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**ADDIS ABABA UNIVERSITY COLLEGE OF BUSINESS AND  
ECONOMICS**

**DEPARTMENT OF PUBLIC ADMINISTRATION AND  
DEVELOPMENT MANAGEMENT**

**Determinants of Policy  
Implementation Performance: The  
Case of Lease Financing Policy of the**

**BY: TIGIST DESTA**

**October 2024**

**Addis Ababa, Ethiopia**

**Addis Ababa University**  
**College of Business and Economics**  
**Department of Public Administration and Development**  
**Management**

**Determinants of Policy Implementation Performance: The Case of**  
**Lease Financing Policy of the Development Bank of Ethiopia**

**By**  
TIGIST DESTA

**A thesis submitted to the Department of Public Administration and Development**  
**Management of Addis Ababa University in partial fulfillment of the requirements for the**  
**Degree of Masters of Arts in Public Management and Policy (MPMP)**

Advisor  
Berhanu Temesgen (PhD)

**October 2024**  
**Addis Ababa, Ethiopia**

## **Declaration**

I hereby declare that this thesis titled **Determinants of Policy Implementation Performance: The Case of Lease Financing Policy of the Development Bank of Ethiopia** submitted to Addis Ababa university school of Business and Economics for the award of the degree of Master of Science in Management is a record of original and independent research work done by me under the supervision and guidance of BERHANU TEMESGEN (PhD). And it has not been submitted for the award of any other degree or diploma or fellowship or any other similar title to any candidate of this or any other university/institution, and all sources of materials used for the study are accordingly acknowledged.

**Declared by:**

Name: \_\_\_\_\_

Signature: \_\_\_\_\_

Date: \_\_\_\_\_

**Confirmed by Advisor:**

Name: \_\_\_\_\_

Signature: \_\_\_\_\_

Date: \_\_\_\_\_

## APPROVAL

This is to certify that the thesis prepared by Tigist Desta titled “Determinants of Policy Implementation Performance: The Case of Lease Financing Policy of the Development Bank of Ethiopia”, which is submitted in partial fulfillment of the requirements for the Degree of Master in Public Management and Policy (MPMP), complies with the regulations of the University and meets the accepted standards with respect to originality and quality.

Approved by Board of Examiners:

\_\_\_\_\_ Signature \_\_\_\_\_ Date \_\_\_\_\_

Advisor

\_\_\_\_\_ Signature \_\_\_\_\_ Date \_\_\_\_\_

External Examiner

—

\_\_\_\_\_ Signature \_\_\_\_\_ Date \_\_\_\_\_

Internal Examiner

—

\_\_\_\_\_ Signature \_\_\_\_\_ Date \_\_\_\_\_

Chair of Department or Graduate Programs Coordinator

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October 2024

Tigist Desta

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## **LIST OF ACRONYMS / ABBREVIATIONS**

<b>DBE:</b>	The Development Bank of Ethiopia
<b>EP:</b>	Enterprise Partners
<b>GTP:</b>	Growth and Transformation plan
<b>IFC:</b>	International Financial Corporation
<b>LFP:</b>	Lease Financing Policy
<b>NBE:</b>	National Bank of Ethiopia
<b>NPL:</b>	Non- Performing Lease
<b>SME:</b>	Small and Medium Enterprises
<b>WB:</b>	The World Bank
<b>TVA:</b>	Tennessee Valley Authority
<b>SSA:</b>	Sub-Sahara African
<b>GTP:</b>	Growth and Transformation Plan

## Abstract

*The main purpose of this study is to identify determinants of policy implementation performance in the case of DBE's Lease Financing policy. Some of the necessary questions addressed by the study are; evaluating the performance of lease financing policy, examining whether determinants of policy implementation identified by Winter's "Integrated Implementation Model," affects the implementation of DBE's lease financing policy, investigating sector specific (Bank specific) factors that affects lease financing policy implementation performance and identifying the implementation approach that describes the implementation process of the Bank. The study was carried out in two Addis Ababa districts of DBE & their respective 13 branch offices. The study used quantitative research method. The study has 92 respondents. The data of the study render on survey method and a questionnaire was used to gather the necessary information from the research participants. Simple random sampling method was applied on the study to draw the study respondents. Finally, the data was presented by using the descriptive statics method of frequency and percentage. Based on the above mentioned methodology and design, the study findings indicated that all five factors from Winter's "Integrated Implementation Model," particularly the Commitment and Leadership Skill of the management and employee skills & will, influenced the implementation of the lease financing policy. Furthermore, the study identified employee compliance to policy & procedure as a sector-specific factor affecting implementation performance of the Bank. It also found that the structured nature of the policy and standard operating procedures limited street level bureaucrats' discretionary power to modify policy goals to their interest. Secondary data suggested that the effectiveness of lease financing policy implementation varied with different leadership styles. Applying Matland's "Ambiguity-Conflict Model," the study concluded that the DBE's lease financing policy is characterized by low ambiguity and conflict, aligning with traditional top-down implementation models. Consequently, it's recommended that policy implementation models be tailored to the specific type of policy and sector conditions that may influence execution.*

**Keywords:** *Factors affecting policy implementation, Lease Financing Policy, Integrated Implementation Model, employee compliance, street level bureaucrats' discretionary power, leadership styles, Ambiguity-Conflict Model, sector specific conditions.*

# CHAPTER ONE

## INTRODUCTION

### 1.1 Background to the study

A public policy conceptualization shows that there is no uniform characterization to define it. But, in general terms, public policy is defined as a purposeful course of action that an actor or set of actors follows in dealing with a problem or matter of concern (Hecl, 1972; Jenkins, 1978; Smith, 1976). It is a series of government activities or decisions designed to remedy certain social problems. Public policy must be properly implemented to reap benefits for citizens, and its success is positively correlated with the way in which it is put into practice. Even the best policy is worth little if it is poorly implemented (Stewart, Hedge & Lester 2008). Therefore, policy implementation is an important stage in the policymaking process (Khan & Khandaker, 2016).

However, as Ahmed & Dantata (2016) puts it “implementation often turns out to be the graveyard of many policies”. In particular, experiences in developing economies demonstrate that, policies are often not implemented as intended and do not always produce the desired results (Teddy et al., 2019).

Ethiopia, like other developing countries, faces a number of challenges in implementing policies. Both policymakers and implementers acknowledge that, what is intended and what is actually achieved varies. As a result, complaints are commonly heard in public conferences and implementation reports, parliamentary conventions, ministerial and larger society institutions. (Mulugeta, 2005; Biruk, 2014; and Dereje, 2012 cited in Dereje & Tiruye, 2018).

Factors which determines policy implementation performance are identified by several scholars such as; Brinkerhoff & Crosby (2002); Lipsky (2010); Meter & Horn (1975); Pressman & Wildavsky (1973); Ajulor (2018) & Winter (2012) to be; vague, ambiguous or conflicting goal expectations, poorly structured Policy design, lack of sufficient resources or incentive or competent staff, poor management of policy intervention, the presence of a negative disposition among implementers, lack of inter-organizational cooperation, lack of specific technical know-how or administrative capabilities, and involuntary clients.

Lease financing is one of the alternative sources of financing for SMEs which is effective in overcoming barriers posed by interest rate ceilings and collateral requirements in conventional commercial bank lending programs (The World Bank, 1997 & 2015).

In light of this, in the budget year 2015/16, the government assigned the Development Bank of Ethiopia (DBE) with the objective of supporting small and medium enterprises (SMEs) ; ascribed in many literatures as the missing middle, having the desire, knowledge and profession to participate in various investment activities but could not act due to lack of capital & collateral through Capital goods financing scheme as the existing financial institutions could not address the gap,. To this end, DBE has developed Lease Financing policy in Hire-Purchase modality, which is aimed to serve SMEs graduating from the microenterprises sector and those newly formed SMEs (DBE, 2016).

Nonetheless, the report prepared by Enterprise Partners, (2020) indicates that, though Growth and Transformation Plan II (GTP II) in 2015 set a target for the leasing sector to disburse Birr 42 billion by 2020 as of December 2019, total lease financing disbursement from all 6 leasing companies (including DBE) was about Birr 6 billion, serving about 6,200 SMEs. However, less than 15% of that target has been achieved. The report adds that, DBE's leasing activity grew rapidly during its first three fiscal years of leasing activity (July 2016 through June 2019) then slowed down significantly during the period starting July 2019 up to 2021. According to the report, the slower growth is a reflection of DBE's decision in late 2019 to halt all new leasing applications due to the high level of non-performing leases (NPLs).

Moreover, Arrears monitoring monthly report of Development Bank of Ethiopia show that, as of June 30, 2019, 86 leasing projects are under NPL with lease amount of Birr 519.1 million & NPL ratio of 15.5%. However, after change in the management of the Bank & reform implementation, Lease financing NPLs ratio has fallen to 1.93 % at the end of FY2022/23(DBE, 2023).

This study aims to build upon the insights provided by public policy scholars specially Winter's (1990) Integrated Implementation Framework" to further explore and understand the specific factors that affect policy implementation performance in the context of the Development Bank of Ethiopia Lease Financing Policy.

## 1.2 Statement of the problem

Policy implementation has long been recognized as a critical phase in the public policy process, yet it is often characterized by a significant gap between policy intentions and actual outcomes (Smith, 1973; Robichau and Laurence, 2009; Pressman and Wildavsky 1973; Sabatier and Mazmanian 1980; O'Toole and Meier 1999; Matland, 1995; Hood 1983; Lipsky 1980; Bardach and Kagan 1982). These studies have highlighted factors such as policy and organizational design, inter-organizational collaboration, management approaches, interpretations of policy objectives, contextual influences and the attitudes and capacity of street-level bureaucrats to have effect on policy implementation performance.

However, almost all implementation studies are undertaken in America and Europe. Saetren in his empirical assessment of policy implementation research in 2005 has presented that, out of 7,301 publications conducted on policy implementation globally, only 4% have been conducted in Africa. Teddy et al., (2019) also argues there is a deficiency in literature on policy implementation in Africa.

Similarly in Ethiopian, policy implementation is a new research area which is growing recently. The knowledge gap widens more even more when it comes to the financial sector and it is possible to dare to say there are no policy implementation studies on DBE's lease financing policy implementation,. The following are the studies undertaken in Ethiopia related to policy implementation which are accessed by the researcher.

Abdurahman (2019) in his study has tried to examine policy implementation practice of Industrial policy in Ethiopia with three specific objectives such as 1) evaluate the performance of industrial sector under GTP II, 2) assess the internal validity, clarity and comprehensiveness of industrial policy and 3) examine factors influencing the successful implementation of industrial policy.

Dereje & Tiruye, (2018) on the other hand, employing a descriptive – explanatory research design, have tried to find out the major causes for policy dichotomy and its challenges to implementation in selected public institutions in Ethiopia which are in charge of continuous policymaking and implementation processes at federal and state levels.

Dereje (2021) in his article titled “The Role of Leadership in Policy Implementation: The Case of Selected Federal Public Institutions in Ethiopia”, revealed that leadership role in policy

implementation is decisive and incontestable, while their commitment is not found to the level expected; accountability for implementation deficit is either little or non-existent. The researcher has used a descriptive-explanatory design with combined research approaches. Assefa's (2016) paper on implementation of the population policy of Ethiopia has assessed the extent to which the population policy objectives have been realized.

The findings of the above studies have identified factors affecting policy implementation of non-financial sector. However, scholarly works addressing policy implementation in other sectors may not be directly applicable to the banking industry, considering its distinct operational features and regulatory frameworks.

Moreover, despite extensive scholarly attention to policy implementation, there remains a critical gap in understanding the specific factors influencing policy execution within the banking sector. While numerous studies have examined policy implementation in various contexts, a comprehensive and up-to-date investigation into the unique challenges and determinants in the banking industry is notably lacking.

Additionally, DBE's five year strategic plan of 2019 and the accompanying annual performance reports have revealed that, lease financing policy performance of the Bank has two distinct features. The first one is a poor performance while the second one is a radical shift from poor to best performance in the history of the Bank. This distinction has been marked by an institutional reform which began in 2020 and ended on 2024. This distinct performance of the Bank on the same policy therefore calls for close investigation which attracted the researcher.

Furthermore, the analysis of a policy's level of ambiguity and conflict to identify which of several differing models in the literature best describes the implementation process of a given policy or a careful evaluation of a policy's characteristics needs more attention so as to build a more effective model of implementation Matland (1995).

Therefore, this study seeks to bridge the existing gap by analyzing the factors influencing policy implementation within the banking sector. By examining the most recent and relevant scholarly studies in public administration, organizational behavior, and banking regulation, the researcher aims to identify and understand the unique challenges and determinants that impact the successful implementation of policies in banking institutions in the context of the Development Bank of Ethiopia's Lease Financing Policy.

The main motivation behind undertaking this research is due to the fact that, the researcher is the staff of the Bank. Therefore, conducting research on my organization is justified due to my unique insider perspective and access to information that can enhance the quality of the study. This research holds significant relevance, as it can address specific challenges faced by the Bank during lease financing policy implementation and provide valuable insights that may lead to improved practices. Ethically, I will ensure that all necessary permissions are obtained and that confidentiality is maintained where required. While my position may introduce potential biases, I am committed to employing rigorous methodologies to uphold objectivity throughout the research process. Ultimately, this study aims to contribute not only to academic knowledge but also to practical applications within the organization, making it a meaningful and beneficial endeavor.

### **1.3 Objective of the Study**

#### **1.3.1 General objective**

The general objective of this study is to analyze the determinants of Lease Financing Policy implementation performance of the Development Bank of Ethiopia's, as well as identifying the appropriate implementation approach which best describes the implementation process of the Bank.

#### **1.3.2 Specific objectives**

The specific objectives of the study are the following.

- ❖ To evaluate the level of lease financing policy implementation performance of the Development Bank of Ethiopia.
- ❖ To identify the implementation approach best describes the implementation process of the Development Bank of Ethiopia's Lease Financing Policy.
- ❖ To examine whether determinants of policy implementation identified by Winter's "Integrated Implementation Model," affects the implementation of DBE's lease financing policy.
- ❖ To investigate a sector specific (Bank specific) factors that affects DBE's lease financing policy implementation performance.

## **1.4 Research Questions**

To achieve the purpose of the study, the following research questions will guide the investigation:

1. What is the level of lease financing policy implementation performance of the Development Bank of Ethiopia?
2. Which implementation approach (the Top-Down or Bottom-Up) best describes the implementation process of the Development Bank of Ethiopia's Lease Financing Policy?
3. Do factors identified by Winter's "Integrated Implementation Model," affects the implementation of DBE's lease financing policy?
4. What are the sector specific (Bank specific) factors which affects lease financing policy implementation?

## **1.5 Significance of the Study**

This study holds significant theoretical, practical, and contextual relevance. Theoretically, it addresses a critical gap in policy implementation research, which has predominantly focused on Western contexts, with only 4% of such studies conducted in Africa. By analysing the Development Bank of Ethiopia's (DBE) Lease Financing Policy, this study enriches the local literature by exploring policy implementation in a unique socio-economic and institutional context. Furthermore, it contributes sector-specific insights into the under-researched banking industry, which operates under distinct regulatory frameworks and operational dynamics compared to non-financial sectors.

Practically, the study offers actionable recommendations for policymakers, banking executives, and other stakeholders. It examines DBE's lease financing policy performance, including its dramatic improvement following institutional reforms from 2020 to 2024, identifying best practices and strategies for effective policy implementation. By addressing factors such as leadership, organizational design, resource allocation, and accountability, the study provides valuable insights to enhance future implementation processes. These findings align with the DBE's strategic objectives and offer lessons applicable to other banking institutions and sectors.

Contextually, this research sheds light on the unique challenges of policy implementation in Ethiopia, a region where policy implementation studies are still in their infancy. By investigating the dramatic shifts in the DBE's performance and evaluating the applicability of Matland's (1995) framework, the study contributes to building adaptive models for policy execution tailored to Ethiopia's socio-economic realities. It also supports evidence-based policymaking, enhancing the capacity of Ethiopian institutions to design and implement effective policies while stimulating further research on policy implementation across various sectors.

In sum, this study not only fills a gap in literature but also provides practical and contextual insights that can improve policy outcomes in Ethiopia's banking sector and beyond. Its findings have the potential to serve as a base for enhancing policy implementation performance in similar contexts locally.

## **1.6 Scope of the Study**

The study of policy implementation is broad and complex issue (Signé, 2017). Therefore, to make the study more manageable and focused and the Bank's policy implementation method is standardized; the research has concentrated on policy implementation within two Districts in Addis Ababa among 24 districts of the Bank. Moreover, since the study focuses on a specific type of policy "DBE's Lease Financing Policy", the researcher can explore the unique factors affecting implementation in that domain, providing a more detailed and nuanced analysis.

Methodologically, choosing quantitative surveys method has helped the researcher to maintain coherence in the research approach and ensures that the methods used are well-suited to addressing the research questions.

The study has further been delimited to examine particular key factors affecting policy implementation, such as Policy Formulation and Design, stakeholders' cooperation, or management behavior, employee's skill & will & target group behavior. By focusing on specific factors, the research can provide a more focused and detailed investigation.

These clear delimitations ensure a focused and coherent analysis, clarifying what is included and excluded from the study, and enhancing the relevance and manageability of the research.

## **1.7 Limitations of the Study**

The study of policy implementation being recent phenomena in Ethiopia, there is shortage of empirical implementation studies, specifically those in the financial sector that test theories on the basis of statistical research designs. This has limited the literature review of the study.

Moreover, since the study has applied solely quantitative study approach, it lacked the benefits of qualitative approach such explanation for the descriptive result.

## **1.8 Definition of Key Terms Used**

Defining and clarifying key terms are very crucial in any scientific study because it guides potential readers to contextualize the issues under consideration. Key terms which are predominantly used in this proposal are defined and clarified. The following terms refer to the operational definitions used in the study:-

### **Lease financing**

Definitions of leasing differ considerably in different jurisdictions for tax, legal, and accounting purposes. However, Leasing in its simplest form is a means of delivering finance, with leasing broadly defined as “a contract between two parties where one party (the lessor) provides an asset for usage to another party (the lessee) for a specified period of time, in return for specified payments.” Leasing, in effect, separates the legal ownership of an asset from the economic use of that asset (IFC, 2009).

In DBEs context, “Lease Financing shall mean capital goods financing service availed by the Bank to SMEs under “hire-purchase” modality.” (DBE’s Lease Financing Policy, 2022).

### **Management Capability: -**

In this study the word management stands for members of the Bank which are involved in the administration of Lease Financing Policy starting from Board of Directors up to team leaders at Branch level. On the other hand capability represents the ability of the management to lead, guide, and support the employee of the Bank in the process of implementing lease financing policy.

### **Non- Performing Lease (NPLs):-**

It is the amount of lease provided to the customer & expected to be paid back on specific date. However it turned out to bad loan because the customer did not paid it to the Bank as per its schedule on loan agreement.

### **Policy Formulation & Design: -**

It is the process through which the Bank has formulated & designed lease financing policy, to achieve a particular goal.

### **Policy Implementation**

In the case of the Development Bank Ethiopia, policy implementation is the process of translating policy statements in lease financing policy by following a procedure in to results.

### **Policy Implementation Performance**

Winter (2012) defines it to be the results of the implementation process in terms of outputs or policy content at a much more operational level or as it is being delivered to the citizens. I.e. it is the amount of lease collected from SMEs & Non- Performing Loans (NPLs) Ratio.

### **Small & Medium Enterprises (SME's)**

In the context of DBE on the other hand, Small and Medium Enterprise (SME) shall mean “an enterprise that creates job opportunity for at least 6 employees and has a minimum capital of Birr 500,000” (DBE’s Lease Financing Policy, 2022).

### **Stakeholders’ cooperation: -**

Represent the cooperation level of stakeholders’ stated in Capital Goods Leasing Business Proclamation no. 103/1998 & its amendment Proclamation no. 807/2013, to lease financing policy implementation by DBE.

### **Street level Bureaucrats’ Skill & Will: -**

It is the attitudes and capacity of employees of the Bank which are assigned to deliver lease Financing Policy.

### **Target group: -**

They are the customers of the Bank or beneficiaries (Small & Medium Enterprises- SMEs) who

used lease financing service provided by DBE.

## **1.1 Organization of the Study**

This study paper consists of five chapters. The first chapter is an introductory part which presents background of the study, statement of the problem, research questions & hypothesis, objectives, significance, scope and limitation of the study. The second Chapter reviews theoretical and empirical literatures related to policy implementation and lease financing. The third chapter discuss on the methodology and data description which includes research design, sampling technique, and instrument of data collection among others. The fourth chapter presents data interpretation and analysis. The last chapter makes conclusions and recommendations.

## CHAPTER TWO

### REVIEW OF RELATED LITERATURES

#### 2.1 Introduction

Policy implementation is a critical phase in the policy-making process, wherein the intentions and goals set by policymakers are translated into action. Despite meticulous planning and policy formulation, the execution often deviates from the initial plan. Understanding the causes behind this discrepancy is essential for effective policy implementation and overall organizational success.

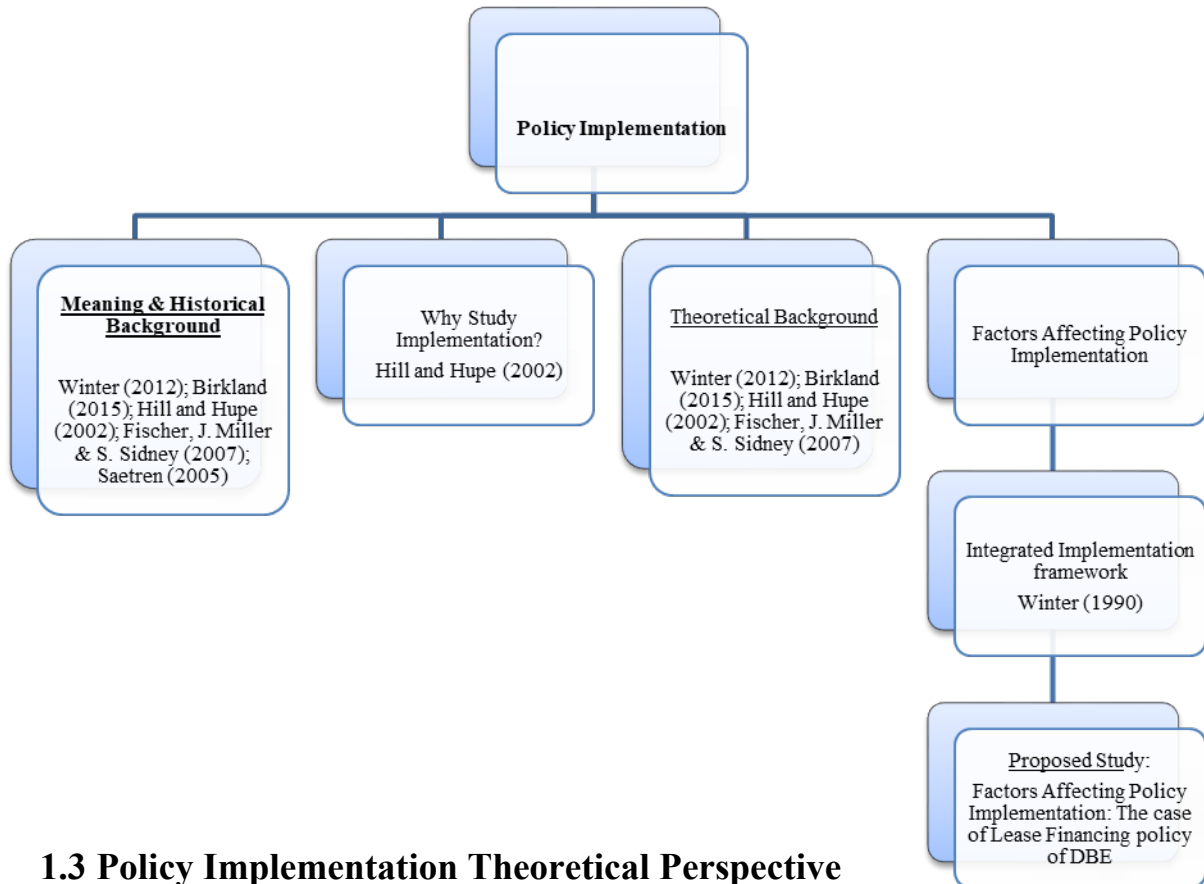
While numerous studies have examined policy implementation in various contexts, a comprehensive and up-to-date investigation into the unique challenges and determinants in the banking industry is notably lacking.

Therefore, among the factors affecting policy implementation identified by scholars in the field such as (vague, ambiguous or conflicting goal expectations, poorly structured Policy design, lack of sufficient resources or incentive or competent staff, poor management of policy intervention, lack of inter-organizational cooperation, lack of specific technical know-how or administrative capabilities, and involuntary clients) this study aims to investigate the specific factors affecting policy implementation in the context of the Development Bank of Ethiopia's Lease Financing Policy.

The purpose of this section is to outline the theoretical and empirical framework of this study and to put the whole study into perspective. It begins by introducing policy implementation, in which its definition, historical background, the importance of studying policy implementation, theories & models in policy implementation & factors affecting policy implementation are discussed. The next section illustrates the literature map of the study.

## 1.2 Literature map

Figure 1: Literature map



## 1.3 Policy Implementation Theoretical Perspective

### 1.3.1 Definition of Policy Implementation

Different scholars define implementation in differing ways (Signe, 2017). Among these the one by Pressman and Wildavsky (1973) is the earliest definitions. For them implementation is “the ability to forge subsequent links in the causal chain so as to obtain the desired results” (Fischer, Miller and Sidney, 2007: 91). According to them, proper implementation requires government officials to translate broad agreements into specific decisions. Furthermore, the degree of goals accomplished through a specific decision could be a measurement of the success of policy implementation (Chompucot, 2011).

On the other hand, Mazmanian and Sabatier (1983) are among the most often cited authors in the field; they define implementation as “the carrying out of a basic policy decision, usually incorporated in a statute but which can also take the form of important executive orders or court

decisions”(Hill and Hupe, 2002:7). Ideally, that decision identifies the problem(s) to be addressed, stipulates the objective(s) to be pursued, and in a variety of ways, “structures” the implementation process.

From the point of view of Lester and Goggin (1998), policy implementation is a process, a series of sub-national decisions and actions directed towards putting a prior authoritative federal decision into effect. The essential characteristics of the implementation process, then, are the timely and satisfactory performance of certain necessary tasks related to carrying out the intention of the law.

Another interesting definition of policy implementation is from Van Meter and Van Horn (1975), who state that “policy implementation encompasses those actions by public and private individuals (or groups) that are directed at the achievement of objectives set forth in prior policy decisions.” This definition includes the effort to transform decisions into operational terms, and also the effort to achieve large and small changes mandated by policy decisions. Specifically, policy implementation is a relationship of concern among stake holders.

For Thomas A. Birkland (2015) implementation is the process by which policies enacted by government are put into effect by the relevant agencies. Similarly, Barrett and Fudge (1981), describe the implementation process as a sequence of events 'triggered' by a policy decision, involving the translation of policy into operational tasks, to be carried out by a variety of actors and agencies, and substantial coordinating activity to ensure that resources are available and that things happen as intended".

Bhola (2004) on the other hand defines it as a process to actualize, apply and utilize policy in the world of practice. To Stewart, Hedge & Lester (2008), it refers to the execution of law, in which various stakeholders and organizations work together with the use of procedures and techniques to put policies into effect to help attain goals.

Kerr (1981) also provides an interesting definition of policy implementation as “the study of an organization’s capability in utilizing resources to reach policy objectives.”

Therefore, from the above discussion a conclusion can be drawn that, to most scholars on public policy, implementation stage in the policy process is concerned with turning policy intentions into action.

### 1.3.2 Historical Background of Policy Implementation Research

Policy implementation literature can be traced back to Phillip Selznick's analysis of the Tennessee Valley Authority (TVA) in 1949, where he observed how local implementation contexts significantly shaped the outcomes of federal economic development initiatives (Saetren, 2005). However, structured study on policy implementation is credited to Pressman and Wildavsky's examination of a federal jobs program in Oakland, California, in 1973, where they emphasized the collaborative efforts needed for successful policy execution (Mugambwa, 2018).

Winter (2012) notes that implementation research gained momentum in political science and policy analysis, peaking in the mid-1980s, with inspiration from pioneering scholars like Pressman and Wildavsky. Although research explicitly labeled as "implementation" has declined over time, substantial focus remains on implementation issues under various other labels such as public administration, public management, regulatory enforcement, compliance, street-level bureaucracy, principal-agent theory, new institutionalism, governance, networks, and policy design.

Winter adds that, implementation research has expanded into specialized policy areas such as health and environmental policy, with dedicated journals like *Implementation Science*. However, there's little correlation between implementation research in specialized areas and core journals in political science, public administration, and public policy.

Goggin, Bowman, Lester, and O'Toole (1990) identified three generations of implementation research. The first generation was characterized by qualitative, single case-study approaches aimed at raising awareness rather than theory-building. The second generation saw the emergence of theoretical frameworks and hypotheses, along with an increase in empirical studies using both qualitative and quantitative data. Debates between top-down and bottom-up approaches marked this period, with the former emphasizing hierarchical execution of policy intentions and the latter highlighting the problem-solving strategies of "street-level bureaucrats." The third generation aimed to reconcile these approaches, striving for a more scientific approach to implementation research by formulating clear hypotheses and conducting empirical testing (Fischer, Miller and Sidney, 2007; Winter, 2012).

While most implementation research originated from the United States, the second generation saw significant theoretical contributions from European scholars, particularly in the context of European integration studies (Fischer, Miller and Sidney, 2007; Saetren, 2005).

Overall, policy implementation emerged from scholars' interest in understanding policy failure roots. The top-down, bottom-up, and synthesis/hybrid perspectives of policy implementation will be reviewed in the following section, including their characteristics, contributions, key factors, and critiques.

### **1.3.3 The importance of Studying Policy Implementation**

Policy implementation scholars have long emphasized the importance of studying implementation to ensure that policies achieve their intended outcomes and improve overall governance. Pressman and Wildavsky (1973), in their seminal work "Implementation: How Great Expectations in Washington Are Dashed in Oakland," highlighted that even well-designed policies can fail if not implemented effectively, stressing the need to understand the complex processes and interactions involved in implementation. Similarly, Lipsky (1980) in "Street-Level Bureaucracy: Dilemmas of the Individual in Public Services" argued that the actions of front-line workers play a critical role in shaping policy outcomes, making it essential to study how these workers interpret and execute policies on the ground.

Additionally, Hill and Hupe (2002) in "Implementing Public Policy" underscored that implementation studies provide insights into the practical challenges and contextual factors affecting policy execution, thereby helping to refine strategies and improve effectiveness. These scholars collectively assert that studying implementation is crucial for identifying barriers and facilitators, optimizing resource use, promoting accountability, and ensuring that policies are adaptable to local contexts and effectively meet the needs of beneficiaries. Their work provides a foundational understanding of why implementation studies are indispensable for translating policy goals into tangible results.

### **1.3.4 Models in Policy Implementation**

After mid-1970s researchers sought to create systematic theories of the policy process that were generalizable to many cases, rather than focused on one or a few cases. As this research progressed, two separate research approaches emerged. The first of these approaches emphasizes

a “top-down” perspective on policy implementation. These studies focus on the gaps between the goals set by a policy’s drafters and the actual implementation and outcomes of the policy. The second approach emphasizes a “bottom-up” perspective, which suggests that implementation is best studied by starting at the lowest levels of the implementation system and moving upward to see where implementation is more or less successful (Birkland, 2015). These two approaches and three additional approaches will be discussed in the section below.

### **1.3.4.1 TOP-DOWN Theories/Models in Policy Implementation**

The top-down approach is based on the following set of important assumptions:

- ✓ Policies contain clearly defined goals against which performance can be measured.
- ✓ Policies contain clearly defined policy tools for the accomplishment of goals.
- ✓ The policy is characterized by the existence of a single statute or other authoritative statement of policy.
- ✓ Policy There is an “implementation chain” that “starts with a policy message at the top and sees implementation as occurring in a chain.”
- ✓ Designers have good knowledge of the capacity and commitment of the implementers.

Capacity encompasses the availability of resources for an implementing organization to carry out its tasks, including monetary and human resources, legal authority and autonomy, and the knowledge needed to effectively implement policy.

- ✓ The implementer assumes that these features are present or that any problems suggested by these assumptions can be overcome.
- ✓ The focus then is on creating the proper structures and controls to encourage or compel compliance with the goals set at the top.

Parsons (1995) points out that these studies were based on a “black box model” of the policy process inspired by systems analysis. They assumed a direct causal link between policies and observed outcomes and tended to disregard the impact of implementers on policy delivery.

The predominant top-down researchers focused on a specific political decision, normally a law. They would typically assume a control perspective on implementation, trying to give good advice

to governments to have clear and consistent goals, to limit the extent of change necessary, and to place the responsibility for implementation with an agency sympathetic with the policy's goals (Winter, 2012).

The following are classical top-down scholars who studied factors affecting policy implementation with a top down perspective.

Pressman and Wildavsky's book (1973), a study of the implementation of a federal program of economic development in Oakland, California, highlighted the importance of the number of agencies involved in policy delivery. They argued that effective implementation becomes increasingly difficult, if a program has to pass through a multitude of "clearance points."

Van Meter and Van Horn (1975) offered a more elaborate theoretical model. Their model included six variables that shape the relationship between policy and performance. While many of these factors had to do with organizational capacities and hierarchical control, the authors also highlighted two variables that slightly departed from the top-down "mainstream": They argued that the extent of policy change had a crucial impact on the likelihood of effective implementation and that the degree of consensus on goals was important. Hence, significant policy change was only possible if goal consensus among actors was high.

Sabatier and Mazmanian (1980) are among the core authors of the top-down approach. They started their analysis with a policy decision that was made by governmental representatives. Therefore, they assumed a clear separation of policy formation from policy implementation. They developed the best-known and most frequently used top-down analysis framework. It contains 17 variables placed in three main groups concerning; the tractability of the problems addressed by the legislation, the social and political context, and the ability of the legislation to structure the implementation process. This structuring can be made by means of, for example, hierarchy, appointing of authorities and staff with a positive attitude towards the legislation/program, and use of incentives including competition among providers.

Their model lists six criteria for effective implementation: (1) policy objectives are clear and consistent, (2) the program is based on a valid causal theory, (3) the implementation process is structured adequately, (4) implementing officials are committed to the program's goals, (5) interest groups and (executive and legislative) sovereigns are supportive, and (6) there are no detrimental changes in the socioeconomic framework conditions. Although Sabatier and

Mazmanian acknowledged that perfect hierarchical control over the implementation process was hard to achieve in practice and that unfavorable conditions could cause implementation failure, they argued that policy makers could ensure effective implementation through adequate program design and a clever structuration of the implementation process.

Top-down policy implementation models have largely fallen out of favor because of assumptions that have been disproven (Sign, 2017). Perhaps the most problematic feature of top-down models is the emphasis on clear objectives or goals. Without a consensus on what program goals are, it is hard to set a benchmark for program success and failure. Another problem with top-down models is the assumption that there is a single national government that can successfully structure policy implementation and provide for direct delivery of services. But most policies made by the federal government require considerable state and, in many cases, local governmental cooperation (Hill, 2005).

#### **1.3.4.2 BOTTOM-UP Theories/Models in Policy Implementation**

Bottom-up approach, also called (action-centered or backward mapping/ „backward reasoning“, is a way of studying policy design and implementation that considers the abilities and motivations of the lowest-level implementers, and tracks policy design from that level to the highest levels of government (Birkland, 2015). Bottom-up is an implementation approach in which the implementation process and the relevant relationships are mapped backward, from the ultimate implementer to the topmost policy designers.

One difference between the top-down and bottom-up approaches is the metrics that are selected for evaluation. Top-down models typically see legislative objectives as the metric that should determine success or failure. Top-down models see evaluation as determinant on goals achievement. Bottom-up approaches also use legislative objectives to assess policy success or failure, but explain that the gap between legislative (top-down) objectives and resources changes the nature of implementation (Sign, 2017). The typical bottom-up researchers who have identified factors affecting policy implementation are the following:-

Lipsky (1971, 1980) analyzed the behavior of public service providers, which he called “street-level bureaucrats.” In his seminal article, published in 1971, Lipsky argued that policy analysts needed to consider the direct interactions between social workers and citizens. Street-level

bureaucrats are also considered to have considerable autonomy from their employing organizations. The main source of their autonomous power thus stems from the considerable amount of discretion at their disposal. He argued that the discretion exercised by these workers, shaped by their immediate contexts and constraints, plays a pivotal role in policy implementation.

Hjern (1982) in close cooperation with colleagues like Porter and Hull, developed an empirical network methodology to the study of the implementation process. In their view, it was essential for researchers to acknowledge the multi-actor and inter-organizational character of policy delivery. Therefore, they suggested that implementation analysis should start with the identification of networks of actors from all relevant agencies collaborating in implementation and then examine the way they try to solve their problems. According to Sabatier (1986), this approach offers a useful tool to describe the “implementation structures” within which policy execution takes place.

Some criticisms have been advanced against the bottom-up models. Street level bureaucrats have a great discretion in their interactions with clients, and are likely to abdicate the goals of their clients and ascend their own in their place (Mugambwa et al, 2018). Local implementers may resist policies handed down from above. In some cases, the street-level bureaucrat may also want to follow the lead of the top-level designers, supporting the goals handed down from higher up, and working as best they can to implement national goals (Birkland, 2015).

#### **1.3.4.3 Synthesis of Top-Down and Bottom-Up Approaches/Hybrid Implementation Theories**

Because of the relative strengths and weaknesses of the top-down and bottom-up approaches, researchers have sought to combine the benefits of these approaches into one model or synthesis that can address the structuring of policy from the top as well as the likelihood of its amendment at the point of implementation. Among several hybrid implementation theories developed by implementation scholars to synthesis the top-Down and bottom-Up approaches, the following are selected because they identified determinants of policy implementation.

Elmore’s (1979) seminal contribution focused on why and how policy designers should engage in backwards-mapping when undertaking top-down design to anticipate frontline dynamics and behaviors. He suggests that it is important to maximize discretion for managers closer to where

policy is delivered. Mazmanian and Sabatier (1983) drew on Sabatier (1986) to develop a sophisticated integrative framework, embracing all of the top-down and bottom-up factors identified in the literature. It included all as variables that might influence and condition the implementation process.

O'Toole and Montjoy (1984) drew on organization theory to analyze different potential patterns in 'inter-organizational policy implementation'. This approach considers the different kinds of interdependence among organizations flowing from the nature of the policy, the distribution of authorities, and task requirements. It is harmonious with bottom-up approaches focusing on implementing entities, and the need to collaborate across agencies and with frontline officials and service delivery entities.

Goggin, Bowman, Lester, and O'Toole, (1990) set out a dynamic model of implementation which they call a 'communications' model of intergovernmental policy implementation. This taps not only into cybernetic models, but also multi-level institutions, and includes variables pertaining to inducements, constraints, resources, federal and state ecological capacity, feedback from actors to policy authorities, and outcomes. Ultimately, this approach is about ascertaining the effectiveness of different policies across sectors and jurisdictions, and is less about developing a better strategic or managerial approach.

Winter (1990) unlike previous attempts, the purpose here was not to make a true synthesis between top-down and bottom-up perspectives, but rather to integrate a number of the most fruitful theoretical elements from various pieces of implementation research regardless of their origin into a joint model or framework. As dependent variable and standard for evaluating the results of the implementation process, the model focuses on both implementation behaviors (outputs) and outcomes in relation to the official policy objectives. Its main factors in explaining implementation outputs and outcomes are policy formation and policy design, inter-organizational relations, management, street-level bureaucrats' will and capacity, target group behavior, socio-economic conditions, and feedback mechanisms.

Some authors like Dunsire (1978); Saetren (1983); Berman (1978, 1980) & Matland (1995) prefer to discuss when a model is appropriately applied rather than to try to build a combined model.

Berman (1978, 1980) argues that the development of an implementation plan should be guided by either a top-down or bottom-up approach, depending on specific parameters that define the policy

context. He contends that these situational parameters are dimensions beyond the control of the implementation designer and include factors such as the scope of change, the reliability of technology, goal conflict, institutional settings, and environmental stability. Berman suggests that when changes are incremental, technology is reliable, the environment is stable, goal conflict is low, and the institutional setting is tightly coupled, a top-down implementation plan is appropriate. He effectively argues that when a viable solution is already established, the focus should be on ensuring its effective application, thus making a top-down strategy suitable. Conversely, he posits that for significant policy changes characterized by uncertain technology, goal conflicts, and unstable or loosely coupled environments, a bottom-up framework should be adopted.

In synthesizing existing implementation models, Matland (1995) has opted to create a model that specifies when each of the two approaches is most suitable, rather than trying to merge both approaches into a single framework. He argues that this method offers greater benefits for both theorists and practitioners. Matland observes that previous implementation studies have often provided extensive lists of variables that might influence implementation without adequately addressing the conditions under which these variables are significant or the reasons for their importance. He suggests that while it is useful to remind policy designers to consider all relevant factors, providing a clear and detailed description of the implementation process that highlights the most crucial variables and directs resources effectively is far more beneficial.

To fill this gap, he therefore developed Ambiguity-Conflict Model which is presented hereunder.

**Ambiguity-Conflict Matrix: Policy Implementation Processes**

		CONFLICT LEVEL	
		Low	High
AMBIGUITY LEVEL	Low	<b>Administrative Implementation</b> + Resources Example: Smallpox eradication	<b>Political Implementation</b> + Power Example: Bussing
	High	<b>Experimental Implementation</b> + Contextual Conditions Example: Head start	<b>Symbolic Implementation</b> + Coalition Strength Example: Community action agencies

Source: Matland (1995).

Matland (1995) has explained the above four types of implementation process in the following manner;

### **Administrative Implementation: Low Policy Ambiguity and Low Policy Conflict**

Administrative implementation occurs in scenarios of low policy ambiguity and low policy conflict, which create ideal conditions for rational decision-making. In these situations, goals are well-defined, and the means to address them are clear, aligning with Simon's (1960) concept of "programmed decisions." The outcomes in such cases are largely determined by the resources allocated, with sufficient resources almost guaranteeing success. Low ambiguity ensures that the roles of involved actors are clearly defined, enabling the establishment of standard procedures that streamline tasks. Additionally, clear technological solutions make resource needs apparent, integrating resource acquisition into the implementation process. This insulation from external influences leads to consistent outcomes across various contexts. Etzioni (1961) identifies three mechanisms for ensuring compliance in administrative implementation: normative, coercive, and remunerative. Normative mechanisms leverage shared goals or authority to encourage compliance, while coercive mechanisms involve sanctions for non-compliance, and remunerative mechanisms offer incentives to make compliance more attractive. In low-conflict scenarios, normative mechanisms typically suffice due to the perceived legitimacy of directives, minimizing resistance. Remunerative mechanisms may attract external resources, while coercive measures are effective because of the clarity and ease of monitoring.

Implementation in such contexts often involves deploying established technologies and adhering to rules that limit discretion to ensure desired outcomes. Failures in implementation usually stem from technical issues like misunderstandings, poor coordination, insufficient resources, limited time, or ineffective monitoring. However, communication across hierarchical levels can distort messages, reducing comprehension and compliance. Pressman and Wildavsky (1973), highlight that implementation success decreases significantly when compliance accuracy declines across multiple hierarchical levels. This approach aligns with traditional top-down models of policy implementation, rooted in the Wilsonian tradition of separating administration from politics, and is particularly effective when policies are clear and conflict is minimal.

### **Political Implementation: Low Policy Ambiguity and High Policy Conflict**

In contrast, political implementation is characterized by low ambiguity and high conflict. Here, actors have clear but often incompatible goals, leading to conflicts over both goals and means. Such conflicts frequently arise during the policy design phase. The outcomes in political implementation are determined by power dynamics, where one actor or coalition enforces its will or negotiates agreements through bargaining. Compliance is not automatic, as essential resources may be controlled by sceptical or opposing actors, making external influences significant. Success depends on securing cooperation from key resource holders and preventing opposition from derailing the process. Coercive and remunerative mechanisms are predominant, as they provide the necessary leverage for enforcement or negotiation.

### **Experimental Implementation: High Policy Ambiguity and Low Policy Conflict**

In cases of experimental implementation, where policy ambiguity is high but conflict is low, outcomes rely on the active involvement of various actors and are heavily influenced by local contextual conditions. These circumstances lead to diverse results across different settings and involve complex feedback and learning processes. Such scenarios are best analyzed using bottom-up approaches that emphasize local actors and conditions.

### **Symbolic Implementation: High Policy Ambiguity and High Policy Conflict**

Symbolic politics often involves policies that, despite significant initial attention, result in minimal substantive impact. However, a more nuanced view suggests that symbolic policies play an important role in affirming new goals, reaffirming old ones, or emphasizing key values and principles. High conflict structures the resolution process, while high ambiguity leads to varied outcomes across different locations. The key principle here is that the strength of local coalitions determines the outcome. Professional norms often guide responses to vague goals and ambiguous programs.

Matland (1995) integrates organizational theory with the ambiguity/conflict model to provide a more grounded approach to policy implementation. By analysing levels of ambiguity and conflict, the model predicts how implementation processes will unfold. Traditional top-down models are effective for low-conflict, low-ambiguity scenarios, while bottom-up models are better suited for

ambiguous, low-conflict policies. In high-conflict and high-ambiguity cases, both models are relevant, with micro-level actors playing significant roles in political dynamics.

Matland further argues that ambiguity is not inherently a flaw but a characteristic that facilitates agreement and enables learning and adaptation. It should be viewed as a feature of the policy context rather than as inherently positive or negative. His model underscores the importance of integrating top-down and bottom-up perspectives, recognizing that central authorities influence implementation even in ambiguous policies, while micro-level processes occur in technically focused administrative implementations. This study adopts Matland's (1995) ambiguity/conflict model to analyze the ambiguity and conflict levels of the Development Bank of Ethiopia's lease financing policy. It also evaluates whether a top-down or bottom-up approach better explains the implementation of the Bank's policy.

This study has used Matland's (1995) Ambiguity/conflict model to analyse the ambiguity and conflict level of lease financing policy of the Development Bank of Ethiopia and determine whether Top-Down or Bottom-Up approach of policy implementation better explains the implementation of the Bank.

### **1.3.5 Factors affecting implementation performance**

Implementation scholars such as Pressman and Wildavsky (1979); Van Meter and Van Horn (1975); Sabatier and Mazmanian (1980); Attewell and Gerstein (1979); Bardach (1980); Mclaughlin (1977); Winter (1990) have identified several lists of variables that may affect implementation performance. However, the following are selected based on the objective of the study.

#### ***i. Policy formulation process and the policy design.***

The first set of factors affecting implementation results are the policy formulation process and the policy design. As Peter May noted in 1999, well-designed policies with effective instruments are necessary but not sufficient for improving implementation prospects.

##### ***a. policy formulation process***

The roots of implementation problems can often be traced back to the policy formulation process. Conflicts during this process can result in policies with ambiguous goals and invalid

causal theories, lacking a connection between goals and means. Sometimes, symbolic policies are adopted to address problems without offering the means to achieve the stated objectives. As Bardach (1977) and Winter (2012) have noted, conflicts in policy formulation often persist into the implementation process.

The degree of ambiguity inherent in a policy significantly affects the implementation process. It influences the ability of superiors to monitor activities, the likelihood that the policy is uniformly understood across many implementation sites, the probability that local contextual factors play a significant role, and the degree to which relevant actors vary sharply across implementation sites (Matland, 1995).

### ***b. policy design***

A policy design typically contains a set of goals, a mix of instruments for obtaining these goals, a designation of governmental or non-governmental entities charged with carrying out the goals, and an allocation of resources for the requisite tasks.

The policy design affects the implementation process and results in various ways. Different mixes of instruments are not equally effective in achieving a given policy objective. May (1999), finds that policy design is important in affecting the incentives of intermediaries to carry out their tasks, particularly through affecting their commitment and capacity and by signaling desired actions.

The instruments selected may also affect the overall implementation structure and process, as certain instruments favor the formation of particular implementation structures.

Since the policy design of instruments and organizational structures is a political process, political actors try to maximize their interests, including selecting an organizational structure that allows them to maximize long-term control of the implementation process. Thus, ineffective policy designs are not always due to a lack of knowledge on the part of policy designers.

According to Birkland (2015), it is impossible to separate the process of designing policies from their implementation, as all stages of the policy process are interrelated. Policy design theorists argue that scholars should look further back in the causal chain to understand why policies succeed or fail, as the original policy formulation processes and the policy designs themselves significantly contribute to implementation outcomes (Fischer, Miller & Sidney, 2007).

### ***ii. Characteristics of the Implementing Agencies***

The implementing agency must have an appropriate and adequate structure, budget, human resources, equipment, and location. Voradej Chandarasorn as cited in Chompucot (2011) emphasizes that successful policy implementation is largely dependent on a robust implementing agency, which is characterized by an effective decision-making system, efficient communication channels, and sufficient human resources, among other factors.

***iii. organizational and inter-organizational implementation behaviors***

Pressman and Wildavsky (1973) focused on the typical 'complexity of joint action', suggesting that successful implementation is likely to be negatively related to the number of actors, the diversity of their interests and perspectives, and the number of decision and veto points. However, O'Toole and Montjoy (1984) demonstrated that this insight only applies to certain kinds of inter-organizational implementation settings. Decision points are not independent of each other, but successful implementation can be stimulated by an early agreement on basic understandings, promoting 'bandwagon effects' in later decisions, and decisions can be merged by crafting 'package deals.'

Implementation prospects also depend on the type of resource dependency among participating organizations. The 'complexity of joint action' is most likely to occur when the implementation process involves a chain of sequential relations where one organization depends on outputs from another as input for its own contribution to implementation. Reciprocal relations, where two organizations depend on each other for inputs, may require some coordination but can decrease the likelihood of veto points because both parties have incentives to cooperate. Pooled relations, where multiple organizations can produce and deliver implementation outputs in parallel and independently, can produce relatively good implementation results, although coordination may not be optimal (Winter, 2012).

***iv. Street-level bureaucrats' Skills & Will***

The behaviors of street-level bureaucrats are crucial for the implementation of most policies. According to Lipsky's (1980) street-level bureaucrats make important discretionary decisions in their direct contact with citizens, who tend to define public policies not as crafted in statutes but as delivered to them by street-level bureaucrats. These bureaucrats work in situations characterized by many demands and limited resources. They cope by rationing services, making biased priorities among cases and clients, controlling clients, and modifying policy goals and client perceptions. According to Lipsky, the coping behaviors of street-level bureaucrats systematically bias the

delivery behavior in relation to the policy mandates.

Moreover, the attitude of implementers plays an important role in the success or failure of the policy. Pressman and Wildavsky (1979), Edwards (1980), along with Van Meter and Van Horn (1975) have voiced a similar idea—that people’s personal value, beliefs, self-interest, and disposition directly impact policy implementation results. Therefore, for front-line implementer or street level bureaucrats that do the execution of the daily work, their compliance with the policy is crucial for policy implementation success.

**v. *The Commitment and Leadership Skill of the Management***

High-quality and proactive supervision enhances workers’ practice competencies, alleviates the stress associated with emotionally taxing work, and is associated with various outcomes, such as job satisfaction, employee retention, and overall performance (Rafferty & Griffin, 2006; Duxbury et al., 2010; McCarthy et al., 2011). Specifically, during implementation, supervisors play a crucial role as they are among the primary sources of guidance regarding an intervention and its execution (Fixsen et al., 2005). When supervisors actively support and utilize interventions as intended, frontline professionals are more likely to adopt and adhere to the intervention protocols (Kirkpatrick, 1998; Proctor et al., 2011). However, previous studies have shown inconsistencies and gaps in supervisors’ abilities to assist frontline professionals with implementing new interventions across different contexts (Damschroder et al., 2009; Kislov et al., 2017; Cummings et al., 2018), which may account for differences in the implementation climate within teams.

According to Bekker and Heyningen (2016), leadership and policy performance are shaped by the commitment and competencies of leaders. In this context, leadership is viewed as an external driving force, while the dedication and skills of individual staff members are seen as internal factors that contribute to successful implementation. Stogdill (1974) further emphasizes that an effective leader possesses a strong sense of responsibility and task completion, along with enthusiasm and persistence in achieving established goals. LaMonte (1990) adds that this is achieved through a clear vision, passion, and teamwork abilities. Additionally, research by Hicklin and Godwin (2016) indicates that administrative failures can be a significant factor in inadequate implementation outcomes.

**vi. *The Role of the Target groups (Beneficiaries of the policy)***

According to the Integrated Implementation Model, target groups of public policies, i.e., citizens or firms, play an important role in the effects of the policy and in affecting the behaviors of street-level bureaucrats through citizens' positive or negative actions in co-producing public services (Winter, 1990).

**vii. *The Economic, Social and Political Environment***

Societal factors influence the realization of a policy both positively and negatively, and these factors are not directly under the control of policymakers (Rosenthal, 2001). The main indicators of social-cultural conditions include demographic and social trends. Policymakers should consider the demographic and socio-cultural characteristics of a society. Economic conditions have direct consequences for the government, impacting performance directly and indirectly. Similarly, political conditions influence decisions regarding which policies will receive support. Generally, political conditions can facilitate or hinder policy implementation.

**1.3.6 Lease financing in Ethiopia**

Small and medium enterprises (SMEs) are central to economic development of emerging markets. In order for SMEs to grow and their positive impact on the economy to continue, they need improved access to finance especially for acquiring capital equipment and applications of new technology for operations. However, their access to finance is restricted because SMEs typically do not have reliable credit histories, adequate capitalization or additional assets for collateral (IFC, 2010; The World Bank, 2010; Helmut Kraemer-Eis & Frank Lang, 2012). For instance 41 percent of SMEs in Least Developed Countries report access to finance as a major constraint to their growth and development, as compared with 30 percent in middle-income countries, and only 15 percent in high-income countries (GPMI & IFC, 2011 as cited in Asfaw (2016)). Similarly in Ethiopia, even though the government has recognized the crucial role of SME sector for GDP and employment creation, only 3% of small enterprises and 23% of medium have a loan facility or a line of credit mainly due to extremely high value of collateral needed for a loan; amounting to 249.3% for small and 253.5% for medium enterprises, respectively against a Sub-Saharan African (SSA) average of 160% (The World Bank, 2015).

Lease financing is one of the alternative sources of financing for SMEs which is effective in overcoming barriers posed by interest rate ceilings and collateral requirements in conventional

commercial bank lending programs (The World Bank, 1997).

The major and eye-catching steps taken by the federal government in this respect include the enactment of Proclamation no. 807/2013 on Capital Goods Leasing Business (actually an amendment to proclamation no. 103/1998); Directive no. CGEB 102/2013 for the Licensing of Capital Goods Finance Service by the National Bank of Ethiopia (NBE); the Capital Goods Finance Service Modality issued by the Federal Micro and Small Enterprises Development Agency; [Directives No. CGFB/07/2017](#) for minimum paid up capital requirements, for operational modality; [Directives No. CGFB/09/2019](#) for [Limit on Capital goods finances exposure to a single lessee](#), [Directives No. CGFB/03/2016](#) for manner of financial and operational information reporting; [Directives No. CGFB/04/2016](#) for capital adequacy ratio requirement, and [Directives No. CGFB/06/2017](#) for penalty for failure to comply with regulatory requirements, and licensing requirements.

#### **1.4 Review of related Empirical Studies**

Policy implementation literature dates at least as far back as Phillip Selznick's (Selznick, 1949) analysis of the Tennessee Valley Authority (TVA). Since then, several studies have been undertaken on the subject matter. However, almost all implementation studies are undertaken in America and Europe. Saetren (2005) strengthens this argument by stating that, out of 7,301 publications conducted on policy implementation globally, only 4% has been conducted in Africa. Teddy et al., (2019) argues this therefore implies there is a deficiency in literature on policy implementation in Africa.

Major Chaval Chompucot (2011) utilized policy implementation theories and models to test the factors affecting educational policy implementation effectiveness in the three southernmost provinces of Thailand; namely Pattani, Yala, and Narathiwat. Both qualitative and quantitative methods were utilized to analyze the proposed conceptual framework, which consisted of seven independent variables: policy objectives, implementing agency's capability, resources, incentives, student's family economic condition, the cultural factor of parental support, and concern for safety, and a dependent variable, educational policy implementation effectiveness. The research results revealed that the schools in these provinces have fulfilled their educational policy goals in terms of the improvement of student performance. In addition, the school directors perceived that all seven factors, especially concern for safety, affected educational

policy implementation effectiveness. Therefore, he recommended that, application of any policy implementation models should strongly consider the local conditions that might affect that implementation.

In the Ethiopian case, the literature of policy implementation being at its early stage there are only few studies. This study will try to review the studies which have direct relation with policy implementation.

Abdurahman (2019) in his study he has tried to examine policy implementation practice of Industrial policy in Ethiopia with three specific objectives such as; 1) evaluate the performance of industrial sector under GTP II, 2) assess the internal validity, clarity and comprehensiveness of industrial policy and 3) examine factors influencing the successful implementation of industrial policy. In order to attain the objective of the study and answer the research questions, both descriptive and exploratory research methods were used. The study employed mixed research approach to collect, analyze and interpret the data. Both primary and secondary sources of data were employed in order to obtain relevant data to the study. Based on the above mention methodology and design the study found that the performance of the industrial sector found to be disappointing in achieving its targets set in the second Growth and Transformation Plan (GTPII) & identified a number of factors influencing industrial policy implementation. The study finally recommended that the development of new industrial policy document, good coordination mechanisms and monitoring and evaluation mechanisms should be implemented.

Dereje & Tiruye, (2018) on the other hand, employing a descriptive – explanatory research design, have tried to find out the major causes for policy dichotomy and its challenges to implementation in selected public institutions in Ethiopia which are in charge of continuous policymaking and implementation processes at federal and state levels.

Dereje (2021) in his article titled “The Role of Leadership in Policy Implementation: The Case of Selected Federal Public Institutions in Ethiopia”, revealed that leadership role in policy implementation is decisive and incontestable, while their commitment is not found to the level expected; accountability for implementation deficit is either little or non-existent. The researcher has used a descriptive-explanatory design with combined research approaches.

Assefa’s (2016) paper on implementation of the population policy of Ethiopia has assessed the extent to which the population policy objectives have been realized.

From the above description, we can observe that, none of the listed studies are on Lease Financing and none of them has focused on and seek to explain variation in implementation behavior/outputs using various implementation factors, such as the role of policy and organizational design, inter organizational collaboration, management behaviors, and the attitudes and capacity of street-level bureaucrats

## 1.5 Conceptual Framework of the Study

The conceptual framework of this study is grounded in an extensive review of academic literature that provides theoretical underpinnings for understanding the factors affecting policy implementation. Among the various models reviewed, Winter's "Integrated Implementation Model" (1990) has been selected for its comprehensive approach to explaining policy implementation performance.

Winter's model is particularly preferable for this study for several reasons:

1. **Inclusion of Top-Down and Bottom-Up Variables:** The model incorporates both top-down and bottom-up perspectives, offering a holistic view of the policy implementation process. This dual approach allows for a more nuanced understanding of how policies are enacted and how different factors influence their success or failure.
2. **Use of Policy Output as a Performance Indicator:** Unlike other models that might focus goal achievement or on input factors or process variables, Winter's model allows for the use of policy outputs as indicators of performance. This feature provides a direct measure of how effectively a policy is being implemented.
3. **Explanation of Variations in Output Delivery:** The model addresses the reasons behind variations in output delivery across different times and among policy-implementing employees. This aspect is crucial for understanding why policy implementation can differ in different period and what factors contribute to these differences.

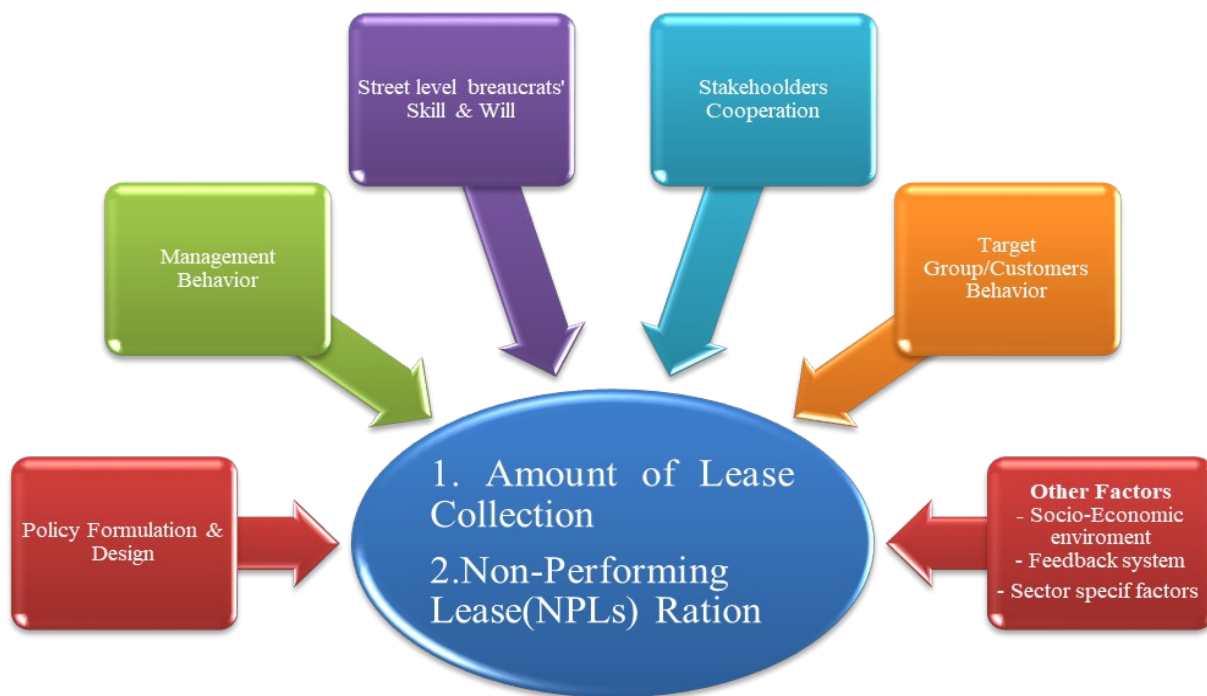
By employing Winter's Integrated Implementation Model, this study aims to provide a clearer theoretical foundation for examining the factors influencing lease financing policy implementation. The model's comprehensive nature makes it an effective framework for analysing how different variables interact and impact the performance of policy implementation, thus offering valuable insights into improving policy outcomes.

As dependent variable and standard for evaluating the results of the implementation process, the model focuses on both implementation behaviors (outputs) and outcomes in relation to the official policy objectives. Its main factors in explaining implementation outputs and outcomes are policy formation and policy design, inter-organizational relations, management behavior, street-level bureaucrats' will and capacity, target group behavior, socio-economic conditions, and feedback mechanisms.

However, by considering the specific nature of the policy & the sector, some adaptation has been made on Winter's "Integrated Implementation Model". As a result, the conceptual framework of the study shows the direct relationship between the independent variables & the dependent variables and not the relationship among the independent variables as it has been depicted by Winters Framework.

In the framework, the independent variables are, Policy formulation & design, Stakeholders Cooperation, management behaviors, the attitudes and capacity of street-level bureaucrats and target group behavior, socio-economic environment & the feedback mechanisms; while the dependent variable is Implementation performance in terms of policy outputs such as amount of lease collection and Non-Performing Loans (NPLs) ratio.

**Figure 2: Proposed Conceptual framework**



*Source: Adopted from Winter, (1990) “The Integrated Implementation Model”*

N.B. Socio-Economic and feedback systems are outlined as other factors because these indicators will be analyzed using proxy measurement from the five main independent variables of this study and are triangulated by the secondary data sources.

## **1.6 Variables in the Study**

Since different policy implementation models have different comparative advantages, depending on the contexts of the research, the researcher should apply those models, particularly variables deemed suitable for the study. After carefully studying all selected policy implementation models and related studies, it was found that Winter, (1990), “The Integrated Implementation Model” is suitable to explain the objective of the study because it seeks to explain variation in outputs by various implementation factors, such as the role of policy and organizational design, inter-organizational collaboration, management behaviours, and the attitudes and capacity of street-level bureaucrats.

All variables are described in detail as follows.

### **1.6.1 Dependent Variable**

The dependent variable for this study is lease financing policy implementation in terms of amount of lease collection & NPLs Ratio.

### **1.6.2 Independent Variables**

#### **1. *Policy formulation process and the policy design.***

Policy design theorists argue that scholars should look further back in the causal chain to understand why policies succeed or fail, as the original policy formulation processes and the policy designs themselves significantly contribute to implementation outcomes (Bardach, 1977; Fischer, Miller & Sidney, 2007).

This study had tried assessed the impact of policy formulation & design by investigating the process lease financing policy formulation & design had gone through & weather the necessary policy formulation & design standards has been met.

## ***2. stakeholder cooperation***

Winter (1990) integration model focused on the typical 'complexity of joint action', suggesting that successful implementation is likely to be negatively related to the number of actors, the diversity of their interests and perspectives, and the number of decision and veto points.

However, in this study, the organizational & inter-organizational relation variable is renamed as stakeholder cooperation because the policy is solely implemented by DBE & other organizations have supportive role rather than implementer role in lease financing policy implementation compared to other public policies which are implemented by coordination of different organizations or different layers of the government.

## ***3. Street-level bureaucrats' Skills & Will***

The behaviors of street-level bureaucrats are crucial for the implementation of most policies. According to Lipsky's (1980) street-level bureaucrats make important discretionary decisions in their direct contact with citizens, who tend to define public policies not as crafted in statutes but as delivered to them by street-level bureaucrats. These bureaucrats work in situations characterized by many demands and limited resources. They cope by rationing services, making biased priorities among cases and clients, controlling clients, and modifying policy goals and client perceptions. According to Lipsky, the coping behaviors of street-level bureaucrats systematically bias the delivery behavior in relation to the policy mandates.

Moreover, the attitude of implementers plays an important role in the success or failure of the policy. Pressman and Wildavsky (1979), Edwards (1980), along with Van Meter and Van Horn (1975) have implied that people's personal value, beliefs, self-interest, and disposition directly impact policy implementation results. Therefore, for front-line implementer or street level bureaucrats that do the execution of the daily work, their compliance with the policy is crucial for policy implementation success.

Therefore, the study had tried to identify if street-level bureaucrats or front-line policy implementers of the Bank has a discretionary power to reverse or change the implementation process & the impact of their attitude according to their desire as stated by Lipsky's (1980).

#### ***4. The Commitment and Leadership Skill of the Management***

Winter's "Integrated Implementation Model" assesses the impact of management behavior on policy implementation performance in terms management of street-level bureaucrats rather than the management of the overall implementation process such as. The study has assessed whether or not the Bank's management has the required competency & it has performed the necessary managerial activities that can enhance the implementation performance including guiding employees performance.

#### ***5. Target groups of public policies***

According to the Integrated Implementation Model, target groups of public policies, i.e., citizens or firms, play an important role in the effects of the policy and in affecting the behaviors of street-level bureaucrats through citizens' positive or negative actions in co-producing public services (Winter, 1990).

In this study, the target group or the beneficiaries are SMEs which accessed lease financing service of the Development Bank of Ethiopia. Therefore, the study has tried to assess the impact of these customers behavior on lease financing policy implementation in terms of their understanding of the policy, their capacity & willingness to meet the financial obligations of the policy & to comply with policy procedures, the impact of socioeconomic factors on their responsiveness to the policy.

#### ***6. Socio- Economic Environment***

Winter's Integrated Implementation Model provides a framework that accommodates the influence of socio-economic conditions on policy implementation performance in terms of resource allocation, institutional capacity, local adaptability, and public engagement.

In this study, socio-economic conditions refer to unforeseen social, economic, and political events and their effects on both organizational performance and the responsiveness of beneficiaries to policy.

## **CHAPTER THREE**

### **RESEARCH DESIGN AND METHODOLOGY**

#### **1.7 Introduction**

In this chapter, the research methodology to be used is briefly discussed. It describes the research methodology, research design/type, sampling design, source of the data, data collection method, data collection instrument, method of data analysis, validity and reliability, and research ethics followed.

#### **1.8 Research Design**

In order to achieve the objective of the study and answer the research questions, Quantitative research approach has been adopted to examine Factors Affecting Lease Financing policy implementation performance of the Development Bank of Ethiopia. Among quantitative research designs, a Descriptive research design is employed. Again, from different types of descriptive research designs, a cross-sectional survey research method is employed because it enables the researcher to analyze variables in their sample of subjects and then, it establish the non-causal relationships between the dependent and independent variables. Moreover, the method enables to collect insights from a target audience at a particular time interval. Survey method is preferred for its advantages such as inexpensiveness relative to other methods, extensiveness in describing the characteristics of a large population, flexibility be administered in many modes and dependability in allowing anonymity which allows respondents to answer with more candid and valid answers.

#### **1.9 Population & Sampling Methods**

The study's population comprises all professional employees of the Development Bank of Ethiopia (DBE) working in the lease financing wing in North-East Addis Ababa and South-West Addis Ababa Districts and their respective branches in 2024. The lease financing staffs at the head office were excluded as they are supportive staff, while those in the districts and branches are policy implementers and the primary focus of the study.

The data from the human resource department of the Bank indicates that, there are 120 professional staff members in the lease financing wing of the North-East Addis Ababa and South-West Addis Ababa Districts. This number constitutes the total population of this study.

The researcher believed that the selected study area is convenient for better access to relevant data and easy communication with participants. Moreover, as the Bank uses a standardized procedure to implement the policy nationwide, which ever district or branch is selected, the influence of extraneous variables such as cultural and socio-economic factors are very minimal.

In this study, probability sampling; specifically, simple random sample method is used to select a sample of lease financing employee respondents.

Thus, the researcher used Yamane (1967) sampling formula  $n=N/(1+N(\rho^2))$  to determine the sample size of the study.

Where  $n$ = Sample size

$N$ = population size of the study

$\rho$ = level of precision

To this study the sample size computed as  $n=120/(1+120(0.05^2))=120/1.3625=92$

Therefore the study has 92 respondents from the two districts & 13 branches.

## **1.10 Sources of Data**

For this thesis, both primary and secondary sources of data are used. Questionnaires served as the instrument for collecting primary data while secondary data are used to triangulate and support the primary data collected from target population. Secondary sources included relevant research studies, the Bank's reports, policies, procedures, and various laws, regulations, and directives related to the leasing business. Detailed descriptions of the data collection instruments are presented as follows:

## **1.11 Data Collection Instruments and collection procedure**

As stated previously, descriptive survey method is used to achieve the study objective.

Therefore, the researcher developed and employed a single instrument questionnaire. Likert scale type questionnaire is used to denote the level of agreement and disagreement on the rating scale. A five-point Likert scale type ranging from strongly agrees to strongly disagree is used to collect data. The questionnaire has two parts, the first part dealt with Socio-demographic characteristics of respondents regarding participant's sex, education level, and years of experiences of the employee while the second part contains main questions on lease financing policy implementation. is about determinants of DBE's Lease financing policy implementation performance.

These questionnaires were distributed to and collected from lease financing staff in the North-East and South-West Addis Ababa Districts and their respective branches. To ensure data quality and minimize errors or non-response rates, significant attention was given to questionnaire development. Each item was crafted in simple, understandable language to enhance objectivity and avoid vagueness. Additionally, the study participants, who are all educated professionals, work in an English-speaking environment. The questioner was developed by referring the one prepared by Major Chaval Chompucot (2011) for degree of Doctor of Philosophy (Development Administration) for the study titled "Major Factors Affecting Educational Policy Implementation Effectiveness for the Three Southernmost Provinces of Thailand as Perceived by School Directors" and Abdurahman Hassen (2019) for a degree of Masters of Art in Public Management and Policy titled "Policy Implementation Practice in Ethiopia: The Case of Industrial Policy. Moreover, a mini-pilot was conducted with the researcher's colleagues at the head office's lease financing staff.

### **1.12 Method of Data Analysis**

The relevant information is collected from the targeted respondents and analyzed using SPSS version 27 software by descriptive analysis method. Descriptive analysis was conducted and presented in frequency percentage, mean and standard deviation method. Correlation analysis will also be done to test the relationship of dependent and independent variables (to test the association of factors affecting lease financing policy implementation and policy performance mentioned above scope of the study in chapter one.

### **1.13 Validity and Reliability**

Validity and Reliability are the essential criteria for assessing the accuracy and precision of the quantitative aspects of this research. Hence, to boost the acceptability of the research question items of the study & enhance the quality of the data, the researcher adopted universally accepted standard measures for implementation study for which validity & reliability of the questioner is already conducted.

#### **1.13.1 Permission**

In order to ensure the research endeavor is a legal exercise, a written permission was acquired from respective organizations before collecting the necessary data.

#### **1.13.2 Confidentiality and Privacy**

The information concerning respondents was kept in a confidential manner. Respondents have been assured that their names are not necessary and they have also been informed during data collection that, the information they give will be kept confidential.

#### **1.13.3 Voluntary Participation and Informed Consent**

The principle of voluntary participation was explained to the respondents and they have also been informed that they have the right to withdraw from the study at any time.

## CHAPTER FOUR

### DATA PRESENTATION, ANALYSIS AND DISCUSSIONS

#### 4.1. Introduction

This section presents a quantitative summary and analysis of the research on the determinants of policy implementation performance, specifically focusing on the Development Bank of Ethiopia's lease financing policy. It details the analysis and discussions that led to the final findings, aligning them with the literature reviewed and the study's objectives. The data is primarily presented in frequency tables, which will be interpreted in the following sections.

#### 4.2. Response Rate

A total of 92 questionnaires were distributed to lease financing professionals and all of them were filled and returned to the researcher.

Table 2 Response Rate

	Number of Prepared questionnaires	Questionnaire s not returned	Response used	Response e rate
Lease financing professionals	92	-	92	100%

Source: Field survey, 2024

#### 4.3. Socio-Demography Characteristics of Respondents

Table 3 Socio-Demographic characteristics of the Respondents

Characteristics of Respondents		Frequency	Percent	Valid Percent
Sex of respondent	male	57	62.0	62.0
	female	35	38.0	38.0
	Total	92	100.0	100.0
Age	21-30	4	4.3	4.3
	31-40	61	66.3	66.3
	41-50	23	25.0	25.0
	>51	4	4.3	4.3

Characteristics of Respondents		Frequency	Percent	Valid Percent
	Total	92	100.0	100.0
Educational Background	Diploma	2	2.2	2.2
	first degree	21	22.8	22.8
	second degree	63	68.5	68.5
	PHD	6	6.5	6.5
	Total	92	100.0	100.0
Service Years of respondent	<5	2	2.2	2.2
	6-10	45	48.9	48.9
	11-15	27	29.3	29.3
	16-20	10	10.9	10.9
	>21	8	8.7	8.7
	Total	92	100.0	100.0
Work position	Director	8	8.7	8.7
	division head	16	17.4	17.4
	team manager	22	23.9	23.9
	senior officer	39	42.4	42.4
	principal officer	4	4.3	4.3
	Officer	3	3.3	3.3
	Total	92	100.0	100.0

Source: Field survey, 2024

Table 3 depicts the socio-demographic characteristic of the respondents. Regarding socio-demographic characteristics of the respondents, the first category was about sex and among the total of 92 study participants fifty-seven (62%) of them are filled by male respondent and thirty five (38%) of them are filled out by female respondents. Thus, the majority of the respondents are male.

The second item was about age composition, there are 4 age categories. Among these, majority of them; which is sixty one (66.3%) are from 31-40 years, while twenty three (25%) are from 41-50 years.

The educational levels of the respondents are categorized in to four; such as; PHD, 2<sup>nd</sup> degree, 1<sup>st</sup> degree & Diploma or Certificate. From these; the majority of the respondents, sixty-three (68.5%) of them are second degree holders, while twenty-one (22.8%) of them holds first degree.

Regarding work experience of respondents; table 3 indicates that, forty-five (48.9%) of the respondents have 6 to 10 years of experience, Twenty-seventeen (29.3%) of the respondents have 11 to 15 years of experience and Ten (10.9%) of them have served the Bank for 16 to 20 years.

The work positions under lease financing service delivery wing of the Bank are categorized in to six levels ranging from officer to Director. Hence, the collected data implies that thirty nine (42.4%) of the targets are employees working at Senior Officer Positions, Three (33%) Officers and twenty two (23.9%) are Team Managers while sixteen (17.4%) of them are Division Heads.

#### 4.4. DBE’s Lease Financing Performance

This section briefly presents DBE’s Lease Financing Performance in two phases; before the reform (from 2016-2019) and after the reform (from 2020-2024).

##### 4.4.1. Lease Financing Performance before the Reform

As a result of its unrefined business model and risky financing mandate, the Bank has frequently entered into financial troubles and passed through numerous setback stories in the last 20 years. These recurrent financial troubles necessitated government bailouts several times (DBE, 2019)

Table 4: DBE’s lease financing collection & NPLs Ratio performance Before the Reform

In thousand

P.Y	Collection		Performance Achievement	NPL Ratio
	Plan	Actual		
2016	0	0	-	-
2017	583,124	3,070.00	1%	10.5%
2018	399,598	69,223.00	17%	13%
2019	206,232.39	238,156.24	115%	16.7%

*Source: Compiled from DBE’s Annual performance reports from 2016-2019*

The table above indicates that lease financing collection performance was significantly below expectations during the first two years, but surged to an impressive 115% in 2019, thanks to the new management's substantial mobilization efforts. On the contrary, the ratio of non-performing leases has consistently increased over time. According to the Bank's 2019 five-year strategic plan, this rise is attributed to a growing number of troubled projects financed by the Bank, stemming from inadequate capacity and poor management prior to the reforms.

#### 4.4.2. Lease Financing Performance after the Reform

To improve its performance and overcome the bottlenecks, the Bank has prepared five year strategic reform plan in 2019 consisting of seven (7) strategic pillars; 27 strategic objectives; 33key performance indicators (KPIs). The seven strategic pillars are; Policy and Business model of the Bank, Finance and sustainability, Governance and structure, Leadership and Human Resource, Loan recovery and Accountability, IT systems and Systems and working procedures. Accordingly, the performance report of the Bank after the implementation of the reform plan starting from 2020-2024 implies that, the Bank’s lease financing policy implementation has shown a dramatic improvement. The detail is depicted in the following table.

**Table 5: DBE’s lease financing collection & NPLs Ratio performance after the Reform**

P.Y	Collection		Performance Achievement	NPL Ratio
	Plan	Actual		
<b>2020</b>	722,379.7 1	661,052.6 7	92%	28%
<b>2021</b>	1,055,815.9 9	1,045,597.2 1	99%	24.8 %( 13.5)
<b>2022</b>	2,904,266.2 6	1,309,985.3 4	45%	22.1 %( 8.4%)
<b>2023</b>	1,572,243.4 9	1,302,123.0 7	83%	1.9%
<b>2024</b>	2,005,994.5 8	2,095,490.3 0	104%	1.4%

*Source: Compiled from DBE’s Annual performance reports from 2020-2024*

As it can be seen from the above table, the Bank’s lease collection performance after the reform has shown increment from year to year except for very low performance in 2022 accounted to all projects in Tigray region turning to none performing. Then after lease collection performance has revived up to 83% in the year 2023 and even able to score above 100% in the year 2024.

On the Other hand, the lease NPLs ratio has continuously declined since June 2020. The decline in NPLs ratio is very radical; it jumped down from 28% in 2020 to 1.9% in 2023. The NPLs ratio in 2021 & 2022 are high relative to in 2023, because all projects in Tigray Region has been

transferred to NPLs due to war outbreak in the region. As a result, the NPLs ratio as at June 30, 2023 including Tigray Region has dropped to 1.9 percent.

The Bank's 2024 annual performance report has revealed that, the Bank has completed the implementation of the targeted KPIs in 2024 budget year in accordance with the reform plan. Accordingly, except for some KPIs in relation to HR and IT issues the Bank achieved remarkable results in the past five years in terms of realizing the targeted KPIs. Notably, the Bank managed to achieve higher targets than set out in the strategic reform plan before June 2023.

The report adds that, *“all in all, the reform implementation enabled the Bank to significantly reduce its non-performing loans (NPLs) and increase its total capital. The reform also helped the Bank to improve the service provision and maximize customers' satisfaction. Profoundly, the Bank's credit and financial performance has improved significantly; reduction of NPLs has been achieved beyond the plan target, and thus improving the Bank's asset quality, profitability and financial sustainability.”* (DBE, 2024)

#### **4.5. Determinants of Lease Financing Policy Implementation Performance.**

##### **4.4.1 Policy Formulation and Design**

The first set of factors affecting implementation results are the policy formulation process and the policy design factors. The roots of implementation problems can often be traced back to the policy formulation process. Conflicts during this process can result in policies with ambiguous goals and invalid causal theories, lacking a connection between goals and means. Sometimes, symbolic policies are adopted to address problems without offering the means to achieve the stated objectives. As Bardach (1977) and Winter (2012) have noted, conflicts in policy formulation often persist into the implementation process. Not only conflict but also lack of attention among coalition partners passing a law can lead to implementation failures (Winter, 2012). Additionally, policy design affects the implementation process and results in various ways. For instance, different mixes of instruments are not equally effective in achieving a given policy objective. The instruments selected may also affect the overall implementation structure and process, as certain instruments favor the formation of particular implementation structures. May (1999) states that, policy design is important in affecting the incentives of intermediaries to carry out their tasks, particularly through affecting their commitment and capacity and by signaling

desired actions. The following Table 4.2 presents the perception of respondents on policy formulation and design as a factor for policy implementation.

**Table 6: Presentation of frequency result on Policy Formulation and Design Factors (N=92)**

	Statements	Strongly Agree	Agree	Neutral	Dis-Agree	Strongly Dis-Agree
1	The LFP was developed based on comprehensive research and analysis.	22	34	13	17	6
		23.9%	37%	14.1%	18.5%	6.5%
2	Stakeholders have sufficiently provided input during the policy formulation process.	8	40	22	18	4
		8.7%	43.5%	23.9%	19.6%	4.3%
3	The policy was designed with input from experts in lease financing.	20	39	11	20	2
		21.7%	42.4%	12%	21.7%	2.2%
4	The policy instruments (policy statements) are clearly outlined & are effective to obtain the policy objective.	24	48	8	10	2
		26.1%	52.2%	8.7%	10.9%	2.2%
5	The procedures & guidelines necessary to implement LFP were prepared on time & are clear.	17	31	16	22	6
		18.5%	33.7%	17.4%	23.9%	6.5%
6	LFP goals and objectives are relevant to SME's financial needs.	32	36	3	14	7
		34.8%	39.1%	3.3%	15.2%	7.6%
7	DBE's dependency on other organization to implement the policy is low	18	39	14	19	2
		19.6%	42.4%	15.2%	20.7%	2.2%
8	The organizational structure is suitable for implementation of lease financing policy.	16	45	9	18	4
		17.4%	48.9%	9.8%	19.6%	4.3%
9	The LFP is regularly updated to reflect changes in the leasing industry.	16	29	17	22	8
		17.4%	31.5%	18.5%	23.9%	8.7%
10	The targeted beneficiaries of LFP are properly identified	17	35	17	21	2
		18.5%	38%	18.5%	22.8%	2.2%

Source: Field survey, 2024

Policy formulation and design factor includes various indicators or measurement standards like

conducting comprehensive research and analysis where almost sum of 61% of respondents agree that the bank has conducted such studies prior to policy formulation. Similarly 64% of them agree to the statement that the policy was designed with input from experts in lease financing. Among all the indicators the greater majority; 78.3% of the respondents said that the policy instruments/mandates or policy statements are clearly outlined & are effective to obtain the policy objective while 74% of them said LFP goals and objectives are relevant to SME's financial needs respectively. 66.3% of the participants said organizational structure of the Bank is suitable for implementation of lease financing policy. Similarly and 62% said DBE's dependency on other organization to implement the policy is low indicating low level of conflict among stakeholders.

However, only 52.2% of the respondents said stakeholders have sufficiently provided input during the policy formulation process and also the procedures & guidelines necessary to implement LFP were prepared on time & are clear. Moreover, 56.5% of them agree that the targeted beneficiaries of LFP are properly identified. However, only 49% agree LFP is regularly updated to reflect changes in the leasing industry.

Therefore, the data from the primary source shows that, DBE's Lease Financing policy formulation and design has strong sides like conducting comprehensive research, taking input from experts in lease financing during policy formulation, the policy instruments (policy statements) are clearly outlined & are effective to obtain the policy objective, the goals and objectives of the police are relevant to SME's financial need, policy accompanying procedures & guidelines are clearly stated, organizational structure of the Bank is suitable for implementation of lease financing policy. However, there is a gap on areas like stakeholder sufficiently providing input during the policy formulation process, lack of on time preparation of procedures and guidelines, the targeted beneficiaries of LFP are properly identified aggravated by lack of consistent updates on the policy which requires attention for improvement if satisfactory performance is required.

On the other hand, the data from secondary source indicates that, DBE's organizational structure was insufficiently focused on lease financing as a distinct product within the Bank before the reform. Many functions and organizational units mix lease financing with project financing. Key support functions (Legal, Risk Management, and Accounting) do not deal with

leasing-related matters. This lack of organizational focus on leasing results in; DBE not being able to adequately manage its leasing activity, take needed actions and decisions, deal with its leasing risks, adequately monitor the performance of its leasing portfolio, and effectively resolve defaulted leases and NPLs (Enterprise Partners, 2020). Similarly, the situation analysis conducted by the Bank's Five-Year Strategic Reform Plan of 2019 has revealed that, though a new structure is implemented in recent times, the situation assessment findings indicated that the bank's structure has had problems in relation with checks and balances, efficiency in decision making, authority and responsibility mismatches, and flexibility.

Nonetheless, the Bank has overcome its structural problem after the implementation of the reform plan. According to the Bank's 2024 annual performance report, the Strategic Pillar number 1 which has a target to review the Bank's business model and synchronize its products has been fully achieved.

#### 4.4.2 Stakeholder Cooperation

**Table 7: Presentation of frequency results on Stakeholder Cooperation Factors (N=92)**

	<b>Statements</b>	<b>Strongly Agree</b>	<b>Agree</b>	<b>Neutral</b>	<b>Dis-Agree</b>	<b>Strongly Dis-Agree</b>
<b>1</b>	Partnerships with key stakeholders to support Lease Financing Policy have been developed.	18	41	8	19	6
		19.6%	44.6%	8.7%	20.7%	6.5%
<b>2</b>	Training/introductory workshop has been conducted to clarify lease financing policy to the stakeholders	5	40	17	24	6
		5.4%	43.5%	18.5%	26.1%	6.5%
<b>3</b>	The stakeholders' mandates in Lease Financing Policy implementation have governing rule & the roles and responsibilities of each organization in the implementation process are well-defined.	12	41	21	16	2
		13%	44.6%	22.8%	17.4%	2.2%
<b>4</b>	Stakeholders involved in lease	6	29	25	24	8

	Statements	Strongly Agree	Agree	Neutral	Dis-Agree	Strongly Dis-Agree
	financing policy implementation sees the policy as directly relevant to their interests. There is conflict of interest.	6.5%	31.5%	27.2%	26.1%	8.7%
5	The stakeholders have sufficient understanding of lease financing policy of the Bank & their role in the implementation process.	10	25	39	16	2
		10.9%	27.2%	42.4%	17.4%	2.2%
6	Adequate support is received from stakeholders during lease financing policy implementation.	12	33	21	22	4
		13%	35.9%	22.8%	23.9%	4.3%
7	The success of inter-organizational collaboration is regularly evaluated and improved upon.	6	30	24	28	4
		6.5%	32.6%	26.1%	30.4%	4.3%

Source: Field survey, 2024

For successful implementation of policy, stakeholders' cooperation is relevant. In this regard respondents were asked if the Development Bank of Ethiopia has established partnerships with key stakeholders to support the Lease Financing Policy implementation and sum of 64.2% of them agreed. Similarly 57.6% agree that the stakeholders' mandates in Lease Financing Policy implementation have governing rule & the roles and responsibilities of each organization in the implementation process are well-defined.

Meanwhile, 49% of the respondents agreed that training/introductory workshop has been conducted to clarify lease financing policy to the stakeholders and 35% agreed adequate support is received from stakeholders during lease financing policy implementation. However, regarding the stakeholders' sufficient understanding of lease financing policy & their role in the implementation process only 27% of the respondents agreed while the majority 42% remain neutral. Similarly, concerning regularly evaluating the success of inter-organizational collaboration only 39% agreed while large number 34.7% dis-agreed.

Therefore, even though the Bank has established partnerships with key stakeholders to support the

Lease Financing Policy, training/introductory workshop has been conducted to clarify lease financing policy to the stakeholders, the stakeholders' mandates in Lease Financing Policy implementation have governing rule & the roles and responsibilities of each organization in the implementation process are well-defined; the stakeholders do not have sufficient understanding of lease financing policy of the Bank & their role in the implementation process. As a result, adequate support is not received from stakeholders during lease financing policy implementation.

The data from secondary source supports the above result from the primary source of the study. That is, situation analysis by the Bank's Five-Year Strategic Reform Plan of 2019 states that, lack of cooperation (lack of adequate support) has been witnessed among different stakeholders of the Bank as can be manifested by frequent interruption of power, difficulties in transferring title deeds of foreclosed projects, claim of tax after projects are taken-over by the Bank and problems in registration of loan contracts.

#### 4.4.3 The Commitment and Leadership Skill of the Management

Policy implementation depends on management factors such as organizational structure, personnel and human resources, the activities of front-line implementers, equipment and technology, the level of coordination and cooperation, the exercise of authority, and place/location as implementation infrastructure (Khan & Khandaker, 2016). The following table presents the findings of the study on management factors influencing successful policy implementation.

**Table 8: Presentation of frequency results on the Commitment and Leadership Skill of the Management (N=92)**

	Statements	Strongly Agree	Agree	Neutral	Dis-Agree	Strongly Dis-Agree
1	Managers competency to effectively lead LFP implementation, critically affects the implementation performance.	38	46	2	4	2
		41.3%	50%	2.2%	4.3%	2.2%
2	The availability of adequate resource and appropriate technology for the implementation of LFP affects the implementation performance.	13	45	17	15	2
		14.1%	48.9%	18.5%	16.3%	2.2%

	Statements	Strongly Agree	Agree	Neutral	Dis-Agree	Strongly Dis-Agree
3	The top management possess enough sanction capabilities (power) to implement LFP policy.	39	43	2	5	3
		42.4%	46.7%	2.2%	5.4%	3.3%
4	The management has ensured that all team members are aware of their roles and responsibilities in LF policy implementation.	29	50	6	2	5
		31.5%	54.3%	6.5%	2.2%	5.4%
5	The strategies to maintain compliance are in place & the management take the necessary measure on non-compliance.	29	48	9	5	0
		31.5%	53.3%	9.8%	5.4%	0%
6	There is quick, clear and two-way communication in the Bank.	12	47	21	10	2
		13%	51.1%	22.8%	10.9%	2.2%
7	Management provides regular feedback to staff on their performance in implementing the policy & ask their feedback on the implementation process.	33	37	15	4	3
		35.9%	40.2%	16.3%	4.3%	3.3%

Source: Field survey, 2024

Regarding managers competency to effectively lead policy implementation, table 6 indicates that forty six (50%) of the respondents agree and thirty eight (41.3%) of the respondents strongly agree. Therefore it can be concluded that significantly majority of the respondents which accounts for 91.3% accepted that Managers competency to effectively lead LFP implementation, critically affects the implementation performance.

As to the availability of adequate resource and appropriate technology; forty five (48.9%) of the respondents agree. Therefore it can be concluded that the majority of the respondents which accounts for 63% accepted that the availability of adequate resource and appropriate technology for the implementation of LFP affects the implementation performance.

About the top management possess enough sanction capabilities (power) to implement LFP policy; thirty nine (42.4%) of the respondents strongly agree and forty three (50%) of the respondents agree. Therefore it can be concluded that significantly majority of the respondents which accounts for 89.1% accepted that, the top management possess enough sanction capabilities (power) to implement LFP policy.

Regarding whether the management has ensured all team members are aware of their roles and responsibilities in policy implementation; twenty nine (31.5%) of the respondents strongly agree and fifty (54.3%) of the respondents agree. Therefore it can be concluded that majority of the respondents which accounts for 85.8% confirmed that, the management needs to ensure that all team members are aware of their roles and responsibilities in LF policy implementation.

Similarly whether the strategies to maintain compliance are in place & the management take the necessary measure on non-compliance properly, twenty nine (31.5%) of the respondents strongly agree and forty eight (53.3%) of the respondents agree. Therefore it can be concluded that majority of the respondents which accounts for 84.8% agreed that, the strategies to maintain compliance are in place & the management takes the necessary measure on non-compliance properly.

Concerning the existence of quick, clear and two-way communication in the Bank, twelve (13%) of the respondents strongly agree and forty seven (51.1%) of the respondents agree. Therefore it can be concluded that the majority of the respondents which accounts for 64.1% accepted that there is quick, clear and two-way communication in the Bank.

Regarding whether the management provides regular feedback to staff on their performance in implementing the policy & ask their feedback on the implementation process; thirty three (35.9%) of the respondents strongly agree and thirty seven (40.2%) of the respondents agree. Therefore it can be concluded that majority of the respondents which accounts for 76.1% accepted that the management provides regular feedback to staff on their performance in implementing the policy & ask their feedback on the implementation process.

In general, exceptionally from other implementation factors discussed in this section, it is found that, factors related to management competency affected the policy implementation performance very significantly where on average more than 75% of the respondents agreed.

Similarly, situation analysis by the Bank's Five-Year Strategic Reform Plan of 2019 emphasis that poor capacity and weak management are the major factors for the bad shape of the Bank before the reform. The report adds that, as the Bank is a specialized bank; it needs a number of specialized professionals and the staff and the management should be problem solving, business and risk oriented. As at June 30, 2018, the total manpower of the Bank stood at 2,412 employees. Out of these, 1,716 (73%) of the employees are professional & high level supervisors that are

holders of first degree and above while 651 (7%) are clerical and non-clerical staff. Most of the professionals are university and college graduates. However, the Bank's leadership and HR capacity was in a serious problem in terms of delivering results efficiently and prudently. The management was weak in resisting external pressure; monitoring and follow up the implementation of its own and board decisions; enforcing internal policies, procedures and directives; taking corrective measures according to internal audit findings, risk management; and taking disciplinary and legal actions on staff who violated rules and regulations. As a result, the Bank's policies, procedures, guidelines and NBE Directives are not strictly adhered to by the respective work units; staff work discipline was poor; and rent seeking behaviour among staff members was perceived to exist. In general, too much negligence and excessive tolerance are central characteristics of the Bank's organizational cultures before the reform in 2020.

Additionally, technical assistance closure report on DBE's lease financing by Enterprise Partners in 2020 has identified that, taking needed actions and decisions on much-needed leasing procedures have been delayed for long periods. The report adds that, these management delays and inaction have had negative effects on DBE's ability to properly manage its leasing activities and risks, and to mitigate its rising level of leasing arrears and NPLs.

Contrarily however, due to change in management & implementation of the reform plan from 2020-2024, the Bank has overcome its management problem and other consequent problems through full implementation of strategic pillar number 4 titled 'Leadership and Human Resource' in the strategic document. According to the Bank's 2024 annual performance report, this strategic pillar has been achieved through achieving strategic objectives such as; ensuring that operating units are managed and lead by competent professionals, enhancing the capacity of staff and management, ensuring that the staff and management of the Bank adhere to the policy and code of conduct and maintain work discipline in the Bank. This has been confirmed by remarkable performance improvement of the Bank in its operational and administrative activities. This is manifested by a significant drop down of Non-Performing Loans (NPLs) from 28% in 2020 to 1.4% in 2024.

Therefore, the result from the analysis of the primary source of the study and the practical experience of the Bank proves that, implementation performance of a policy is highly affected by management competency and leadership style a given management follows.

#### 4.4.4 Employees Skills and Will

According to Lipsky (1980), the coping behaviors of street-level bureaucrats systematically bias the delivery behavior in relation to the policy mandates. Moreover, the attitude of implementers plays an important role in the success or failure of the policy. Pressman and Wildavsky (1973), Edwards (1980), along with Van Meter and Van Horn (1975) have stated a similar idea-that people's personal value, beliefs, self-interest, and disposition directly impact policy implementation results. Therefore, for front-line implementer or street level bureaucrats that do the execution of the daily work, their compliance with the policy is crucial for policy implementation success (Khan and Khandaker, 2016). The following table presents the findings of the study on employees' skills and will factors influencing lease financing policy implementation performance of DBE.

**Table 9: Presentation of frequency results for Employees Skills and Will Factors (N=92)**

	Statements	Strongly Agree	Agree	Neutral	Dis-Agree	Strongly Dis-Agree
1	Employees are provided with adequate training to implement the Lease Financing Policy effectively.	16	42	15	12	7
		17.4%	45.7%	16.3%	13%	7.6%
2	Loan officers understanding of lease financing policy have impact on policy implementation.	23	46	12	5	6
		25%	50%	13%	5.4%	6.5%
3	Loan officers possess the freedom to adjust policy statement & procedures(they need discretionary power) during the implementation process.	2	24	30	14	22
		2.2%	26.1%	32.6%	15.2%	23.9%
4	Loan officers are competent to implement lease financing policy & procedures.	23	44	10	13	2
		25%	47.8%	10.9%	14.1%	2.2%
5	Employees are recognized and rewarded for their efforts in policy implementation.	10	36	22	18	6
		10.9%	39.1%	23.9%	19.6%	6.5%
6	Employees are held accountable when they breach policy statement & any non-	19	42	19	10	2
		20.7%	45.7%	20.7%	10.9%	2.2%

	Statements	Strongly Agree	Agree	Neutral	Dis-Agree	Strongly Dis-Agree
	compliance to policy procedures.					
7	Loan officers are dedicated & committed to lease financing policy implementation.	29	46	5	10	2
		31.5%	50%	5.4%	10.9%	2.2%
8	The compliance of Loan officers with policy & procedures has impact on policy implementation performance.	24	54	4	4	6
		26.1%	58.7%	4.3%	4.3%	6.5%
9	Employees are involved in the decision-making process related to policy modifications.	9	37	22	14	8
		9.8%	40.2%	23.9%	15.2%	8.7%
10	There is a mechanism for Employees to report challenges and receive support.	12	48	9	13	10
		13%	52.2%	9.8%	14.1%	10.9%

*Source: Field survey, 2024*

As indicated on the table above, factors related to employees' skill and will are found to have very high impact on performance of lease financing policy implementation. This is manifested by 84.9% of respondents agreeing the compliance of loan officers with policy & procedures have impact on policy implementation performance; 81.5% agreed loan officers' dedication & commitment to lease financing policy implementation affects policy implementation performance, 75% agreed loan officers understanding of lease financing policy determines the performance of lease financing policy implementation and 72.8% agreed employees' competency to implement lease financing policy & procedures affects its performance. Similarly, factors like providing employees with adequate training to implement the Lease Financing Policy effectively, mechanism for Employees to report challenges and receive support and holding employees accountable when they breach policy statement & any non-compliance to policy procedures have registered moderate impact on implementation performance. However the bank is weak in employees' recognition and rewarded for their efforts in policy implementation.

Contrarily, loan officers' freedom to adjust policy statement & procedures during the implementation process and involving employees in the decision-making process related to policy

modifications are low where a significant number of respondents (39.1%) dis-agreed noticeable amount (32.6%) remained neutral. This is due to standardized procedural nature the financial sectors follow depending heavily on maintaining adherence (compliance) to policy and procedures.

#### 4.4.5 The Role of Target Group

According to Winter's, (1990) Integrated Implementation Model, target groups of public policies, i.e., citizens or firms, play an important role in policy implementation.

The table below will discuss the role of the beneficiaries of the policy in lease financing policy implementation.

**Table 10: Presentation of frequency results on the role of target group (N=92)**

	<b>Statements</b>	<b>Strongly Agree</b>	<b>Agree</b>	<b>Neutral</b>	<b>Dis-Agree</b>	<b>Strongly Dis-Agree</b>
<b>1</b>	Customers' (SMEs) clear understanding of Lease Financing Policy's terms and conditions is a critical factor for its effective implementation.	14 15.2%	48 52.2%	18 19.6%	11 12%	1 1.1%
<b>2</b>	The economic capacity of the customers to meet the financial obligations of the Lease Financing Policy affects its implementation performance.	26 28.3%	28 30.5%	20 21.7%	16 17.4%	2 2.2%
<b>3</b>	The customers' compliance with the Lease Financing Policy procedures affects the overall performance of its implementation.	9 9.8%	53 57.6%	11 12%	16 17.4%	3 3.3%
<b>4</b>	Customers' entrepreneurial capacity impacts the overall performance of Lease Financing Policy implementation.	16 17.4%	44 47.8%	12 13%	18 19.6%	2 2.2%
<b>5</b>	The overall satisfaction of SMEs with the Lease Financing service delivery enhances policy implementation performance.	16 17.4%	35 38%	20 21.7%	18 19.6%	3 3.3%
<b>6</b>	The feedback provided by the beneficiaries is effectively used to improve the implementation of the Lease Financing Policy.	13 14.1%	40 43.5%	12 13%	22 23.9%	5 5.4%

	Statements	Strongly Agree	Agree	Neutral	Dis-Agree	Strongly Dis-Agree
7	Socioeconomic factors influence beneficiaries' responsiveness to the policy.	7	44	14	24	3
		7.6%	47.8%	15.2%	26.1%	3.3%

Source: Field survey, 2024

According to Table 8, the employees of the Bank has a perception that, the beneficiaries of lease financing affects policy implementation, with their understanding of Lease Financing Policy's terms and conditions where 67.2% of the respondents agreed, their compliance to the Lease Financing Policy procedures where 67.4% of the respondents agreed, with their entrepreneurial capacity where 65.2% of the respondents agreed. On the other hand factors such as; the capacity of the customers to meet the financial obligations, the overall satisfaction of SMEs with the Lease Financing service delivery, the importance of customers feedback and the impact of socioeconomic factors moderately influence the implementation performance.

As it can be seen from the above analysis customers' (SMEs) understanding of the Lease Financing Policy's terms and conditions, their compliance to the Lease Financing Policy procedures & their' entrepreneurial capacity, highly affect the performance of lease financing policy of the Bank.

However, contrary to other sectors, the characteristics of the customers' do not have high impact on lease financing policy implementation of DBE as identified by scholars such as Mclaughlin (1977), due to standardized procedural nature of the operation of the Bank depending heavily on maintaining adherence (compliance) to policy and procedures.

#### **4.4.6 Other Determinants of Lease Financing Policy Implementation of DBE from Secondary sources**

In addition to the above five factors identified by Winter's Integrated Implementation framework (1990) expected to affects policy implementation, the following are factors identified by the World Bank's program called Enterprise Partners (2020) and the situation analysis presented in DBE's Five-Year Strategic Reform Plan of 2019 which have been negatively impacting the Bank's lease financing policy implementation before the reform.

##### **1. Lengthy leasing transaction cycle**

EP states that, DBE's lease approval process is overly lengthy, requiring about 14-18 months to complete a single lease transaction. Procurement of equipment for new leasing transactions is excessively lengthy and burdensome for DBE, both in importing, delivering and installing the equipment and in the internal communications regarding such equipment.

## **2. Poor Due-Diligence or know- your customer (KYC) Assessment**

The Bank believed that due diligence or know- your customer (KYC) assessment conducted by the Bank lacks in depth analysis of a customer's background and his financial and managerial capacity. The Bank's due diligence assessment was based on information collected from the customers themselves, not strongly backed by full and reliable information especially for foreign investors, PLCs and borrowers of rain-fed agricultural loans.

This inadequate KYC assessment has led to wrong customer selection and contributed a lot for failure of projects from the beginning and resulted in financing born-sick projects as it is the initial and most important step in any business relationship.

## **3. Shallow Project Appraisal**

The Bank's report states that, project appraisal performed by the Bank lacks in-depth understanding and analysis of a project. It is undertaken based on incomplete feasibility study from a customer and unrealistic assumptions. Besides that technical experts engaged in project appraisal are not well trained and skilled and not supported by information technology and well established price database. Due to these reasons, the project appraisal reports of the Bank show over exaggerated estimated financial results that are in contrary to realities on the ground.

## **4. Imprudent Lending Practices and Bad Credit Culture**

The strategic plan has disclosed that, the Bank's staff had become more mechanical in processing loans than reasoning, calculated risk taking and knowledge based risk management. Loans were used to be approved without due diligence and adequate evaluation of the financial and technical feasibility projects in the name of supporting development and employment creation. As a result, most of projects approved with loose credit analysis ended up being loss makers.

## **5. Weak Project Monitoring and Follow-up**

According to the Banks report, the Bank had been expected to undertake close monitoring and follow-up on financed projects regularly. However, Project follow-up was not focus on

evaluating actual performance of a project with what was planned and assumed during its appraisal in terms of technical, managerial, marketing and financial aspects. It is weak in identifying real problems encountered a project and indicating realistic remedial solutions for the problems.

Despite the fact that the Bank was well aware of quality problems in monitoring and follow up of loans, appropriate corrective actions were not taken on shortcomings. No penalty or legal action was imposed on defaulted customers that breach terms and conditions as well as contractual obligations to enforce them to correct the faults. Above all, there is a long delay to take rehabilitation or legal measures when a project gets sick or become default. Classification of many loans with under implementation projects into NPLs and long existence of defaulted loans due to bad credit discipline of customers are good indications for this gross negligence. Moreover, major issues identified in project follow-up are not well discussed and lessons were not drawn to be used as input in financing similar projects.

## **6. Deficient Credit Policy and Lending System**

The strategic plan proclaims that, the credit policies and lending system applied after the implementation of the BPR study in 2008 favors financing of projects without much consideration to the credit risk and impacts on the sustainability of the Bank. Policy provision that allows financing projects based on their cash flows and assuming projects as collaterals without requiring for 100% collateral coverage and considering used machinery as in-kind equity make the Bank to bear higher credit risks and malpractices.

Besides that limitless policy allowance for approving and administering loans through exception and deviation mechanisms widely opened doors to underwrite loans by overriding critical risks and rules. It was another policy deficiency that played significant roles for imprudent lending practices at the Bank. The Bank entered into financing of some large scale manufacturing projects where a couple of them exceeded the Bank's "single borrower limit" and are currently in trouble or some of them failed were decided by "exception" or "deviation" rather than the normal credit procedure of the Bank.

## **7. Excessive External Interventions**

It is indicated in the Bank's plan that, there were unnecessary and forceful interventions by

external parties, including board members and powerful high government officials in the Bank's credit decision and administration. This unnecessary intervention in the credit decision desperately affected quality of project viability checking and credit decision making. As a result, projects whose viability was questionable were financed; or additional loans were granted to projects with no hope of completion and becoming operational, or surviving.

Among many other instances, involvement of committee of ministers in determination of working capital loans for textile industries for cotton purchase and instruction given to the Bank to implement the decision accordingly is a good example for direct intervention of stakeholders in the credit decision of the Bank.

Following unnecessary intervention of stakeholders, most of the Bank's staffs feel that some powerful government authorities are capable of doing anything they want with respect to credit underwriting. The Management of the Bank thus has developed receptive culture for calls coming from such authorities and enacted accordingly instead of defending the interest of the Bank.

## **8. Shortage of Foreign Exchange**

Foreign exchange is not a resource just for generation of profit for DBE. Rather it has a far-reaching impact on the overall performance of the Bank as most of the Bank's financings (for Projects & SMEs) and loan collections are extremely dependent on availability of foreign exchange. In addition, shortage of foreign exchange crippled many import dependent manufactures. Such companies are operating significantly below their production capacity because of lack of raw materials and thus many of them failed to repay their loans as they become financially weak.

As it stands on June 30, 2018, FX requests registered and awaiting allocation for import of capital goods (for disbursement of project loans approved) and raw materials reached USD 350 million, despite NBE's recent intervention. On the other hand, the average monthly FX earnings of the Bank, from Export and FDI, amounts only USD 5 million. Thus, the Bank is not currently in a position to finance these FX requests and still depends on the NBE's support.

## **9. Political and Social Instability**

Political and social instability in some parts of the country has negatively affected

implementation or operations of a number of projects. Some projects have been damaged or destroyed. Rehabilitation of these damaged projects took longer time and has been one important factor for increasing NPLs.

## **10. Weak Information Technology System**

IT Service capabilities need to be prioritized according to overall business needs and specified in terms of operational requirements. Besides that the IT system shall be stable and reliable in order to have appropriate quality of services. The Bank uses core banking system called T24 and implementing ERP for some of its core operations.

However, most of the Bank's Branches are not connected in networks and they are offline. Moreover, loan origination and project appraisal are not supported by information technology services. In general, the IT system of the Bank is not up to the standard in terms of all measures that include network coverage ratio, automated system coverage ratio, information accessibility ratio, IT security coverage ratio and safe to conclude that it is at its infant stage.

In general, according to the Bank's five year strategic plan of 2019, such a high level of impairment signals more of internal weaknesses in the Bank's risk culture, loan origination and loan appraisal capacity, loan follow-up and portfolio monitoring than the performance in the real economy as a whole.

To overcome these problems, the Bank has prepared five year strategic reform plan in 2019 consisting of seven (7) strategic pillars; 27 strategic objectives; 33 key performance indicators (KPIs). The seven strategic pillars are; Policy and Business model of the Bank, Finance and sustainability, Governance and structure, Leadership and Human Resource, Loan recovery and Accountability, IT systems and Systems and working procedures.

The Bank's 2024 annual performance report revealed that, the Bank has completed the implementation of the targeted KPIs in 2024 budget year in accordance with the reform plan. Accordingly, except for some KPIs in relation to HR and IT issues the Bank achieved remarkable results in the past five years in terms of realizing the targeted KPIs. Notably, the Bank managed to achieve higher targets than set out in the strategic reform plan before June 2023.

The report adds that, *“all in all, the reform implementation enabled the Bank to significantly reduce its non-performing loans (NPLs) and increase its total capital. The reform also helped the*

*Bank to improve the service provision and maximize customers' satisfaction. Profoundly, the Bank's credit and financial performance has improved significantly; reduction of NPLs has been achieved beyond the plan target, and thus improving the Bank's asset quality, profitability and financial sustainability.” (DBE, 2024)*

As it can be seen from the above description majority of the factors identified by the Bank which has been affecting lease financing policy implementation are related to the internal work process of the Bank. These factors, even though they are not identified by Winter’s Integrated Implementation framework, they have been identified to affect policy implementation by other scholars such as; Van Meter and Van Horn (1975) as ‘Characteristics of Implementing Agencies’; Mclaughlin (1977) as ‘Organizational Characteristics’; Bardach (1980) as ‘Administration System’; Kla Tongkow (1991) as Characteristics of Implementing Agencies and; Voradej Chandarasorn (1983) as Enforcement Activity & Characteristics of Implementing .

Moreover, scholars like Fischer, Miller & Sidney (2007); Matland (1995) Dunsire (1978); Saetren (1983); Berman (1980), argue that, designing effective policy and implementation strategies requires understanding the nature of a policy, its broader political history and environment, its complexity, and the organizational and broader environment. There is no one best way to implement. Successful implementation strategies are contingent, and will differ across policies, domains, and jurisdictions.

Therefore, the above analysis implies that, the type of the policy and the characteristics of the implementing organization are important determinants which affected lease financing policy implementation of DBE which however were not included in the conceptual framework of the study.

#### **4.4.7 The Analysis of DBE’s Lease financing policy Using Matland’s Ambiguity-Conflict Model**

Development Bank of Ethiopia (DBE) is one of a specialized financial institution established to promote the national development agenda through development finance and currently operates on the basis of a project finance business model, in which it supports projects with loans and technical assistance in selected high-priority sectors. As a development finance institution, DBE is well placed to serve the financing requirements of SMEs.

In the budget year 2015/16, the government assigned the Development Bank of Ethiopia (DBE) with the objective of supporting small and medium enterprises (SMEs) having the desire, knowledge and profession to participate in various investment activities but could not act due to lack of capital & collateral; ascribed in many literatures as '*the missing middle*'. The Bank is expected to support SMEs through Capital goods financing scheme as the existing financial institutions could not address the gap, ultimately helping to achieve the broader objective of rapid industrialization and economic transformation. To this end, DBE has developed Lease Financing policy in Hire-Purchase modality, which is aimed to serve SMEs graduating from the microenterprises sector and those newly formed SMEs.

The purpose of the policy is to provide all personnel with a comprehensive understanding of how lease financing activity is to be undertaken by the Bank, to manage risks associated with lease financing and to facilitate the uniform application of the service or product throughout the Bank. The policy has been developed from existing credit policy and loan manual of the Bank as well as external sources. This policy and subsequent updates issued by the Bank are expected to help further define the bank's lease financing service and serve as a primary reference source for all lease financing related issues (DBE, 2022).

The policies statements outlined in the policy document are intended to be general in nature and are supplemented by Procedure Manual for lease financing, which will contain implementing details. Furthermore, they are supplementary to requirements outlined in various National Bank of Ethiopia Directives and other internal policy and procedure documents.

The policy is formally titled as "Lease Financing Policy of Development Bank of Ethiopia, No. LFP/002/2022; issued by the board of management of the Bank based on the duties and authorities vested in it by Article 14(4) of Public Enterprise Proclamation No. 25 of 1992. The Policy is governed by capital goods leasing business proclamations No. 103/1998 (as amended by proclamation No. 807/2013) and the relevant NBE directives & it is applicable to all processing and administration functions of the Bank with respect to lease financing.

The policy document incorporates 30 main titles in total which can be categorized in to three parts such as; background section, the overall lease financing process section & finally other accompanying activities or policy remarks.

This policy is accompanied by a procedure that states each statements of the policy in greater

depth & clearly outlines the roles & responsibility of each implementing body as well as the implementation process. Moreover, T24 Core- Banking System is used to administer the lease disbursement & collection activities of every customer.

Lease financing policy is implemented by three directorates structured sectorial under one vice president at head office; 24 districts & 112 branches throughout the country. The three directorates at head office do the regulatory, supervisory & support activities while districts & braches provide the lease financing service to their customer & report back to the head office.

As it can be seen from the policy document, its accompanying procedure & organizational structure, lease financing policy implementation of the Development Bank of Ethiopia follows an Administrative Implementation characterized by Low Policy Ambiguity and Low Policy Conflict developed by Matland (1995). Because, the central authority at the top (the Board & executive management), has information, resources, and sanction capabilities to help enact the policy. Information flows from the top down & implementation is ordered in a hierarchical manner with each underlying link receiving orders from the level above (from the head office to branches & from top management to employees). The policy is spelled out explicitly at each level, and at each link in the chain actors have a clear idea of their responsibilities and tasks, there exists standard operating procedures to expedite implementers' work. The programmed nature of the policy results in relatively uniform outcomes at the micro level (the Braches) across many settings (trough out the country or in different region). The variation in performance among implementer occurs due to misunderstanding of the policy, poor coordination of managers, resources variation among branches, lack of skill to use the correct technology, cognitive limitations of the implementer or lack of an effective monitoring strategy to control and sanction deviant behavior.

The Bank uses all the three types of mechanisms for gaining compliance from its employees and customers: normative, coercive, and remunerative. Normally, the levels of conflict are low (the orders given are perceived as legitimate, and there is little controversy that might lead to subversion), normative compliance mechanisms are generally sufficient. In those few cases where coercive mechanisms are needed, they can be expected to be effective since means are clear and easily monitored. Generally, since the policy is characterized by a high degree of consensus and the means for reaching the policy goal are known, the implementation process

becomes dominated by technocratic questions of compliance and follow-up.

Therefore, as Matland's Ambiguity-Conflict Model depicted since lease financing policy is clear and conflict is low, traditional top-down models, present an accurate description of the implementation process of DBE's lease financing policy.

## **CHAPTER FIVE**

### **SUMMARY, CONCLUSION AND RECOMMENDATION**

#### **5.1. Introduction**

As clearly stated on section one of this paper, the general objective of this study is to analyze the determinants of Lease Financing Policy implementation performance of the Development Bank of Ethiopia's, as well as identifying the appropriate implementation approach which best describes the implementation process of the Bank. The specific objectives are;

- ❖ To evaluate the level of lease financing policy implementation performance of the Development Bank of Ethiopia.
- ❖ To identify whether Top-Down or Bottom-Up implementation approach best describes the implementation process of the Development Bank of Ethiopia's Lease Financing Policy.
- ❖ To identify factors affecting the implementation performance of the Development Bank of Ethiopia's Lease Financing Policy.
- ❖ To investigate sector specific (Bank specific) factors that affects lease financing policy implementation performance.

Therefore, after collection of primary data from 92 employees of the Bank and conducting intensive desk review for the secondary data sources the data is analyzed descriptively using SPSS version 27 software. The summary of the findings of the study are presented hereunder.

#### **5.2. Summary of Finding**

The result of this study indicates the perception of DBE's staff working on Lease financing wing in two Addis Ababa Districts & their respective branches.

The first research question of the study which aims to evaluate the level of lease financing policy implementation performance of the Development Bank of Ethiopia is addressed as follows;

- ❖ The Bank's annual performance report shows that, Lease financing collection performance before the implementation of reform in 2020 was below expectations during the first two years policy implementation, but picked to an impressive 115% in 2019, credited to the new management's substantial mobilization efforts. On the contrary, the ratio of non-performing leases has consistently increased over time. According to the Bank's 2019 five-year strategic plan, this rise is attributed to a growing number of troubled projects financed by the Bank, stemming from inadequate capacity and poor management prior to the reforms.
- ❖ After the implementation of the reform in 2020 however, the Bank's lease collection performance has shown increment from year to year except for very low performance in 2022 accounted to all projects in Tigray region turning to none performing. Then after lease collection performance has revived up to 83% in the year 2023 and even able to score above 100% in the year 2024.
- ❖ On the Other hand, the lease NPLs ratio has continuously declined since June 2020. The decline in NPLs ratio is very radical; it jumped down from 28% in 2020 to 1.9% in 2023.
- ❖ The Bank's 2024 annual performance report has revealed that, the Bank has completed the implementation of the targeted KPIs in 2024 budget year in accordance with the reform plan. Accordingly, except for some KPIs in relation to HR and IT issues the Bank achieved remarkable results in the past five years in terms of realizing the targeted KPIs. Notably, the Bank managed to achieve higher targets than set out in the strategic reform plan before June 2023. The report adds that, "all in all, the reform implementation enabled the Bank to significantly reduce its non-performing loans (NPLs) and increase its total capital. The reform also helped the Bank to improve the service provision and maximize customers' satisfaction, the Bank's credit and financial performance has improved significantly; reduction of NPLs has been achieved beyond the plan target, and thus improving the Bank's asset quality, profitability and financial sustainability." (DBE, 2024)
- ❖ Therefore, the variation between the Bank's lease policy implementation performance

before the reform and after the reform implies that all the implementation factors identified in Winter's (1990) 'The Integrated Implementation Model' in combination with sector specific factors explains DBE's lease financing policy implementation performance differently under different leadership style.

The second research question of this study asks which implementation approach (the Top-Down or Bottom-Up) best describes the implementation process of the Development Bank of Ethiopia's Lease Financing Policy

On the other hand, the analysis of DBE's Lease financing policy and the response from the questioner using Matland's (1995) 'Ambiguity-Conflict Model', has revealed that, lease financing policy of DBE follows an Administrative policy implementation type characterized by low Policy ambiguity and low policy conflict. This is because; policy goal interpreted in terms of an output which is the amount of lease collection is clear implying low ambiguity level and the policy being implemented by single organization & the role of stakeholders has only a supportive role, implies very low conflict level.

The third research question of this study asks what are the factors affecting Development Bank of Ethiopia's Lease Financing Policy implementation performance? Accordingly, the finding of the study shows factors such as policy formulation processes and design, stakeholders' cooperation, the commitment and leadership skill of the management, employees' skills and will & the target group of the policy has affected lease financing policy implementation. The details of the findings are the following:-

- ❖ The data from the primary source shows that, DBE's Lease Financing policy formulation and design has strong sides like conducting comprehensive research, taking input from experts in lease financing during policy formulation, the policy instruments (policy statements) are clearly outlined & are effective to obtain the policy objective, the goals and objectives of the police are relevant to SME's financial need, policy accompanying procedures & guidelines are clearly stated, organizational structure of the Bank is suitable for implementation of lease financing policy. On the other hand, the data from secondary source indicates that, before the reform, DBE's organizational structure was insufficiently focused on lease financing as a distinct product within the Bank, efficiency in decision making, authority and responsibility mismatches, and operational flexibility.

Nonetheless, the Bank has overcome its structural problem after the implementation of the reform plan.

- ❖ Regarding stakeholder cooperation, even though the bank has established partnerships with key stakeholders to support the Lease Financing Policy, adequate support is not received from stakeholders during lease financing policy implementation.
- ❖ Exceptionally from other factors discussed in the analysis section, it is found that, the result from the analysis of the primary source of the study and the practical experience of the Bank has proven that, implementation performance of a lease financing policy of DBE is highly affected by management competency and leadership style the management of the Bank has been following at different times.
- ❖ Similarly factors related to employee's skill and will are found to have very high impact on performance of lease financing policy implementation. This is manifested by the significant impact of factors such as the compliance of Loan officers with policy & procedures, loan officers' dedication & commitment to lease financing policy implementation, employees' competency to implement lease financing policy & procedures, and loan officers understanding of lease financing policy. However, contrary to Lipsky (1980) argument about the negative impact of discretionary power the street-level bureaucrats possess on policy implementation performance, are low in the case of DBE's lease financing policy implementation due to standardized procedural nature the financial sectors follow.
- ❖ From factors related to lease financing beneficiaries ; customers' (SMEs) understanding of the Lease Financing Policy's terms and conditions, their compliance to the Lease Financing Policy procedures & their' entrepreneurial capacity, highly affect the performance of lease financing policy of the Bank. However, contrary to other sectors, the characteristics of the customers' do not have high impact on lease financing policy implementation of DBE as identified by scholars such as Mclaughlin (1977), due to standardized procedural nature of the operation of the Bank depending heavily on maintaining adherence (compliance) to policy and procedures.
- ❖ As to the impact of socioeconomic factor & feedback mechanism, they have not been analyzed separately because they have been considered as an indicator for factors such as; management behavior, employees' skill & will as well as target group behavior.

- ❖ The primary data gathered from respondents reveals that, among the six factors believed to affect policy implementation; beneficiary's behavior, employee's skill and will and management behaviors are found to highly affect policy implementation respectively.

The fourth research questions explore which sector (Bank) specific factor that affects lease financing policy implementation performance. Hence;

- ❖ Compliance to the policy statue by employees & the target group, which is considered as a dependent variable in the theoretical literatures such as Lester and Goggin (1998), Matland (1995), Sabatier and Mazmanian (1980); is a sector specific(Bank specific) independent variable which significantly impact the implementation result of DBE's lease financing policy. I.e. emanating from standardized procedural operational behavior of the financial sector, the effectiveness of policy implementation is determined more by how well employees and the target group adhere to the bank's policies and procedures, and how effectively management can oversee this adherence, rather than solely by the employees' and management's personal willingness and behavior; given that, policy is well formulate and designed as well as the employees have the required competency.
- ❖ The data from EP (2020) and DBE (2019) indicate that, Bank specific factors that affected DBE's lease financing policy implementation are; lending practices and credit discipline; intervention of third parties in credit decision and administration, availability of foreign exchange; information technology system, and credit risk management system.

The following conclusions are drawn in a manner that fill gaps stated on statement of the problem and answering the research questions anonymously where it illustrates the objectives are mate accordingly.

### **5.3. Conclusion**

Based on the analysis of both primary and secondary data, it can be concluded that all the implementation factors identified in Winter's (1990, 2015) 'Integrated Implementation Model,' as adopted in the study's conceptual framework, significantly impact the implementation of the lease financing policy. These factors include policy formulation and design, the commitment and leadership skills of management, employee skills and motivation, and the role of the policy's target group. However, the findings highlight that the commitment and leadership skills of

management, employee skills and motivation, and policy formulation and design have the most substantial influence on the performance of lease financing policy implementation. In contrast, stakeholders' cooperation and the role of the target group were found to have a relatively minimal effect on implementation performance.

Among the significant factors, key indicators such as the competency of managers to effectively lead the Lease Financing Policy (LFP) implementation and the top management's ability to enforce the policy through adequate sanctioning power have a substantial impact on the policy's success. Similarly, from the employees' skills and will perspective, factors like loan officers' compliance with policy and procedures, as well as their dedication and commitment to the LFP, are crucial for effective implementation. These findings underscore that adherence to policy statues by employees and the target group—considered a dependent variable in theoretical frameworks such as those by Lester and Goggin (1998), Matland (1995), and Sabatier and Mazmanian (1980)—is, in fact, a sector-specific (or bank-specific) independent variable that significantly influences the success of DBE's lease financing policy implementation. This suggests that, due to the standardized operational procedures of the financial sector, the effectiveness of policy implementation depends more on how well employees and the target group follow the Bank's policies and procedures, and how effectively management monitors this compliance. Thus, the success of the policy is determined not just by the personal willingness and behavior of employees and management, but also by how well the policy is formulated and designed, and whether employees possess the necessary competencies, as highlighted in Matland's (1995) 'Ambiguity Conflict Model.' Moreover, the programmed nature of the policy & the existence of standard operating procedures prevent street level bureaucrats' desecration to modifying policy goals & implementation results as well as target group local level behavior to impact implementation result.

On the other hand, the analysis of DBE's Lease financing policy and the response from the questioner using Matland's (1995) 'Ambiguity-Conflict Model', has revealed that, lease financing policy of DBE follows an Administrative policy implementation type characterized by low Policy ambiguity and low policy conflict. Policy goal interpreted in terms of an output which is the amount of lease collection is clear implying low ambiguity level and the policy being implemented by single organization & the role of stakeholders has only a supportive role, implies very low conflict level.

Therefore, DBE's lease financing policy implementation being an Administrative policy implementation, traditional top-down models, presents an accurate description of the implementation process of DBE's lease financing policy. This addresses the fourth research question of the study.

#### **5.4. Recommendations**

The study's significance was addressing a critical gap in literature by focusing on the often-neglected phase of policy implementation within the specific context of the Development Bank of Ethiopia's Lease Financing Policy and by identifying and analyzing the specific challenges faced by the Bank informing the formulation of more targeted and effective strategies for policy implementation, ultimately leading to improved outcomes for SMEs and other beneficiaries while also being a potential source of resource for policy formulators.

Therefore, although the analysis of both primary & secondary data sources imply that the Bank's lease financing policy implementation is in good shape after the reform, the following recommendations are forwarded so as to improve its performance on identified gaps & expedite the notable performance the Bank has achieved:-

- ❖ From policy formulation & design factors, consistent updates on the policy in order to consider the changes in the industry require attention for improvement.
- ❖ From stakeholders' cooperation factors; since the stakeholders do not have sufficient understanding of lease financing policy of the Bank & their role in the implementation process, so as to get an adequate support from stakeholders during lease financing policy implementation different awareness creation platforms should be facilitated.
- ❖ The data both from primary & secondary sources indicate that, there is a gap on the existence of quick, clear and two-way communication in the Bank & the availability of adequate resource and appropriate technology for the implementation of LFP. Therefore, the Bank needs to work on these gaps.
- ❖ Similar to management factors, though employees' skill & will factors have significant

impact on lease financing policy implementation performance, the Bank is need to work on its weakness on employees' recognition and rewarded for their efforts in policy implementation.

- ❖ Based on Matland's 'Ambiguity Conflict Model', it is recommended that, DBE should continue using To-Down implementation approach.
- ❖ As it has been learnt from DBE's Lease financing policy implementation, the application of any policy implementation models should strongly consider the type of the policy & sector specific conditions that might affect the implementation.
- ❖ As presented by the Bank's five year strategic reform plan performance report, the Bank need to improve its information technology system and human resource management.
- ❖ Since the study relied exclusively on a quantitative approach, it missed the explanatory depth that a qualitative approach could provide, particularly in interpreting the descriptive results. Additionally, the study was based on Winter's (1990) Integrated Implementation Framework, which limits the determinant factors of policy implementation to five. However, secondary sources have revealed additional factors influencing the Bank's policy implementation that were not addressed in this framework. To bridge these methodological and analytical gaps, further research on this topic is necessary.

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## ANNEX 1

**Research Questionnaire**  
**Addis Ababa University**  
**College of Business and Economics**  
**MA in Public Administration & Development Management**

**Dear Respondent,**

My name is Tigist Desta who is a graduate school student at Addis Ababa University. My research title is: This questionnaire is prepared for research purpose entitled “**Factors Affecting Policy Implementation: The Case of Development Bank of Ethiopia Lease Financing Policy**”. With sincerity, I would like to extend my deep appreciation to your company and the staff for the willingness and cooperation in undertaking this valuable research. I ask your kind cooperation in answering the questions as truthfully as possible and your response will be highly confidential.

This questionnaire has been devised to examine the factors affecting implementation performance of Lease Financing Policy of the Development Bank of Ethiopia's, with a focus on identifying challenges, understanding their impact on policy outcomes, and providing recommendations for improving policy execution and achieving desired objectives. This survey will only be used for a student research purposes only. Your participation in this survey is completely voluntary.

If you need any clarifications, please contact me through my e-mail address: [tgdes2002@gmail.com](mailto:tgdes2002@gmail.com) or please give me a call at 0911-95-13-38.

**Thank you very much for your kind cooperation!!!**

**May, 2024**

Tigist Desta

### **Section I – Background Information**

1. **Age:** < 20  ; 21-30  ; 31-40  ; 41-50  ; >50
2. **Gender** Male  Female
3. **Educational level** Diploma  1<sup>st</sup> Degree  2<sup>nd</sup> Degree  PHD

#### 4. Years of service in the Bank

Less than 5 years  6 – 10 years  11 – 15 years  16 – 20 years  Over 20 years

#### 5. Current position in your organization .....

### Section II: Questions on “Factors Affecting Policy Implementation: The Case of Development Bank of Ethiopia Lease Financing Policy”.

In the following sections, please kindly indicate (✓) mark to express the extent of your agreement or disagreement on the given statement from the choices:

- 1) 1= SA= Strongly Agree
- 2) 2= A= Agree
- 3) 3= N = Neutral
- 4) 4= D = Disagree
- 5) 5= SD = Strongly Disagree

<b>No.</b>	<b>Statement</b>	<b>SA (1)</b>	<b>A (2)</b>	<b>N (3)</b>	<b>D (4)</b>	<b>SD (5)</b>
<b>1.</b>	<b>Policy Formulation and Design</b>					
<b>1.1.</b>	The LFP was developed based on comprehensive research and analysis.					
<b>1.2.</b>	Stakeholders have sufficiently provided input during the policy formulation process.					
<b>1.3.</b>	The policy was designed with input from experts in lease financing.					
<b>1.4.</b>	The policy instruments (policy statements) are clearly outlined & are effective to obtain the policy objective.					
<b>1.5.</b>	The procedures & guidelines necessary to implement LFP were prepared on time & are clear.					
<b>1.6.</b>	LFP goals and objectives are relevant to SME’s financial needs.					
<b>1.7.</b>	DBE’s dependency on other organization to implement the policy is low					
<b>1.8.</b>	The organizational structure is suitable for implementation of lease financing policy.					
<b>1.9.</b>	The LFP is regularly updated to reflect changes in the leasing industry.					
<b>1.10.</b>	The targeted beneficiaries of LFP are properly identified					
<b>2.</b>	<b>Stakeholders Cooperation</b>					
<b>2.1.</b>	Partnerships with key stakeholders to support Lease Financing Policy have been developed.					
<b>2.2.</b>	Training/introductory workshop has been conducted to clarify lease financing policy to the stakeholders					
<b>2.3.</b>	The stakeholders’ mandates in Lease Financing Policy implementation					

No.	Statement	SA (1)	A (2)	N (3)	D (4)	SD (5)
	have governing rule & the roles and responsibilities of each organization in the implementation process are well-defined.					
2.4.	Stakeholders involved in lease financing policy implementation sees the policy as directly relevant to their interests. There is conflict of interest.					
2.5.	The stakeholders have sufficient understanding of lease financing policy of the Bank & their role in the implementation process.					
2.6.	Adequate support is received from stakeholders during lease financing policy implementation.					
2.7.	The success of inter-organizational collaboration is regularly evaluated and improved upon.					
3.	<b>The commitment and leadership skill of the management</b>					
3.1.	Managers competency to effectively lead LFP implementation, critically affects the implementation performance.					
3.2.	The availability of adequate resource and appropriate technology for the implementation of LFP affects the implementation performance.					
3.3.	The top management possesses enough sanction capabilities (power) to implement LFP policy.					
3.4.	The management has ensured that all team members are aware of their roles and responsibilities in LF policy implementation.					
3.5.	The strategies to maintain compliance are in place & the management takes the necessary measure on non-compliance properly.					
3.6.	There is quick, clear and two-way communication in the Bank.					
3.7.	Management provides regular feedback to staff on their performance in implementing the policy & asks their feedback on the implementation process.					
4.	<b>Employees Skills &amp; Will</b>					
4.1.	Employees are provided with adequate training to implement the Lease Financing Policy effectively.					
4.2.	Loan officers understanding of lease financing policy have impact on policy implementation.					
4.3.	Loan officers possess the freedom to adjust policy statement & procedures(they need discretionary power) during the implementation process.					
4.4.	Loan officers are competent to implement lease financing policy & procedures.					
4.5.	Employees are recognized and rewarded for their efforts in policy implementation.					
4.6.	Employees are held accountable when they breach policy statement & any non-compliance to policy procedures.					
4.7.	Loan officers are dedicated & committed to lease financing policy					

<b>No.</b>	<b>Statement</b>	<b>SA (1)</b>	<b>A (2)</b>	<b>N (3)</b>	<b>D (4)</b>	<b>SD (5)</b>
	implementation.					
<b>4.8.</b>	The compliance of Loan officers with policy & procedures has impact on policy implementation performance.					
<b>4.9.</b>	Employees are involved in the decision-making process related to policy modifications.					
<b>4.10.</b>	There is a mechanism for Employees to report challenges and receive support.					
<b>5.</b>	<b>The role of the target group</b>					
<b>5.1</b>	Customers' (SMEs) clear understanding of Lease Financing Policy's terms and conditions is a critical factor for its effective implementation.					
<b>5.2</b>	The economic capacity of the customers to meet the financial obligations of the Lease Financing Policy affects its implementation performance.					
<b>5.3</b>	The customers' compliance with the Lease Financing Policy procedures affects the overall performance of its implementation.					
<b>5.4</b>	Customers' entrepreneurial capacity impacts the overall performance of Lease Financing Policy implementation.					
<b>5.5</b>	The overall satisfaction of SMEs with the Lease Financing service delivery enhances policy implementation performance.					
<b>5.6</b>	The feedback provided by the beneficiaries is effectively used to improve the implementation of the Lease Financing Policy.					
<b>5.7</b>	Socioeconomic factors influence beneficiaries' responsiveness to the policy.					

***THANK YOU!!***