or workgroups within firms? What types of individuals or firms they wish to target? Sampling strategy is closely related to the unit of analysis in a research problem. While selecting a sample, reasonable care should be taken to avoid a biased sample. (Anol, 2012)

The population of the study was 20 federal public bodies organized at Ministerial level. Of these public bodies 3 of them were selected which is 15% of the Government Public bodies established at ministerial level. This way of selection is chosen because when the system under study was started the first phase of implementation was on ministry level. So, it is good to get ample information in the study topic and it is expected that relatively high level of readiness was there to implement the system. So, focusing on these areas helped to understand the

implementation problem of the system in multidisciplinary way.

On the other hand, the selected Ministries are the ones which took over one third of government budget when compared to other Ministries which is good opportunity to see the implementation of the program-based budgeting and its challenges in a largely budgeted and complex working environments.

3.6. Reliability and Validity

These standard questioners proved to be valid and reliable in measuring the variables intended to measure with a Cronbach's alpha above 0.7. A total of 10 pilot questionnaires were distributed to the respondents. Then the returned 10 pilot instrument questioners are coded, analyzed, and a Cronbach's Alpha test is identified by SPSS IBM version 20.00. The pilot test result of reliability and validity was strong which is 0.854. However, during the main study based on the observations modifications has been made eventually the overall reliability of the scale used is enhanced to Cronbach's Alpha .943.

Reliability Statistics for the entire scale Cronbach's Alpha N of Items

Reliability Statistics	
Cronbach's Alpha	N of Items
.943	39

As indicated in the table above, the Cronbach's alpha test reveals that the instrument's internal consistency as 94.3% which is above acceptable value (i.e. 70%). Therefore, the research instrument is reliable and the forthcoming findings and conclusions are acceptable.

3.7.Ethical considerations

Much social research necessitates obtaining the consent and cooperation of subjects who are to assist in investigations and of significant others in the institutions or organizations providing the research facilities (Louis et al, 2007). Bruce L., (2001) also elaborated the concept as “Informed consent means the knowing consent of individuals to participate as an exercise of their choice, free from any element of fraud, deceit, duress, or similar unfair inducement or manipulation. In the case of minors or mentally impaired persons, whose exercise of choice is legally governed, consent must be obtained from the person or agency legally authorized to represent the interests of the individual.” In general, data collection activities that require more than casual interaction with a person require individual informed consent from that person, regardless of whether community level permissions exist. (Guest, G., Mack, N., Macqueen, M.K., & Namey, E.,2005).

The research proposal was presented and approved by the Department of Accounting and finance. Permission to undertake the research also be obtained from Selected Ministries, MOF and other stakeholders participated on this study. In order to explore the intended data building rapport was essential, for this purpose the researcher informed each respondent and participants on questionnaires and in-depth interview, prior to the interview about the purpose and the overall procedures of the research. Notes were taken on the base of respondent’s consent and their participation in the research voluntarily when necessary. There was no any offensive question forwarded to the respondents.

For the privacy of the respondents and collection of the data, the in-depth interviews and discussion were conducted in single room. The researcher didn’t get any financial payment given for the research participants. And, before starting an interview the researcher

informed the key informant personnel's regarding their right to withdraw from the research and communicated verbally to each respondent at the beginning of the interview.

Chapter 4

Data presentation and Analysis

In this chapter the first part presents data's regarding respondent's demographics and the second part is presenting the study subjects responses in descriptive analysis using mean and standard deviation.

4.1. Demographic Characteristics

Table 2: Gender of respondents

Variable	Frequency	Percent
Male	22	73.3
Female	8	26.7
Total	30	100.0

Source: Survey data 2019

According to the above data, out of 30 respondents who are working in planning and budget department of the Ministries 73.3% of them are male and the remaining 26.7% are female. This means the staffing of the departments is highly dominated by male which shows gender imbalances.

Table 3: Age of respondents

Age	Frequency	Percent
25-35	13	43.3
35-50	12	40.0
Above 50	5	16.7
Total	30	100.0

Source: Survey data 2019

Table 3 presents that out of 30 respondents' majority of them that is 83.3% of them have an age below 50. The remaining 16.7 % of them are aged above 50. It is also observed that from the 3 categories 43.3% of them aged between 25 to 35. This can be interpreted as there is large number of staffs which can succeed/overtake the responsibilities of the elder ones. This has also implication that those institutions under study should have staffing strategies which can accommodate the ladder of promotion as well.

Table 4: Level of Education of respondents

Educational Level	Frequency	Percent
Diploma	2	6.7
BA/BSC Degree	18	60.0
Above BA/BSC Degree	10	33.3
Total	30	100.0

Source: Survey data 2019

As shown on the table 4 above, 10(33.3%) of respondents have MA degree and above, 18(60%) of them have BA/BSC Degree and the remaining 2 have Diploma in their field of study. Therefore, this has a clear understanding that most of the respondents participated in this study had university degree and above as their highest level of education which can give more information on the intended work in this study.

Table 5: Field of study of Respondents

Education/Field of Study	Frequency	Percent
Accounting	10	33.3
Economics	7	23.3
Business Administration	5	16.7
Others	8	26.7
Total	30	100.0

Source: Survey data 2019

As shown on table 5, 10(33.3%) of the respondents have completed their university study in Accounting, 7(23.3%) of them in Economics, 5 of them in Business administration and the remaining 8(26.7%) with another fields of study other than Business fields. This shows that majority of the respondents 22(73.3%) have academic qualifications directly related to implementation of Program based budgeting. But also 8(26.7%) respondents in planning and budget department have unrelated field of study with the current works that they are engaging in. The competency of the staff has a progressive and direct effect if it is related and also adverse effect if it is not complying with the prerequisites. So, from the above data, there is an indication that there is some gap in staff enrolment in the department of the Ministries under study.

Table 6: Respondents current position in their organization

Position	Frequency	Percent
Head of Planning and Budget	3	10
Senior planning and Budget Expert	14	46.7
Planning and Budget Expert	11	36.7
Junior Expert	2	6.7
Total	30	100.0

Source: Survey data 2019

According to the finding of the data on table 6, the respondents of this study are comprised from all levels of positions. Accordingly, 3(10%) of the respondents were in planning and budget head position, 14(46.7%) of them are on Senior planning and budget expert position, 11(36.7%) of them are planning and budget expert and the rest 2(6.7%) are junior experts. From this it is understandable that 93.3% of the respondents are in a good position to deliver sufficient information and experience on the issue under investigation.

Table 7: Experience of respondents on PBB

Experience	Frequency	Percent
Less than a year	2	6.7
1-2 Years	6	20.0
2-3 Years	5	16.7
3-4 Years	2	6.7
4-5 Years	5	16.7
Above 5 Years	10	33.3
Total	30	100.0

Source: Survey data 2019

Form the survey data on table 7, it is indicated that out of 30 respondents participated on the study 28(93.3%) of them are having an experience in program-based budgeting preparation processes. But 2 of them are less than one-year experience which are joining their institutions before months ago. This also gives an understanding that the respondents selected for the study are appropriate for the topic under study and also to see the perception of the issue in in diversified way.

4.2.Results and discussions

For the purpose of simplicity of analysis of the questionnaire data ‘strongly Agree’ and ‘Agree’ responses are merged and analyzed as ‘Agree’ and the same approach is followed for ‘Strongly disagree’ and ‘disagree’ to be analyzed as ‘disagree’.

According to Kajuju (2012), the scores of strongly agree /agree have been taken to present a variable which had a mean score of 3.5 to 5 on the continuous Likert scale; ($3.5 \leq S.E < 5$). The scores of “neutral” have been taken to represent a variable with a mean score of 2.5 to 3.4 on the

continuous Likert scale; ($2.5 \leq M.E < 3.4$). The score of disagree/strongly disagree have been taken to represent a variable which had a mean score of 0 to 2.5 on the continuous Likert scale; ($0 \leq L.E < 2.5$). A standard deviation of >0.8 implies a significant difference on the impact of the variable among respondents.

Despite the above range of scoring, the researcher used his judgment to classify the range of scores obtained on the continuous 5 point Likert scale as a variable with a mean scores of 3.4 to 5 have taken as strongly agree/agree on the continuous Likert scale, a score of 3.0 to 3.4 as “neutral” on the continuous Likert scale and a score of 0 to 3.0 as strongly disagree/disagree on the continuous Likert scale. Kumar (2014) also pointed out that, “Any score can be assigned as long as the intensity of the response pattern is reflected in the score and the highest score is assigned to the response with the highest intensity.”

4.2.1. PBB Preparation Process

The program-based budgeting process started with preparation of 3 years Macro Economic fiscal Forecast (MEFF) by MOF and approved by council of ministers. Based on the MEFF, the document decided the ceiling for each line ministries. While preparing program budget, each spending ministry is expected to formulate appropriate programs, activities and projects which can have an impact later to meet their objectives. Based on that each line ministries prepare and submit their respective program budget to MOF. After that evaluation of each spending ministry budget is taken place with budget experts.

Finally, MOF calls all the spending ministries for budget hearing to defend their coming year budget proposal accordingly. Then MOF send the budget proposal to the council of ministers and finally to house of parliament for endorsement. After that execution, monitoring

and follow-up of performances going on. In summary, the program budget process the government of Ethiopia following is planning, programming, budgeting and execution. In this respect, the process of the program budget development of the government is in accordance with the accepted thoughts of PBB.

Table 8: Conceptual understanding and set up of the system

No	Statements	Frequency						Mean	Standard Deviation
		Disagree	% of disagree	Neutral	% of Neutral	Agree	% of Agree		
1	Information about the objective of PBB	2	6.7	1	3.3	27	90	4.20	0.81
2	PBB is better system than the previous line item budgeting	0	0	2	6.7	28	93.3	4.35	0.63
3	Presence of well-organized strategic plan in the Ministries	2	6.7	6	20	22	73.3	4.10	0.96
4	Perception in regards to clear and standardized goals and objectives in the Ministries	0	0	4	13.3	26	86.7	4.27	0.69
5	The Ministries plan have set measurable clear targets	19	63.4	4	13.3	7	23.3	2.5	1.08
6	Familiarity with government policies and expenditure planning	2	6.7	2	6.7	26	86.7	4.10	0.80
7	Program budgeting is recommendable than line item budgeting	0	0	1	3.3	29	96.7	4.33	0.55
8	Familiarity with program budget concept	0	0	4	13.3	26	86.7	4.07	0.58

Source: Survey data 2019

From the above table it is noted that 4.2 mean value score that depicts the respondents have knowhow about the objective of PBB, at the same time score of 4.07 also shows that they are familiar with the concept of PBB well and again it is scored 4.35 that shows respondents understanding that PBB is a better system than line item budgeting system practiced so far. The budget preparation department team leader of MOF strengthened this idea by saying, “the

traditional budget system (line item budgeting) had no relation with the national, sectoral and institutional planning's. And more it had not measured results. Moreover, it was not considered the previous year performances. In addition, Line item Budget focus only individual financial statement and shows comparison between the financial data of the past accounting. That's why the government decided to change to the better system which can accommodate the gap of the line item budgeting had." On the other hand, on table 8, 73.3% of the respondents replied that their Ministries have well organized strategic plans respectively. The mean score for this is 4.10 which implies that the 3 Ministries are all have the strategic plan document.

To start up on designing a program-based budgeting one of the critical areas of point or criteria to be met is having well organized and standardized goals, objectives and measurable targets of the works that are going to be delivered in the strategic plan period. With regard to the this, 86.7 % of the respondents with a mean score 4.27 replied their agreement on their respective ministries have clear strategic goals and objectives. On the other hand, when asked about their plans have measurable and clear targets, 63.4 % of them with a mean score 2.5 said their institutional targets are immeasurable.

The overall average mean score calculated is 3.99 which implies the set up and framework building of PBB is in a good condition.

4.2.2. Commitment of Spending Ministries in ownership of PBB

The other basic precondition in implementation of program-based budgeting in spending ministries are commitment of the ownership and development of programs while they prepare their annual budget documents. This is due to the fact that the owners of the programs are the spending ministries themselves.

Table 9: Spending Ministries Commitment in program development & reform ownership

No	Statements	Frequency						Mean	Standard Deviation
		Disagree	% of disagree	Neutral	% of Neutral	Agree	% of Agree		
1	The Ministries allocate/assign resources based on programs	0	0	4	13.3	26	86.7	4.10	0.61
2	The budget request of the Ministries corresponds to their program initially	2	6.7	6	20	22	73.3	3.83	0.79
3	Support of staffs regarding PBB reform	1	3.3	12	40	17	56.7	3.60	0.68
4	Commitment of staffs to PBB implementation	5	16.7	8	26.7	17	56.6	3.53	0.94
5	Availability of Prerequisite qualification and experience in planning and budget department	9	30	5	16.7	16	53.3	3.37	1.1
6	Provision of sufficient training about PBB	5	16.7	5	16.7	20	66.6	3.63	0.93

Source: Survey data 2019

In this regard on table 9, 86.7% respondents with a mean score of 4.10 replied that they allocate their ministries resources based on Programs. When asked about their budget request submitted to MOF, the mean scored is 3.83 which means they set their budget request by corresponding to their specified programs. This indicates that they are in a good position in designing their respective PBB according to PBB Procedures.

On the other hand, when introducing such type of reform, the implementer should be supportive and committed to execute the reform based on the standards set. In this regard, the mean scored is 3.60. This shows that there is an indication of lack of awareness or capacity building on the concept and technical knowledge related to program-based budgeting. In addition

to supporting the reform, having the necessary commitment in implementation of the system is also crucial. In this aspect, 56.6% respondents with a mean score 3.53 replied their respective staffs have commitment in implementation of the system. This shows the commitment of their respective staffs is not sufficient that needs due attention in smooth implementation of the system.

When introducing a new system, it's always expected of the efficiency and effectiveness of the system itself as well as the competency and skill of manpower used to effectively operationalize the reform. Like any other reforms, to effectively implement and get the benefit of program-based budgeting, its mandatory to have competent and skillful human resource in the subject matter. In this respect, when asked about this, on the one hand, the mean score for this statement was 3.37 which implied that their respective planning and budget departments are moderately occupied with qualified and skillful human resources. On the other hand, regarding trainings, 66.6% of the respondents with a mean score 3.67 agreed that they have got sufficient training regarding PBB. MOF budget department also indicated that they were providing a regular training annually for spending ministries experts but the main critics here is that evaluation had not taking place whether the training has brought the necessary change or not.

Overall average of mean value is calculated as 3.67 which gives a hint that the commitment in program development and reform ownership is more or less good.

4.2.3. Execution process of PBB in Spending Ministries

The other most important point in PBB cycle is its proper execution according to set standards. Of these standards, one of the important points to be addressed is execution and evaluation of designed programs against the plans. These reports also later be used as a base for accountability measures.

Table 10: Execution of PBB at Spending Ministries

No	Statements	Frequency						Mean	Standard Deviation
		Disagree	% of disagree	Neutral	% of Neutral	Agree	% of Agree		
1	Ministries perception regarding whether evaluation of performances strictly against set program	21	70	1	3.3	8	26.7	2.40	1.16
2	The ministry reported its reports to MOF based on the procedure and calendar of PBB	3	10	1	3.3	16	86.7	4.17	0.91
3	Perception or believe that PBB can/may better utilize resources	0	0	3	10	27	90	4.27	0.64
4	Perception about fully implementation PBB in the Ministries	18	60	2	6.7	10	33.3	2.67	1.3

Source: Survey data 2019

According to table 10, 70 % of respondents with mean score 2.40 agreed that their ministry didn't do the proper way of performance evaluation of their programs. The standard deviation for this statement is 1.16 which is largely impactful on the study area. This indicates that there is a gap in program evaluation which is a base for one of the pillars of PBB, i.e. accountability.

The other work the spending ministries should follow is after preparing the performance report of their PBB, they should report to MOF their performances based on the established calendar and procedures as well. In this regard, 86.7% of respondents with a mean score 4.17 pass their agreement in properly following the procedures while preparing their reports and submitted according to the calendar to MOF. The result shows that fiscal discipline is strictly followed by the ministries under study.

When introducing a new system, it is understandable that its rational behind is to get the benefit out of it and achieve the objective. When thinking of program-based budgeting, it's expected that the implementation have a great impact in efficiency, effectiveness and accountability of public resource utilization. In this regard, the respondents were asked whether their respective ministry is getting benefit out of implementing PBB. 27(90%) respondents with a mean score 4.27 confirm that their ministry better utilizes its resources after implementing PBB. But when they were requested their overall perception regarding the full implementation of the system in their ministry, 60% (18) of respondents with mean score 2.67 choose their disagreement on this statement. This shows there is a large gray area which needs further intervention in this regard.

When requesting the overall federal government offices PBB implementation perspective of MOF, all the interviewees included in this study which are in charge of coordinating and follow up of public bodies in the subject matter replied that they don't think all spending ministries were properly implementing PBB fully. In addition to this they said, most of the spending ministries did not have a regular and continuous evaluation on the performance of their budget and its outcomes. Their respective budget by itself is mostly prepared by Plan Budget Department of each ministry. And they conclude that due to these gaps, there is no government office which is considered to be champion in successful implementation of PBB in Ethiopia.

The overall mean average is 3.37. In general, the researcher from observation and the above data analyzed reached in to conclusion that no public body is implementing PBB at a full scale at this point in time.

4.2.4. Legal framework set up

In order to do certain initiative in a given jurisdiction, the activity or system that is going

to be implemented should be in a boundary of the ultimate law of the country(constitution). In this respect every reform agenda that is designed to be implemented in every country should be expected to adhere the rule of the country. Subsequently in order to simplify its implementation different levels of procedures and manual tools should be designed and implemented accordingly. So, according to program-based budgeting concept, the other precondition to be in place for smooth implementation of the system is the country laws and procedures followed up and their subsequent strategic plans. So, in general before starting the PBB, all implementers should have a legal ground/policy support in executing the reform effectively.

Table 11: Accessibility of legal frameworks supporting PBB implementation

No	Statements	Frequency						Mean	Standard Deviation
		Disagree	% of disagree	Neutral	% of Neutral	Agree	% of Agree		
1	Availability of adequate PBB policies and procedures in the Ministry	0	0	2	6.7	28	93.3	4.13	0.51
2	Availability of all the procedures and policies of PBB at individual level	8	26.7	2	6.7	20	66.6	3.43	1.14
3	Stakeholders participation in development of annual PBB process	9	30	5	16.7	16	53.3	3.20	1.24
4	Sensitization and consultation of budget officers in preparation of PBB of the Ministries	7	23.3	2	6.7	21	70	3.50	1.28
5	PBB policies and guidelines are strictly adhered and implemented	9	30	4	13.3	17	56.7	3.27	1.11
6	There is harmonization and interlink among other Ministry's Policies/guidelines while preparing PBB	3	10	10	33.3	17	56.7	3.63	0.89
7	Everyone in the Ministry is involved in PBB exercise	8	26.7	9	30	13	43.3	3.23	0.94
8	The Ministry exercise code of good practice, transparency and adherence to policies and procedures	8	26.7	2	6.7	20	66.6	3.40	1.28

Source: Survey data 2019

In this regard, the survey was requested the view of the respondents on the above issue in relation to the study matter and their response is presented as follows. The first question asked was whether there are adequate government policies and procedures in their ministry or not. And majority (93.3%) of the respondents with 4.13 mean score reacted all the necessary government policies and procedures are available in institution. In addition, they were also asked adherence of procedures and guidelines of PBB but the mean score decreased to 3.27 which shows there is a gap in operationalizing these polices. On the other hand, it was asked the availability of these policies and procedures at individual expert level. In this respect, majority of the respondents with mean score 3.43 with 1.14 standard deviation agreed that. 43.3% of the respondents with mean value 3.20 believe that their respective ministries participated all their staffs in PBB exercise. The standard deviation for this variable is 1.24. This indicates that significant amounts of experts working at planning and budget departments of selected Ministries are working their jobs in guidance of experienced staffs/colleagues. And budget preparation participation is not sufficient enough.

The best plan execution rate in public institution is directly related to its best inclusiveness/participation of stakeholders which a have direct and indirect relationship with the activity under implementation. It's also related to increasing the synergy in efficient and effective implementation of the intended objective. When we come to public institutions this becomes very important element because every public institution is expected to work hard in order to satisfy the demand and necessities of the public and ultimately creating a better environment for its citizens.

The basic element of achieving this is through managing the resources collected from citizens properly and participating the citizens in all aspects of budget cycle. In this

consideration, the respondents were requested to deliver their opinions regarding engagement of their own staffs in development of program-based budgeting in their respective ministries. And the mean score for this statement was 3.23 which is moderate. This shows that substantial amount of the staffs was not participating on their own budget process which have an adverse effect in transparency and accountability of their performances. Generally, 66.6% of respondents with mean score 3.40 agree that their Ministry exercise code of good practice, transparency and adherence to policies and procedures of PBB.

The overall mean average is calculated and the result shows 3.47. this can tell us that on average there is moderately satisfactory participation and adherence to the procedures and policies of PBB.

4.2.5. Coordination and support by MOF

In any reform leadership there is coordinator of the macro reform and implementer of the reform. In regards to PBB reform in Ethiopia, the coordination of the reform is led by MOF and implementation of the reform is managed by spending ministries of government. In this view, the spending ministries selected for this study were asked about the support of the reform coordinator (MOF).

Table 12: Coordination and support from MOF regarding PBB implementation

No	Statements	Frequency						Mean	Standard Deviation
		Disagree	% of disagree	Neutral	% of Neutral	Agree	% of Agree		
1	Accessibility of the necessary legal documents from MOF	0	0	2	6.7	28	93.3	4.27	0.58
2	The necessary PBB practical training is given/arranged by MOF	8	26.7	4	13.3	18	60	3.60	1.16

No	Statements	Frequency						Mean	Standard Deviation
		Disagree	% of disagree	Neutral	% of Neutral	Agree	% of Agree		
3	MOF delivers hands on support in relation to smoothly operationalizing	4	13.3	7	23.3	19	63.4	3.53	0.78
4	MOF effectively conduct performance evaluation of Ministries programs	6	20	8	26.7	16	53.3	3.43	0.94
5	Overall your Ministry have got all the necessary supports in implementing PBB	6	20	8	26.7	16	53.3	3.47	0.97

Source: Survey data 2019

In this regard the respondents put their views as follows. 93.3% of the respondents with mean score 4.27 believe that MOF availing the necessary legal documents that helps them to do their duties. But the mean score for availing the necessary training by MOF is 3.60 with 1.16 standard deviation. This indicates that the trainings are sufficient enough to properly managing their jobs.

In relation to physically supporting the reform only 63.3% of them with mean score 3.53 said MOF was closely supporting them in implementation of the system. But 53.3% of the respondents also reacted by saying MOF conduct performance of their respective programs regularly. In summary, when the respondents evaluated the overall support of MOF on PBB reform and scored 3.47 with standard deviation 0.97. this shows that, the service delivery quantity is moderately good but needs improvement by MOF.

On the contrary, MOF blame spending ministries by saying they design their programs in such a way that do not have appropriate output, indicators and target. Especially lack of baseline, unable to create key indicators and targets remain a challenge for monitoring and evaluation; furthermore, the system has not got full attention and commitment by higher officials of

spending ministries.

The overall mean average is 3.66. this shows that the support given by MOF to spending ministries is more or less in a good condition.

4.2.6. Spending Ministries top management leadership

As indicated in the above paragraphs, the other important element in effective implementation of program-based budgeting are efficient and effective follow up of the program owners of the spending ministries that is top management. Even though there is well designed structure, policies, procedures and legal instruments, if the top management of each spending ministries is not owning the programs and work closely with its staffs, the objectives of the institution can't be met as aspired. It is in this view that the researcher raised some key questions to have a holistic understanding of the subject matter in a comprehensive way. Based on that, the respondent's response is as follows.

Table 13: Ministry's top management support in coordinating the PBB reform

No	Statements	Frequency						Mean	Standard Deviation
		Disagree	% of disagree	Neutral	% of Neutral	Agree	% of Agree		
1	Top management are Aware of the benefits that can be achieved by using the system	2	6.7	5	16.7	23	76.3	3.87	0.78
2	Supports and encourages the use of the system	6	20	4	13.3	20	66.7	3.57	1.22
3	Provides most of the necessary help and resources	8	26.7	0	0	22	73.3	3.60	1.30
4	They are keen to see people happy with using the system	7	23.3	0	0	23	76.7	3.50	1.31

No	Statements	Frequency						Mean	Standard Deviation
		Disagree	% of disagree	Neutral	% of Neutral	Agree	% of Agree		
5	Provides good access to necessary resources	5	16.7	4	13.3	21	70	3.57	1.34
6	Provides good access to various types of software to easily implement the system	10	33.3	1	3.3	19	63.4	3.40	1.25
7	PBB is successfully supervised by Ministry management	20	66.7	3	10	7	23.3	2.37	1.07
8	Over all the Ministry's management support was sufficient	19	63.4	4	13.3	7	23.3	2.33	1.12

Source: Survey data 2019

According to the survey results, 76.3% of the respondents agreed that top management of their respective ministries are aware about the benefits out of using PBB. On the other hand, 66.7% of the respondents with 2.37 mean score and 1.07 standard deviation said their top management supports and encourages in application of the system.

Overall, the mean value scored for top management successful supervision on the implementation of PBB in their ministry was 2.37 which is by far lower than expected as a goal owner. Finally, 63.4 % respondents with a mean value 2.33 further strengthened by concluding that their top management overall support was unsatisfactory.

The overall average mean score is 3.27. this indicate that the top management support of spending ministries is average or moderate.

4.2.7. Challenges faced in implementing the PBB

In general, three of the selected spending ministries were requested to identify the major

challenges they faced while implementing the program-based budgeting reform. From the response it is well understood that most of the challenges expressed were similar in their nature. Accordingly, the major ones were lack of adequate practical training for technical staffs on the subject matter, lack of awareness of top management on the process and preparation of PBB, difficulty in designing programs and not utilizing the budget allocated based on the program set, difficulty in aligning strategic plan with program budget and high technical staff and leadership turnover.

On the other hand, frequent transfer of budget without considering the affected programs and sub programs outputs, less participation of staffs, stakeholders and program managers during preparation process, PBB is not successfully supervised by program owners (top management).

Regarding monitoring and evaluation of program performances all of them said that there are difficulties in measuring performance of budgeting at program and sub program level which results to not knowing the exact result aligned to its costs. This problem is also raised so many times during an interview session with MOF Budget Reform coordination department which interlinked with the concept of accountability. If there is no stringent monitoring and evaluation scheme and capacity at both reform coordinator and implementer level, the subsequent accountability measures can't be realized. In general, all the challenges raised on the above paragraphs needs due attention because they have direct relationship with smoother and successful implementation and effectiveness of program-based budgeting system, at the end achieving its intended objectives.

Chapter Five

Conclusion and Recommendation

In this chapter summary of the findings of the study and their concluding remarks are presented. In addition, recommendations are also delivered to enhance the better and effective implementation of program-based budgeting in the Ministries selected in this study and other government bodies at large. And later, some suggestions for further study are presented.

5.1. Conclusion

This study tried to assess the program-based budgeting implementation effectiveness and their encountered challenges in selected federal public bodies of Ethiopia. In this regard, over the past reform periods, the study has identified that the reform process undertaken to transform from traditional line item budgeting system to Program based budgeting at federal level was successful. This was realized due to leading the reform from government side as well as spending ministries commitment to implement the system. This also transform the way of thinking and working culture of government in introducing the integration between budget and results in a manner that leads to public resource management efficiency and accountability. It also creates a conducive environment for development of strategies of public resource management like Medium Term Fiscal Forecast (MEFF) and others. In this case, during the reform process government enacted and implemented laws, procedures, manuals, training modules and PBB preparation formats which facilitated the smooth implementation of the system. It is also observed that, based on the manuals massive trainings were given to spending ministries on the subject matter in a continuous way.

Even though there was an admirable reform performance conducted so far, there were also some major shortcoming that were not properly implemented while executing PBB in

reform coordinating unit as well as reform implementers/spending ministries that have significant contribution in meeting the objectives of the reform. These were identified as findings of the study as follows:

- a. **Measurable clear targets:** one of the key elements while preparing program-based budgeting after designing the program is having a clear and measurable target. Based on the documents reviewed on the selected Ministries budget and primary data collected, there is a problem of clarity and being measurable of their targets.
- b. **Lack of commitment of staffs:** According to the results of the study most of the respondents said majority of the works related to development of their respective budget plan are prepared by themselves. The staffs didn't support them mostly in the process.
- c. **Turnover of leadership and staffs:** the study observed that there is high turnover of leadership for the last 3 years. This makes it hard for ministries to get sustainable leadership of the programs that are planned to be performed. On the other hand, the technical staff turnover is also a problem for the ministries because it forced them to take much of their time training new entrants than implementing the system.
- d. **Lack of relevant staffs:** the study identified that some of the staffs of budget under study are qualified but their career is not related to the subject matter they are engaged in.
- e. **Lack of impact assessment of trainings:** Through the reform period a large scale of trainings was delivered to spending ministries but evaluation was not made by reform coordinator (MOF) so far whether it brought the necessary change in work efficiency or not.
- f. **Lack of program performance evaluation:** According to the study result and documents reviewed, program performance measurement is not properly conducted. The

documents show that the accuracy of measurement is mostly done on financial aspect but most of physical performances are not well measured. This is related to not having a clear targets and capacity to measure them. The capacity problem is also observed at reform coordinator (MOF) level.

- g. Lack of stakeholder's participation:** each ministry under this study acknowledge that while preparing their respective PBB stakeholders' participation was minimal. This can have a significant effect in executing the plans efficiently.
- h. MOF support to the Spending Ministries:** There is a conflict of ideas in the demand of support from spending ministry side and also availing the necessary support from the MOF side. But the bottom line is the support from reform coordinator was not sufficient as expected.
- i. Lack of support from top management:** The study identified that there is shortage of support from each ministry top management which is critical element in the process of PBB implementation effectiveness.

In general, despite the above major findings of the study, it can be concluded that the program-based budgeting system is more or less effectively implemented in the spending ministries under study. But needs due attention in monitoring and evaluation of programs and top management leadership which is a big gap or challenge to be take in to account for improvement systematically.

5.2.Recommendations

According to the diagnosis of this study, most of the pillars of program-based budgeting which are identified by Lienert (2003) like “the spending ministry's should develop sectorial or ministry-wide strategies of budget priorities, define outcomes, outputs, programs, subprograms,

actions/projects, and inputs, prepare program structures consistent with sectorial/ministry strategies and “budget ministry”, Ministry of Finance should specify spending ministers’ and ministries’ responsibilities in budget management, clarify the extent of delegation of spending responsibilities to program managers, including for authorizing spending at different stages of budget execution, clarify the extent of MOF oversight ex-ante or ex-post controls and manage to deliver and ensure to do all of above the requires capacity of manpower is built through training, materials” are mostly in place.

But the study also proposes its recommendation for the gaps identified as follows:

- a. The targets identified by the spending ministries should be measurable in order to facilitate the better evaluation of program results in future planning
- b. The staffs of the ministries should be committed in planning process of their respective budget which gives them an ownership of their programs and ease the implementation processes as well. At last they can contribute to achieve the goals and objectives of their ministry as well as their country.
- c. Ministries should introduce some interventions on how to retain their staffs to maintain them in order meet their objectives in a comfortable way. When they recruit new staffs, they should also consider the relatedness of the staff with the subject matter implementation.
- d. Ministry of Finance as reform coordinator of program-based budgeting should undertake an impact assessment on the trainings delivered so far. Because it gives a room to check and improve the approach of training delivery and protect to not wasting resource on trainings which do not contribute to improvement of the system or implementation efficiency.

- e. Ministry of Finance again have to look for a comprehensive and systematic monitoring and evaluation system that measure and track performance of program results especially physical performances and should have to link to accountability
- f. As one of the pillars of program-based budgeting is to make the public resource preparation and execution processes transparent, spending ministries should exercise participating appropriate stakeholders in PBB development and also MOF should have an arrangement to follow up on the implementation of this engagement.
- g. Ministry of Finance as a budget allocator should continue strengthening the support to spending ministries in all dimensions necessary because the success of the reform is mainly relying on the spending ministries efficiency and effectiveness of performances.
- h. The commitment and support of spending ministries top management is another area of intervention that should be enhanced because the ultimate program owner of their respective ministries are top managers of the ministries. So, the performance of the programs is heavily relying on their engagement in follow up of their programs. So different interventions like facilitating awareness creation, refresher trainings, applying accountability measures, are some of them to be applied.
- i. Lastly, even though the study doesn't cover all aspects of PBB, it is recommended that the government is advised to take in to account some of the gaps identified by this study as a lesson while designing and rolling out this program-based budgeting system in the lower levels of government(regions and woredas) in the future plans.

5.3. Suggestions for further study

The scope of this study is limited to general understanding of the PBB implementation effectiveness in three selected federal public bodies of Ethiopia. In the process of the assessment 60% of the respondent said that their ministry didn't do the proper way of performance evaluation of their programs and also 66.7% of respondents indicated that PBB implementation in their ministry is not supervised well and in addition 63.4% of them replied that top management support is unsatisfactory. These three issues are magnified in this study but not detail investigated. So, the researcher recommends to have further research on the factors and root causes of these problems and also what are the consequences of these on public resource utilization, etc.

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Annexes

Survey Questionnaire on the use of program-based budgeting system in public bodies of Ethiopia

Introduction

This research is conducted as part of my study with an objective to assess the implementation effectiveness of the program based budgeting (PBB) of public bodies of Ethiopia. This questionnaire is distributed to line Ministries that receive budget apportionments from the government of Ethiopia. The questionnaire is asking about the opinions and experiences of each respondent in using program based budgeting for preparation and administration of public resource (budgets) assigned to them. Each answer is valuable for this study.

This questionnaire should be filled by head or senior experts who are liable in the planning and budget preparation departments of each public bodies under study. Based on that, it is my pleasure to choose you as part of my study in responding to this questionnaire.

Finally, the researcher will give due attention to your genuine and careful response to the questions in the questionnaire because it is the evidence you provide which determines the final result of the research project. Therefore, you are kindly requested to give your response considering its significant impacts on the overall findings of the study.

Confidentiality

I affirm that all information's are collected from this study will only be used for my research project. All private information will be preserved as confidential.

Further Information

If you need additional information concerning this study, you can contact the researcher.

Thank you in advance for your support and Contribution!

Researcher Address:

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Addis Ababa, Ethiopia

Part II: Questions in this part are asking about your opinion and experience in Budget preparation processes

Instruction: Please indicate the extent to which you agree or disagree with each of the following statements by tick (✓) only one box, where; **1=Strongly Disagree, 2= Disagree, 3= Neither Agree nor Disagree, 4=Agree, and 5=Strongly Agree.**

Statements	Strongly Agree	Agree	Neither Agree nor Disagree	Disagree	Strongly Disagree
1. you as a budget staff have sufficient information about the objective of PBB					
2. You think PBB is fully implemented in your organization					
3. You think that PBB is a better system than the previous line item budgeting					
4. Your institution have well organized Strategic plan					
5. Your organization have clear and standardized goals and objectives					
6. Your organization have set measurable clear targets					
7. Your organization allocate/assign resources based on programs					
8. Your organization evaluate performances strictly against set programs					
9. Your organization reported its report to MOF based on the procedure and calendar of PBB					
10. You are familiar with government policies and expenditure planning					
11. Program budget is recommendable than line item budgeting					
12. You have sufficient Familiarity with program budget concept					
13. Your Budget request correspond to their program initially					
14. You Believe that PBB can/may better utilize resources					
15. Sufficient Training has been provided about PBB					
16. Staffs support PBB type reform fully and partially					
17. There is strong commitment of staffs to PBB					
18. Your department have the prerequisite qualification, experience and skills required to effectively implement PBB					

Part III: Questions in this part is asking about your opinion and experience in program based budgeting documentations

Statements	Strongly Agree	Agree	Neither Agree nor Disagree	Disagree	Strongly Disagree
1. Your Ministry have adequate policies and procedures regarding PBB					
2. You personally have all the procedures and policies of PBB in your hand					
3. Stakeholders were participated in development of annual PBB process					
4. You as budget officer are well sensitized and consulted while preparing PBB					
5. PBB policies and guidelines are strictly adhered and implemented					
6. While preparing PBB there is harmonization and interlink among other organizational policies/guidelines					
7. Everyone in the Ministry is involved in PBB exercise					
8. Your Ministry exercise code of good practice, transparency and adherence to policies and procedures					

Part IV: Questions in this part is asking your opinion and experience Ministry of Finance Support in mainstreaming program based budgeting

Statements	Strongly Agree	Agree	Neither Agree nor Disagree	Disagree	Strongly Disagree
1. You have got the necessary legal documents from MOF					
2. You have got the necessary practical training from MOF					
3. You have got the necessary hands on support in relation to operationalizing PBB					
4. MoF effectively conduct performance evaluation of your programs regularly					
5. Over all, you have got all the necessary supports in implementing PBB in your Ministry					

Part V: About the support from top management of your Ministry regarding the engagement in implementing the program based budgeting reform

Statements	Strongly Agree	Agree	Neither Agree nor Disagree	Disagree	Strongly Disagree
1. Top Management is aware of the benefits that can be achieved with using PB system					
2. Top management Supports and encourages the use of the system					
3. Top management Provides most of the necessary help and resources					
4. Management is keen to see people happy with using the system					
5. Management Provides good access to necessary resources					
6. Management Provides good access to various types of software to easily implement the system					
7. The PBB is successfully supervised by management					
8. Over all the management support was sufficient					

Part VI: Challenges faced by your ministry in effectively implementing Program Based Budgeting

- Do you have faced a challenge in implementing program based budgeting in your Ministry? If Your answer is yes; Please list down those challenges

- What should you recommend is a solution to tackle those challenges

- Please suggest any additional idea in effective implementation of PBB which are not addressed in the questionnaire

Interview Questions on the use of program based budgeting system in public bodies of Ethiopia

Back ground information

Name of Respondent: _____

Position: _____

Organization: _____

Years in Current Position: _____

Years in Current Organization: _____

Date of Interview: _____

Interview Conducted By: _____

Part I: General

1. How would you describe the process of the Program based budgeting decisions in the central ministries and sector/line ministries?
2. What were the drawbacks of the traditional line item budgeting?
3. Do all line ministries undertake or commission implementation of program budget properly?
4. Is there sufficient and qualified human resource to coordinate the reform in line ministries?
5. Do the donors have a stake in introduction and implementation of program budget from the government? If so, please describe.
6. Are there any sector ministries that you would suggest represent a good model on how they use program budget for resource allocation?

Part II: Organization and capacity for the program based budgeting implementation

1. Is a program budgeting and other related reform having the support of the Ministry of Finance?

2. Is there a department or unit in the ministry of finance tasked with the specific responsibility of modernizing the budget system?
3. Does the unit have adequate professionals staff and are they dedicated full time to the reform task?
4. Does the reform unit consult and collaborate closely with professional staffs working in the forecasting, budget, accounting and treasury departments of the ministry of finance.
5. Do you believe that there is sufficient amount of financial resource for successful implementation?
6. Is there a systematic training and orientation program for staff in the ministry of and for budget and financial management staff of the line ministries and spending units?
7. Does the reform unit have access to technical assistance from international organizations, and/or bilateral programs?
8. Is there an appropriate budgetary format and instruction prepared for the use by various departments?
9. Is there an evaluation and correction mechanism that is developed to monitor, evaluate, and correct while the program is on progress? If so how?
10. Do you believe that there is a good planning capacity which can fit with program budgeting in most of the spending agencies?