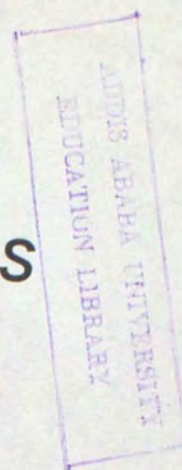


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**ADDIS ABABA UNIVERSITY
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**THE STUDY OF PUBLIC EDUCATIONAL
FINANCE MANAGEMENT AT WEREDA
LEVEL IN EAST HARARGE ZONE**

ABDELLA YUYA

*June, 2006
Addis Ababa*

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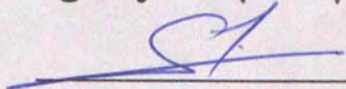
BY
ABDELLA YUYA

**A THESIS PRESENTED TO THE SCHOOL OF GRADUATE STUDIES OF
ADDIS ABABA UNIVERSITY IN PARTIAL FULFILLMENT OF THE
REQUIREMENTS TO THE DEGREE OF MASTER OF ART IN
EDUCATIONAL PLANNING AND MANAGEMENT**

June, 2006

This Thesis has been submitted for examination with my approval as
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ADDIS ABABA UNIVERSITY
SCHOOL OF GRADUATE STUDIES


**THE STUDY OF PUBLIC EDUCATIONAL
FINANCE MANAGEMENT AT WEREDA
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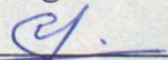
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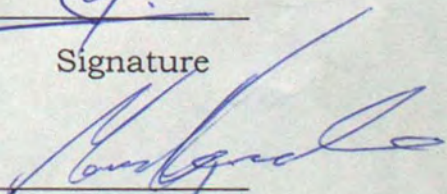
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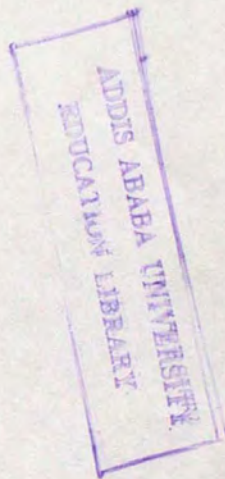
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ABBREVIATIONS

- AVTS:** Average Teachers' Salary
EFY: Ethiopian Fiscal Year.
EHZ: East Hararge Zone
GNP: Gross National Product
MOE: Ministry of Education
OEB: Oromia Education Bureau
STR: Student Teacher Ratio
SUC: Salary Unit Cost
TUC: Total Unit Cost.
WB: World Bank
WEO: Wereda Education Office
ZBB: Zero Base Budgeting.
ZEO: Zone Education Office.
ZFO: Zone Finance Office



ACRONYMS

- BGES:** Block Grant for Education Service
BOFED: Bureau of Finance and Economic Development
MOFED: Ministry of Finance and Economic Development.
OFED: Office of Finance and Economic Development (Wereda)
TVET: Technical Vocational Education and Training
UNESCO: United Nations Education, Science, and Cultural Organization

ABSTRACT

The main objective of this study was to assess, investigate, and examine how the public funds are allocated from the region to weredas, the distribution techniques among the public sectors at weredas level and the utilization process of procured finance within education sector.

The method employed was descriptive survey, and the study was carried out in six sample weredas. The sampling techniques used were; purposive, availability, and random sampling techniques.

The data were collected mainly through questionnaires and structured interviews.

The main findings of the study showed that: Budget was allocated to weredas in the form of unrestricted block grant. The main criteria used in allocating block grant and distributing it among public sectors at wereda level was the previous trend of budget allocated. The core problems faced in managing public fund at weredas level were: The imbalance between block grant and wereda budget plan, and the coming of the whole financial transaction of weredas under one pool system

The main conclusions of the study are: 1) Budget allocated to weredas was not based on the budgetary plan of weredas. 2) At weredas level education did not deserve due attention which commensurate with its value. 3) One pool system of financial management system exert a great pressure on the education activities carried out especially at school level.

Finally, the major recommendations provided are:

At regional as well as wereda level the financial management guideline set by MOE and BOFED must be carefully employed.

One pool system of public financial management system should be revised and mechanisms which help the education sector to be exempted from the one pool system should be created. The allocation of block grant should consider strictly the weredas' budgetary plan.

CHAPTER ONE

THE PROBLEM AND ITS APPROACH

1.1. Background of the Study

It is obvious that education is largely financed by the public sector. All countries are indulged in the provision of education to their citizens and devote some share of GNP to this end annually. The amount of funds assigned to this purpose depends on several factors such as the percentage of the total population attending schooling, the free education doctrine, and the relative advantages connected to education. Thus, the public expenditure on education should be analyzed in terms of GNP and the total budget of the government (World Bank, 1986 and 1987, Mbua, 2002).

The rationale behind financing education is many folds. There are mainly associated with socio-economic, culture, and political conditions of nations. Most nations of the world are financing education, because they consider education as a corner stone for successful socio economic development.

Accordingly, it is believed that, there are strong links between successful educational programs and country's economic growth, equity, and health of its population. Hence, public education investment is basically essential for the sustained economic growth and facilitates the development of skills and other knowledge that are fundamental determinant for persons, or nations. These multipurpose make education a key area of public policy in all countries (Education and Training policy of Ethiopia 1994, Hanushek and Kimo, 2000, Jaferson, 2001, and world Bank, 2001).

The basic rationale for financing public education is primarily to remove inequality in educational opportunity, maintaining appropriate quality standard and to support the rationalization of a well educated community.

Financing public education is a common phenomena in most of the world nations. It is believed that the achievement of educational goals greatly depends on adequate financial support. The ever growing demand for education, the resultant expansion of educational system, the need for more modern equipment in education have all led to a massive increase in spending on education all over the world.

The most common yardstick of educational expenditures is a percent of GNP and the percent of the national budget. It has been recommended that nations of the world should allocate four percent of their GNP. But, the study of World Bank revealed that the percentage of GNP devoted to education by nations is not the same all over the world. The variation ranges between 0.5 and 12 percent of GNP and between 3.8 and 36 percent of public expenditures (stoops and others, 1980, World Bank, 1987, and world education Encyclopedia, 1988:19).

In most countries of the world, the main sources of funds for public elementary and secondary education is income tax collected by and subsequently passed on the state (regional) and local government through general and specific purpose grants (UNESCO. 1999, and Mbua 2003).

- Similarly in Ethiopia the sources of finance for public educational are government, private, community and charity organization (MOE, 2002)

Financial management in education, like in any organization needs certain basic managerial and technical skills for the purpose of how to plan and control money, how to cost time utilization, the educational process and its outputs. (Knight, 1993).

Accordingly, the issue on public educational finance begins with the process of careful preparation of budget and approval to the level of execution. Moreover, there should be a sound financial reporting, good management and effective organizational arrangement to ensure better performance (Oshisma, 1992:205).

With regards to financing public education in Ethiopia the education and training policy suggested sufficient budget allocation and proper utilization of the educational budget for the intended purpose. It is stated that "... *the financing of education must be just, efficient and appropriate to promote equity and quality of education.*" (MOE, 1994:6).

The purpose of public educational finance in Ethiopia is to enhance financial resources that could help to strengthen the decentralized education system by devolving it to the wereda and school level with the objective of expanding quality education through the country.

Since the capital and recurrent budget subsidies come from the central government, Oromia, as one of the regional states in federal government of Ethiopia, follows similar pattern of budget allocation and execution for education sector.

This system of allocation is common in countries following federal system. With decentralized system of financing, the state and local governments together contribute to the education budget (Hallack, 1990:4).

Like wise in Oromia the recurrent budget comes from regional state, while the capital budget sources are both form the regional state and federal government.

1.2. Statement of the Problem

Education represents a major claim on scarce resources and its expenditures therefore must be assessed against expenditures on other priorities. The common strategy of making such an assessment is to

measure expenditures on each major sector of economy as a proportion of common indicator, which can be performed in two ways. One is the total expenditure on each sector against a national or domestic product and the other is public expenditures on each sector against total public expenditure. Public educational expenditures include proportion of total public recurring expenditure and proportion of total public capital expenditure spent on education.

Since budget is the statement of revenue and expenditure, public educational budget preparation is a highly intellectual work and needs expertise in the areas of finance, development administration, statistics, and computer programming etc. (Goel, 2002:174).

The major bottleneck of public educational budget usually seems the problem of appropriate, allocation, execution, and control of limited financial resources. Moreover, the ability and capacity to keep the balance between the budget and planned activities to be accomplished seems also the other facet of the problem.

The realization of fiscal decentralization authorities at wereda level in 1995 E.C. urged the desire to mobilize regional resources for enhanced development, promotion of effective regional and local participation in development and to ensure the effective provision of public goods and services in which education is one of the major components (Eshetu Chole, 1994:2).

In the educational finance decentralization, utilizing the budget is to the extent that administering the capital budget and salary expenditure is the task of the wereda education office, while schools administer the non salary operational budget (MOE, 2002).

Some studies made in the field of educational finance management by Ayalew Gobaze (2001). Abdi Ahmed Garad (2004) and Mitiku Desta (1998)

were carried out before the fiscal decentralization was not devolved down to the wereda level and at its infant stage. The studies were conducted at regional level at the time where all sectors independently manage their financial transaction.

But, the main purpose of this study is to assess the current practices of public education financing and its management at weredas level in the one pool system.

1.2.1 General Objective of the Study

To investigate the general budget and budgeting system in public education and the major constraints confronted in managing public education funds at wereda level and there by to provide certain possible recommendations to the concerned body.

1.2.2 Specific Objectives

2. To assess how public Funds are allocated to weredas.
3. To investigate how the allocated funds are distributed among public sectors.
4. To assess the distribution and utilization system of procured finance within education sector.
5. To scan administration techniques to ease the problem.
6. To evaluate the adequacy and efficiency of available technical and managerial capacity at wereda level in managing public financial resources.
7. To identify the major constraints prevailing at wereda level in managing public financial resources.

Based on the objectives, the study attempted to give responses to the following basic questions.

1. How are public funds allocated to weredas?

2. How are the allocated financial resources distributed among public sectors services like health, education etc.?
3. How the education sector distributes and utilizes the allocated fund?
4. What mechanisms are in place for the proper management of public educational fund?
5. What are the major factors and constraints confronted in managing public financial resources?

1.3. Significance of the Study

Currently Ethiopia is engaged in the process of exercising the decentralization system. It has devolved some of political, social and economic power to weredas.

Educational finance is among the issues the country devolved partially to regions and weredas. On the other hand, Ethiopia is criticized because of its attempt to carryout the decentralization system without adequate pre requisites for its implementation, especially in terms of financial and human resources (Derebsa Dufera, 1998, and Gresberg and Winkler, 2003). In spite of these constraints, a huge amount of public finance is allocated directly to weredas (MOE, 2002). However, at present time there is a sharp claim by wereda education offices about the fairness of distribution of public funds among public sectors at wereda level.

Moreover, the educational managers at different levels, especially at wereda level, pay more attention to hard programs of education, that is, the physical increment of educational programs, and usually overrun the direct relation of educational finance and qualitative performance of educational activities.

Hence, this study would be significant since:-

1. It is expected to draw the attention of top level managers to revise the financial management guidance at wereda level.
2. It will help wereda cabinets to assess their approach in the distribution of financial resources among public sectors.
3. It will provide key information to the Regional Government so that they may pay due attention for wereda educational technical and managerial capacity in financial management
4. It may help the region to revise the existing organizational and institutional structure in facilitating the execution and control of public funds in education.
5. It may provide the basic approaches in preparing a sound financial plan starting from the schools.
6. It might create awareness about the close relation between financial allocation and qualitative performance of educational activities

1.4. Delimitation of the Study

The scope of the study is limited to the public elementary and secondary educations (9-10) which are directly managed by wereda. Because others like TVET and some other educational college or university found in some weredas are managed either by region or Federal Government. Moreover, it is focused on how public education finance is managed at wereda level.

On top of this, the study is delimited to east Hararge zone of Oromia Region. Because, the zone is one of the largest zones in Oromia region especially with large number of weredas (17) and about one third of its weredas are newly opened with accute inadequate human resources and other facilities.

1.5. Limitation of the Study

This study was conducted in the situation where the Fiscal Decentralization at wereda level was not stand firmly on its both feet. So, some of the main problems faced by the researcher were:

- Unable to get sufficient and organized data,
- Shortage of experienced and qualified experts at different positions to provide reliable and accurate information, and
- Difficulty to get chairman's of cabinets for interview

In addition to these, shortages of adequate and recent related literature were among the constraints confronted with the writer.

Because of the above mentioned limitations the study would not claim comprehensiveness in any case.

1.6. The Research Design and Methodology

Under this subtopic, methodology, the source of data, sample population instruments and procedures for data collection were treated.

1.6.1. Methodology

The research method employed was the descriptive survey research method. This method is selected because it helps the researcher to disclose the practical situation of weredas, and their capacity. It also enables the researcher to identify the main difficulties in public financial resources of education.

Hence, in describing the current situation of weredas in managing public educational finance the descriptive survey research method is recognized to be feasible and appropriate.

1.6.2. The Source of Data

The data was collected from different sources. The sources included Bureau of Finance and Economic Development (BOFED), Oromia

Education Bureau (OEB), Zone Education Office (ZEO), ZFO, Woreda OFED and Education Office (WEO) and public schools (both primary and secondary). Moreover, government regulations, guidelines, policies, directives, plan documents and statistical abstracts were used as major sources of data for the study.

1.6.3. Sample Population

The sample of the study encompasses six weredas. In these weredas, six wereda education offices, six weredas' cabinets, five high schools, 12 elementary schools, (two from each wereda) were included. Based on these, from the total population of 383, a sample population of 165 (43 percent) were selected. Among these, 42 respondents were from wereda cabinets (seven from each wereda), 30 respondents from wereda finance office (five from each) 42 respondents from wereda education offices (seven from each) 15 respondents from High schools (three from each), 36 respondents from elementary schools (three from each).

1.6.3.1. Sampling Techniques

Respondents were selected based on purposive and availability sampling techniques. The rationale behind the selection of these techniques is that the researcher planned to select those who have direct relation with the issue under the study. Based on these, educational officials, school management committee, wereda Administration Cabinets and Finance Office of the selected weredas were involved in the study because of their direct contact with educational funds.

Moreover, the structured random sampling technique is employed, because the weredas in the zone are not in the same level of socio-economic development and geographical environment.

In addition to selected respondents, the study was backed by the qualitative data that were obtained from documents analysis, interviews with focus groups.

1.6.4. Instruments and Procedures for Data Collection

1.6.4.1. Instrument of Data Collection

In the process of data collection, three basic instruments were employed. These are questionnaires, interview, and document analysis. The questionnaires contained dominantly close-ended items and few open ended questions to help the respondents pose their free feelings. Besides this, with regard to certain issues that may require more clarification, focus group discussion, and check list have been used to gather additional information.

1.6.4.2. Procedures of Data Collection

In order to assess the financial planning and budgetary process in weredas of East Hararge Zone (EHZ) first hand documents, statistical abstracts and reports were collected and analyzed. Secondly, relevant literature were investigated to obtain relevant information, theoretical frame work and guiding principles. Thirdly, basic questions were formulated and data gathering tools were prepared. Pilot test has been conducted to check the appropriateness of the instrument and to get constructive comment from the pilot respondents. After modifying the questionnaire, on the basis of feedback from the pilot test, and comments of my advisor, the instrument was administered with the preliminary explanations. After awhile, the question has been collected and analysis of data has been conducted by using relevant statistical tools.

For the implementation of this, the zone is categorized in to three strata based on their socio-economic conditions, the relative human power they have, and the proximity they have to the center of the zone. From each

sub-zone, one high school and two primary schools have been selected by using the availability and random sampling techniques.

Table 1: Selected Sample Weredas and Schools

| Level | Weredas under levels | Selected weredas | Number of Schools | |
|--|--|-----------------------|-------------------|-----------|
| | | | Secondary | Primary |
| Relatively better socioeconomic or number of man power | 1. Gurawa 2. Gursum 3. Haramaya 4. Kambolcha 5. Kersa | Kombolcha Haramaya | 2 | 4 |
| Relatively medium | 1. Babile 2. Baddanno 3. Deder 4. Kurfachale 5. Malka-balo 6. Metta | Badeno Deder | 2 | 4 |
| Relatively low | 1. Chinagson 2. Fadis 3. Gorogutus 4. Golaoda 5. Jarso 6. Mayyu | Golaoda Gorogutu | 1 | 4 |
| - | 17 | 6 | 5 | 12 |

1.6.5 Methods of Data Analysis

The data analysis involved content analysis of documents, interviews and responses to questionnaires. The raw data collected from the field were tallied, structured, organized and systematically demonstrated. Based on the nature of the basic questions and data collected; percentages and simple mathematical methods were employed. Charts and tables have been used to interpret the research findings as they deemed necessary.

1.7. Definitions of Terms

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

Authority – The right to make decisions and utilize resources for organization objectives (Adapt, Rue and Byars, 1990)

Budgeting _ is the process where by the plans of an institution are translated into an itemized, authorized and systematized plan of operation, expressed into finance for a given period of time, usually one year (College and university business Administration, 1982).

Capacity _ The ability to provide services, to set goal to anticipate needs to make informed decisions and to attract and manage resources in order to achieve the goals of education (parry, 1997).

Educational Decentralization _ is the transfer of decision making power from the central government to popularly elected regional or local government (Winkler, 2003)

Fiscal Decentralization _ is the devolution of the central government to local governments of specific functions with the administrative authority and fiscal revenue to perform those functions (Edwinkee, 2003).

Local _ Refers to administrative units below the regional level that is zone, wereda, and school areas (proclamation No. 7/1997).

Public Education- Refers to the Educational Programs Sponsored by the state, countries for the pupils in the elementary and secondary schools (Good, 1973).

Recurrent Expenditure-is the cost or expenditure incurred on personnel (teaching and non teaching staff) consumable materials or supplies and repairs during one fiscal year (Mbua, 2003).

Revenue or Receipts. This refers to all funds for educational support regardless of their sources (Mbua, 2003).

Wereda _ An area marked off and developed for administrative purpose with defined authority and responsibility representing a population of up to 100,000 people (proclamation No. 7/1992).

Zone _ An intermediate level between region and wereda.

CHAPTER TWO

2. Review of the Related Literature

This chapter is devoted to the assessment of some related literature written previously on the topic by different authors. Thus, the chapter deals with the Concept of public Education; Financing Public Education; Sources of Financing Public Education; Managing Financial Resources in Public Education; Fiscal Decentralization in Education; Budgeting in Public Education; and Budgeting System in Oromia.

2.1 The Concept of Public Education

According to the free encyclopedia (2005) public education is schooling provided for the general public rather than the privileged few. At present time, it is a type of education provided by the government, whether national or local and paid for by taxes which usually being called state education. Schools provided under such system are called public schools in many countries.

The Dictionary of education (1983: 459) Stated public education as follows:

"Public education is, usually, the educational programs sponsored by the state, countries, by districts for the pupils in the elementary and secondary schools; may include Adult or vocational education."

Public education is generally provided to all. In most countries, it is compulsory up to a certain level. Its funding, in contrast to private schooling in which its costs are covered by students, is provided by the revenues, in a case even individuals who do not attend school contribute for the society to be educated (Wikipedia, 2005: 1-2).

2.2. Rationales for Financing Public Education

Education is the cornerstone of the successful social and economic development. It is a means to develop human personality through the acquisition of skills, conscious deliberate and organized actions. Education is also a process by which man transmits his experiences, new findings, values and norms accumulated over time to its offspring. In addition to these, it enables individuals and societies to make all round participation in the development process by acquiring knowledge, ability, skills, and attitudes and provides the means of satisfying other basic needs, develops cultural and civil dimensions of individual experience. Moreover, education is a basic means to create a sustainable economy by facilitating the faster diffusion of information which is crucial for increasing productivity (Hanushek and Kimo, 2000:76).

Thus, modern civilization demands knowledge, understanding, and technological skills. Developing these through education provides the opportunity for progress. Hence, substantial proportion of the resources of each nation must be devoted to education if the required human capital has to be achieved (ETP, 1994, Jefferson, 2001, and world bank, 2001).

The rationales behind financing public education are primarily to remove inequality in educational opportunity, maintaining appropriate quality standard and to support the realization of a well educated community.

It is believed that there is strong links between successful educational programs and country's economic growth, equity, and health of its population. Hence, education investments are basically essential for the sustained economic growth, and facilitate the development of skills and other knowledge that are fundamentally determinant for persons or nations. These multi purposes make education a key area of public policy in all countries (World Bank, 2001:12-17).

2.3 Financing Public Education

Education consumes an over whelming amount of resources in almost all countries, accounting between two and six percent of gross national product. A certain minimum level of educational provision is generally considered to be essential for a country to achieve a substantial economic growth (world Band, 1987:425)

All countries are indulged in the provision of education to the citizens and devote some share of GNP to this end annually. The amount of funds assigned to this purpose depends on several factors such as the percentage of the total population attending schooling, or training, the free education doctrine, and the relative advantages connected to education with respect to other sectors of the economy. Thus, the public expenditure on education should be analyzed in relation to the GNP and the total budget of the government (World Bank, 1989: 85, and Mbua, 2002: 221-222).

It is believed that the achievement of educational goals greatly depends on the adequate financial support. The ever growing demand for education, the resultant expansion of educational system, the need for more modern equipment in education have all led to a massive increase in spending on education all over the world. In this connection there is an enormous expenditure on education either on the supply or demand side of education. These scarce resources from public sources are consumed by education and can not be employed for other purpose. Therefore, as it is stated by Mbua (2003:496) *"...Educational financing is the financial resources provided sources which are public and private for the provision of educational institutions or services, or it is the allocation of financial resources used to invest in education by the states, parents, communities, and organizations."*

Hence, it can be implied from the above definition that public educational finance is the allocation of financial resources used to be invested in education for the purpose of providing it to the majority of population by the government.

In financing public education, money flows from the larger government to the smaller regardless of the number of levels (in some countries like England and Wales there are two main levels the center and local authorities while in countries like USA there are three main levels: Federal, states, and Local). The general rules for the distribution of funds is that the central (Federal) government allocate funds to the smaller unit (local) directly in accordance with the needs of students in the smaller units of the government and inversely with regard to the fiscal capacity of the smaller units. In the USA, for example, the central government employs some main devices to coordinate the central and the local support for education. These devices are:

1. Foundation program plan
2. Percentage equalization, and
3. The weighted population grant (World Bank, 1987:426).

The foundation is a money figure representing the government's estimate of the cost of educating a typical student in atypical local authority. It is a per-student figure (grant) indicating a minimum expenditure level. The value of the foundation program is multiplied by the weighted student enrollments in each local authority in order to calculate the estimate of local needs. Thus, the state (central) aid (grant) is expected to provide a basic foundation on top of local revenue for public education.

Under the percentage equalization system the government agrees to share in the cost of a locally determined educational budget, and to share local budget in such position that any two local authorities that levy the same

local school tax rate are provided with equal amount of money to spend per-student.

As a result the state grant equalizes local fiscal capacity, while leaving the decision about the size of the budget to local discretion. Obviously the percentage share of state money will be higher in poor local authority than in rich one.

The third main category of grant is the weighted population grant. It is the simplest and the most flexible one that requires least commitment of future resources on the part of central government. A given local authority's entitlement is that share of state determines appropriation which is equal to the local authority' share of weighted population in the state (World Bank, 1987: 426-427).

On the other hand, the base for the distribution of government spending is equal to educational opportunity. Public subsidies for education targeting poorer areas. Priority is given to poverty alleviation. The allocation rules in higher education pacified on a per-student base while in general and vocational education general population per-capita basis is used (per-capita basis refers to basing the budget allocation on the total population living in a given locality instead of basing on the number of students enrolled in primary and secondary education). Different weights are given, however, to a population living indifferent areas (World Bank, 1996: 11-13).

Two statistical bases are essential for the pattern of school expenditure: (1) The proportion of GNP that is allocated to education, and (2) The proportion of total public expenditures that allocated to education.

In the decade of 1970s about 2.9 percent of GNP was devoted to public educational expenditures among nations. But, the rate at which public expenditure on education increase appear to be greater than the actual

increase of GNP which means education consumes a tremendous share of the total wealth of a country (World Bank, 1996:52).

The financial support to education could be in the form of general or categorical aid. The general aid is financial assistance that is not especially earmarked for a particular educational program. The funds are available for expenditure at the discretion of the local government, for example, the general apportionment fund. Categorical aid is financial assistance specifically earmarked for a particular educational program. The planned program and the budgeted amounts are usually called a project and subject to the approval of the state or federal granting agency; the local government can not alter its implementation according to their will.

In countries like USA, state funds are distributed on two basis: Flat grant and equalization. Several states utilize a combination of two methods. The flat grant aid is granted on straight per-pupil basis, regardless of economic differences among various school districts of the state. Either enrolment or average daily attendance may be used in estimating the amount to be paid. Equalization aid is distributed in proportion to financial ability, with poorer districts receiving the larger amounts (Stoops and others, 1980: 343-358).

Generally, financial resources allocated to education are not restricted to public revenues since it involves all segments of the society. In sum, public funding approximately covers between 80 and 90 percent of all educational funds (World Bank 1987:168).

As it is previously stated, the most common yardstick of educational expenditures is as percent of GNP and as percent of the national budget. According to the recommendation of UNESCO, nations of the world should allocate four percent of their GNP. Assigning such amount of educational fund is generally represent a disproportionately heavier burden on the

treasures of low income countries, although rich countries spend more per-student and provides much better education

The study of World Bank reveals that the percentage of GNP devoted to education by nations of the world is not the same all over the continents. For example some developing countries in Asia like Vietnam allocate 3.6 GNP while in Africa it is about 2.6 percent. The variation ranges between 0.5 and 12 percent of GNP and between 3.8 and 36 percent of public expenditures (World Bank, 1987, and world Education Encyclopedia, 1988: 18-19).

2.3.1 Intergovernmental Grants and Their Objectives

This is the most common approach through which states and federal government influence local behavior. Different designs of state or federal grants can have quite different local fiscal impacts. Some grants simply replace local funds with state or federal funds. Other grants produce higher education expenditures than would occur if only local districts provided revenues. Still other grants both increase provided revenues. Still other grants both increase educational expenditures and focus the new expending on services for specific students or for specific areas within education. A key issue in establishing school finance grants is to decide on the purpose of the grant and then design it on the basis of intergovernmental grant principles to maximize those objectives.

A local government or school district chooses the mix of services it provides from its budget by attempting to maximize the satisfaction of its constituents given a set of preferences and prices for those public goods. Grant theory assumes that a local government is in equilibrium-that it will allocate its local resources in the way to maximize its own welfare. However, the level of expenditure (that is, the range, quantity, and quality of education service decided up on) may not be optimal from the view of

the state or federal government which may move to alter the local government's behavior (Tsang and Levin in Oden and Picus, 1983: 331).

Intergovernmental grants from states or federal government to local school districts can take one of two general forms: (1) General or block grants and (2) Categorical aid. In addition both of these mechanisms can include or not include requirements for matching expenditures on the part of the recipient government-the local school district.

Unrestricted general aid/block grants/increases school district's revenue, but do not place restriction on the use of that revenue. General aid formulas provide additional revenues that districts can use any way they want. General grants are most effective when the state's goal is fiscal capacity equalization. Flat grants are school finance mechanism that provides unequal amount of per-pupil revenue to each school district based solely on the number of students. On the other hand foundation and guaranteed tax-base programs provide general aid to districts in inverse proportion to their property wealth per pupil.

Categorical grants- in contrast to general unrestricted grants, categorical grants have restriction on how they can be used. Categorical grants are provided to school districts for specific reasons or purpose, and often come with strict application, use, and reporting requirements. Categorical grants are used to ensure that school districts provide services deemed important by state or federal governments (Oden and Picus, 2002: 148).

2.3.2 School Finance Formula

Under this sub topic flat grants programs, foundation programs and guaranteed tax base (GTB) programs are considered.

a) Flat Grants programs. From an intergovernmental grant design perspective, flat grant provide general purpose operating funds. They are solely based on some measure of local education need, such as the number of schools, classrooms, teachers, or students. They flow to local

districts in equal amount per unit of educational need regardless of differences in local fiscal capacity.

The Flat Grant Formula

State aid per-pupil for a flat grant is:

$$\text{SAPP} = \text{FG}$$

And, total state aid is defined as: $\text{TSA} = \text{SAPP} \times \text{pupils}$

Where: SAPP = state aid per-pupil.

FG = The amount of the flat grant

TSA = total state aid, and

Pupils = The number of students in the school district

Once the unit of need is identified (pupils), a flat grant provides an equal amount of funds for each of those units' of need in all districts.

Flat grants were early attempt to involve the state in redressing local differences in the ability to support public schools. Flat grants are easy to understand intergovernmental aid programs. But they provide assistance to poor and rich districts in the same way.

b) Foundation programs. These programs were evolved as a result of the short coming of flat grant programs. The idea was to put fiscal "foundation" under every local school program that was sufficient to provide an education program that met minimum standards. Thus, the foundation program was designed to remedy the first major defect of the low level flat grant. A foundation program requires a minimum local tax effort as a condition of receiving state aide per pupil is the difference between the foundation per-pupil expenditure level and the per-pupil revenues raised by the required local tax rate.

The Foundation Formula

State aid per pupil for a foundation program is:

$$\text{SAPP} = \text{FEPP} - (\text{RTR} \times \text{PVPP})$$

Where: SAPP = state aid per pupil

FEPP = foundation expenditure per pupil,
RTR = the local required tax rate, and
PVPP = local property value per pupil

From an intergovernmental aid design perspective, the foundation program has several attractive features. i) It links local school districts to the state in a sophisticated structure of intergovernmental fiscal relationship ii) It continues to provide large sources of general aid to local school districts but through mechanism by which local and state revenues are formally combined in the general aid "pot". iii) It formally required local tax rate as a condition of receiving state foundation aid iv) per-pupil state aid also is related to fiscal capacity, since the required local tax rate produces less revenue in a district with low property value than in district with high property value, state aid becomes higher in the poor district. Hence, a foundation program finances a minimum base education program in each school district provides general aid in a manner that is fiscal capacity equalizing and require local contribution as well (Oden and Picus, 2002: 157-169).

2.4 Sources of Finance for Public Education

The financing of education in terms of sources includes: the Government, Individuals Parents, or Relatives, Voluntary Agencies, Communities, Companies, and Foreign Agencies. Therefore, there are multi sources of financing public education though the largest share (about 90 percent) comes from government. All these could be categorized in to three main groups of sources of educational finance:

- a) Government (public)-This refers to the government of a country in which education is financed through budgetary allocations annually.

- b) Private-This is a type of financial resources proved for educational services by parents, communities, individuals, and the like.
- c) Foreign or External Agencies. This refers again to the financial resources allocated to educational services to governments by foreign or external agencies such as World Bank and other international financial organizations as loans or grants to support government budget for education.

In most countries of the world, the main sources of funds for public elementary and secondary education is income tax collected by government and subsequently passed on to state (regional) and local government through general and specific purpose grants. In allocating funds among levels of governments, the central government takes into account the actual costs of provision in different states (regional). However, after receiving federal government, the states and local government have a considerable discretion over the ways in which they will spend on school education. In some countries like Asia and USA the states and local governments raise additional revenue through an assortment taxes and other charges (Mbua, 2003, and UNESCO, 1999).

As it is previously mentioned, the main sources of funds for public education are income tax collected by government. According to the experience of USA all levels of government collect certain amount of taxes as the sources of finance for public education. Accordingly, the federal government collects 68 percent of all taxes and provides only eight percent of school costs while the local units gather also 16 percent of all taxes and contribute approximately 52 percent of the total school revenues. This implies that at present time public expenditure is mainly covered by local government.

Compulsory education for a period of eight or ten years is the rule in most developed countries and it is a target of which many less developed

countries hope to achieve. At this level, education is almost universally financed from taxation whether by central or local government. The usual pattern is that direct tuition costs are state financed; i.e. (teaching costs, maintenance, buildings, etc).

The finance of education is straight forward-direct cost of the schools themselves (both current and capital) are state financed, extra items such as transport, books and meals are partly state financed (Sheehan, 1973: 216).

The larger part of expenditure on public education obtained from public funds or the national budget, and in some countries it might account for a greater proportion which may be taken as an indicator of total expenditure on the service of education. In general, the main sources for public education are therefore, government, external agencies and the communities.

2.5 Managing Financial Resources in Public Education

Under this sub topic, the concept of financial management, and financial management system in public education were reviewed.

2.5.1 The Concept of Financial Management

Financial management is described by different authors in many ways. Some were identified it as one part of the general management system while others consider it as an independent field of study. The followings are some of the explanation provided by certain known authors.

"Financial management is an operation where an organization ensures that available funds are used for the achievement of its objective. It is concerned with the implementation of management decision of various activities and administration of the day to day transactions". The direction, coordination

and control of the expenditure of the funds and accounts for all funds that are received and spent within an organization are part of the management process (Mbamba, 1992: 165-166).

Financial management can be defined also as the management process of planning the provision, of generation and conservation of financial resources (Dixon, 1986:1).

The financial management must perform a number of function as part of the general management function. Hence, the two basic functions of financial management functions are: Financial planning and financial control.

Financial planning-as in any management planning, provides the base and orderly approach to future actions. It is the method of deciding what to do with money at hand and how to do it. In general this attempt leads to Comprehensive programming and budgeting of future operation.

The control function-as with any management control, assigns organizational responsibility for the implementation of approved plans. It involves the monitoring of actual transaction events against the plan and taking prompt action. Where there is a deviation from the plan, the control function takes appropriate measure either to improve performance or revise planned target in terms of cost and out put.

Financial management has at least two factors namely money management and cost management. Money management takes into consideration questions like "How should we spend our money? How should we control it?" on the other hand cost management involves not only identifying cost and reducing them but also costing time utilization, the educational process and its outputs and alternative educational strategies. So, one can be a real financial manager only if he could be able both to plan and balance his budget of the money side and cost his operation, its outcome and alternatives (knight, 1993:6).

It is to be expected, however, that legal forms and practical procedures in financial management will vary according to the administrative and socio-economic contexts found in each country. In all system, there are discrepancies to various extents between the system's norms and rules theoretically governing public finance activities and the actual behavior that occurs (Mbamba, 1992: 167-168).

On the other hand, as Knight (1983:18-19) stated, specifically the UK Audit commission had adopted the three Es as the base of good financial management that are: Economy, Efficiency, and Effectiveness.

Economy can be defined as careful use of resources. It implies the avoidance of expenditure above a reasonable minimum requirement.

Efficiency refers to the relationship of an organization's output and the corresponding input that went to it. It is the capacity to produce desired results with minimum expenditure of energy, time, money or materials more specifically; it is the fullest possible attainment of specific objectives or standards.

Effectiveness – is the fullest attainment of the goals and objectives of an organization's.

2.5.2 Financial Management System in Public Education

The concept of financial management system in public education is not much different from general financial management system. The principles, methodologies and techniques are applicable to public education too.

Generally, the concept of financial management system in public education is wider than the mere acquisition of money and registration of trades. Rather, it is the securing of fiscal budget largely from government and other external sources and the making of decision to fairly allocate

and reasonably utilize these resources in fulfilling educational goals. It is also a task that encompasses all the management activities of planning, staffing, organizing, directing, and evaluating personal and organizational achievements. Moreover, financial management in education relates to a broad set of management tasks, concerned with planning and controlling what the institution does (Dixon, 1986, Lavacic and Keynes, 1989, Mbamba, 1992, and Pandya. 1994).

2.6 Fiscal Decentralization in Education

Fiscal decentralization is to be seen as a part of general decentralization system, and the definition given by Edwinkee (2003:1) is the following.

"...Fiscal Decentralization is the devolution by the central government to local governments (states, regions, municipalities) of specific functions with the administrative authority and fiscal revenue to perform those functions."

To day, fiscal decentralization and the desire for local discretion and devolution of power is seen as one of the most important forces shaping governance and development. There are three basic reasons as to why this renewed interest in fiscal decentralization is taken as a world wide reform issue.

1. It became increasingly impossible for the central government to meet all of the competing needs of their various constituencies, and are attempting to build local capacity by delegating responsibilities downward to their regional governments.
2. There is an attempt to assist the local and regional governments on the national economic development strategies.
3. There is a demand for more autonomy and taxation powers that commensurate regional and local government expenditure responsibility (Edwinke, 2003: 1).

Fiscal decentralization encompasses principles of fiscal relations between central and substantial levels of government, that is the command over

resources by the various levels of government and the direction, and the size of inter governmental fiscal flows. This increase the division of tax powers and the means through which resources are adjusted to match expenditure responsibilities for central and the main level of government (Eshetu Chole, 1994: 2-3).

The experiences of other developing countries showed that, with fiscal decentralization, the expenditure of regional governments increases relative to those of center because benefit consideration dictate that money expenditures are made by the regions. Typically expenditures such as on education, health, urban infrastructure, etc, are often assigned to the regional level (Girma seyoun, 1993: 121).

- / The decentralization of fiscal power in Ethiopia has been also sought as part of the general trend away from central government control of economic activities and as part of the effort to ~~meet~~^{meet} demands for democratization and local political autonomy. Moreover, the urges for the decentralization of fiscal authority include the desire to mobilize regional resources for enhanced development, promotion of effective regional and local participation in development, balance interregional differences in development, and to ensure the effective provision of public goods and services in which education is one in the region (Eshetu Chole, 1994: 154).

2.7 Budgeting in Public Education

Budgeting is defined by several authors in many ways. In one way or other, most of them stress the translation of plan of an organization in to money. One of the definitions set forth by college and university business Administration (1982: 1) is as follows:

"Budgeting is the process where by the plans of an institution are translated in to an itemized, authorized and systematized plan of operation, expressed in to dollars, for a given period. Budgets are the blue prints for the orderly

execution of program plans; they serve as a control mechanisms to match anticipated and actual revenues and expenditures."

Similar to this is the definitions given by Ukeja and others (1992). They gave the definition of education budget in the following form:

"Educational budget is the translation of educational needs in to financial plan which is interpreted in to the public in such away that when formally adapted it express the kind of educational program the community is willing to support financially and morally, for a one year." (Ukeja and Others, 1992:378).

According to Ukeja and others, the common and important elements in this definition are:

- The budget is a financial plan
- The budget expresses the kind of educational program envisaged
- The budget is normally prepared for a period of one year.

On the other hand, as Knozevich pointed out, budget is the heart of fiscal management. Through the budget the government can approve and determine the expenditures of the school system. Since the budget is the fiscal interpretation of the educational program, reducing the proposed expenditure or refusing to approve the procurement of receipts stipulated in the budget are highly affect the quality and quantity of educational services provided in the country. In one sense, the budget can be regarded as an expression of the educational hopes and aspiration of the people. It is by nature future oriented. (Knozevich, 1969:435-447).

Similar to the above explanation of budget and budgeting, it is possible to say that budget is:

- A plan for financial operation which includes an estimate of proposed expenditure for a given period of time and a proposed means of financing expenditures.

- A systematic plan for the efficient utilization of man power, materials, or other resources.
- A financial plan which serves as a pattern for and control over future operations of an institution.

Therefore, in public education, budgets are more than matters of arithmetic; adding up the proposed expenditures and the anticipated receipts for a given period. The budget must be regarded as the fiscal translation of the educational program. Sooner or later every thing we desire to do in public education must be translated in to its financial equivalent. Reducing proposed expenditure or refusing to raise necessary receipts has more than mere monetary significance. As previously stated, it touches up on the quality and quantity of educational services to be made available in the region or district. (Knozevich,1960: 20-27).

The budget is a central instrument in the management of education systems. Sound financial management assumes an adequate forecasting of needs an efficient utilization of means.

There are two types of school budgets, operating and capital budget. Basically the operating budget refers to the plan for financing the educational programs. Most often for one fiscal year. The capital out lay budget refers to the plan for acquiring buildings, sites, and equipment, most of the time it extends more than one year.

The operating budget often called current operation, and is divided into two major sections; revenues and expenditures.

The revenues or receipts section contains list of all sources and the amount of money from each source that are expected during the period covered by the budget.

The expenditure section on the other hand itemizes the various planned expenditure amount under different readings (Brighton, 1965).

Budgeting should be seen as an activity that facilitates the educational process. It is useful to look at the position of budgeting in the cycle of educational Management activity as demonstrated in the following figure.

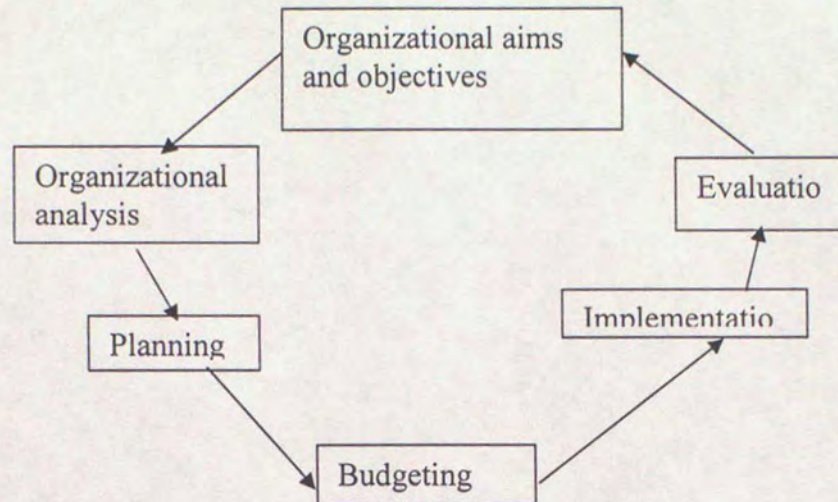


Figure 1: The Educational Management Cycle

Figure one above demonstrates that budgeting is part of the overall educational management process and not a separate or bolt-on activity. As it was stated by Knozevich (1969), pressure exerted on this part of educational management cycle will negatively affect the endeavor an organization made to achieve its aims and objectives (Busch and west-Burham, 1994).

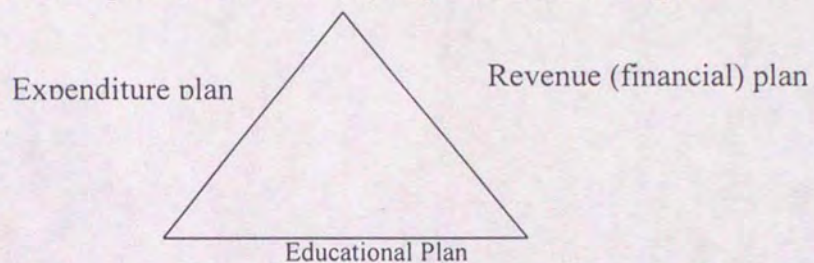
2.7.1 The Budgetary Process

The budgetary process or budgetary cycle represents the process of evaluation from its conception to its execution and eventually end up with its appraisal. The specific phases of budget development are somewhat cyclical in character. These phases are given different names and organized in particular ways by various writers on budgeting. Knezevich and Fowlkers (1960) proposed the following phases:

1. Preparation-Which is an executive function
2. Presentation-that is also an executive function

3. Adoption and authorization- legislative function.
4. Administration or execution. An executive function
5. Appraisal- A combined executive-legislation function

According to Knozevich (1969) the three main phases of budget preparation are. 1) Determination of the educational program for the period in question, 2) Estimate of expenditures necessary to realize the program, and 3) Estimate of revenues or receipts anticipated from local, regional or federal sources. These phases are often referred to as educational plan, the expenditure plan, and the revenue plan respectively. These three plans can be put in the form of equilateral triangle.



As the three sides of the equilateral triangle must be equal, the three must be balanced, if the educational objectives have to be successfully achieved. According to the budget reform design manual of MOFED (2000) budget cycle has four parts. 1) Executive Preparation, 2) Legislative Adoption 3) Executive Implementation, 4) Audit and Evaluation.

2.7.2 The Budget Approach

It is clear that budget set goals, decides among alternative objectives, and create means for controlling and accounting for the expenditure of public money. In doing so, budget may follow different methodologies. The most known approaches elaborated by Hallak (1970:151-158) are explained below.

A) Line- Item Budgeting

Line item budgeting represented the earliest attempts at institutionalizing a budget process and bringing some kind of order to regional government expenditures control is expressed in written budgets through "line items",

which are simply statements or "lines" in an operation bill which simply defined how much money can be support for certain "items". Regional government legislators have indicated a certain comfort with this approach, because it is restrictive in terms of defining expenditures and setting limits, and it is also simple to explain in terms where the tax payer's money is going. However, while line-item budgeting provides the essential ingredients of order and control it does not address issues of performance, quality and accountability.

B) Incremental Budgeting

This second type of budget approach focuses attention on additions or deletions to the existing structure of government. This budget approach usually takes for granted previous appropriations and structure, focusing on year to year inflationary changes, and building by small increments on past decision of budget decision toward what money can buy, called an "input" versus the quality of the service that is provided, an "outcome". While it is certainly true the quality of services provided under the incremental budget can be questioned, in budget process division making, the format will have large and direct impact on policy discussions.

The incremental budgeting approach practices are under attack because they are said to foster a business-as-usual approach to government at a time when the public is challenging how state governments operate, questioning the efficiency and effectiveness and expressing distrust of representative government it self.

C) Program Budgeting

Program budgeting places considerable emphasis on designing a budget architecture that groups expenditures and sources of fund in to functional activity categories. In program budgeting terminology, a function is simply a group of related activities for which a governmental

unit is responsible. The classification structure used in each government unit is a product of fiscal, organizational and political considerations.

By organizing budgets into functional units the focus quite logically turned to the function itself and the delivery of services. The framework in this decision-making process proposed the question "*what do you do and why do you need this money to do it?*" The program budget formats displaying goals and activities of a program to answer those questions

D) Performance Budgeting

Performance budgeting emphasizes the outcome of programs, and attempts to measure the performance of government institutions, reward programs that work well, and redesign programs that do not work well. Performance-based budgeting calls for a revolution in governance of regional states. It focuses on setting goals designing the strategies needed to meet the goals, and measuring how well they are met.

Future funding decisions should focus on program effectiveness, not on the preservation of existing programs and levels of spending. This approach requires that budgeting should be aimed at programs rather than at specific line items, and that performance review becomes central issue to budget decisions.

E) Zero-Based Budgeting

Basically, ZBB starts at point Zero every year for all funding decisions. The budget for all intents and purposes starts from scratch every year for both existing and proposed new programs. Individual programs and activities in government agency are then prioritized in their importance, and from the ground up all of these units are considered as building blocks in the budget. The inclination of ZBB is not to take the previously funded programs for granted, requiring that every program emerge through a competitive looking glass which asks the question, what are the consequences of not funding this program?

2.8 The Budgetary Process in Oromia

The budgetary process at regional level is more or less a mirror image of the Federal budget process. In place of MOFED the Regional bureau of finance and Economic Development (BFED) is responsible for the preparation of recurrent and capital budget. At higher level the regional council is the one which is responsible for the appropriation of the regions' budget. The most significant deviation that could be observed clearly is that, the regional budget process starts at Wereda level. The wereda budgets compiled at zone level by Zonal Finance and Economic Development Office (ZFEDO) and finally tied up at regional level by BOFED.

Previously, the budget process at the regional level was categorized in to two phases. Pre-ceiling budget and post ceiling budget phases in which, Weredas and zones are supposed to prepare budget two times within the same fiscal year. This trend is over at present time and regions are processing their budget after the notification of subsidy from the federal government (MOFED, 2005).

Accordingly, the budgetary process in Oromia is carried out following the notification of subsidy from the central government.

Like any other regions in Ethiopia, in Oromia also budgetary process starts at Wereda level. The process is as follows: First, the region sends the budget ceiling to each Weredas. Second, Wereda office of Finance and Economic Development (WOFED) passes in turn the circular of budget ceilings, after the necessary appropriation is made With Wereda cabinet, to public sectors in the wereda. The public sectors are expected to submit their budget within their respective ceilings. Even if some sectors like education have to plan some more development issues, they cannot transcend the ceiling issued to them. Thirdly, the WOFED, after conducting a thorough discussion with sectoral institutions, compiled the

budget proposal and submit to the Wereda cabinet for revision. Fourthly, Wereda cabinets in their turn also revise and make some modification if necessary and relay to the Wereda council for final approval. Fifth, at this juncture, Wereda council go through the organized budget, make certain appropriation if need is felt and notifies it. Usually, at this stage there is no much modification that violet the evaluation made by WOFED and cabinet. At last, the announced Wereda budget is send to BOFED through ZOFED.

At regional level, the process is similar to that of Wereda budgetary process. It is after the revision of Wereda budgets by BOFED and approved by regional council that budget is going to be released (BOFED, 2005).

2.8.1 Wereda Budget Transfer Formula

Since the adoption of Fiscal decentralization to Wereda, Oromia experienced different system of formula for the fiscal relation between region and Wereda.

Accordingly, for the first three years of fiscal decentralization to weredas (1995-1997 EC) regional subsidy was given to werdas as a block grant. The parameters used to distribute the block grant were the replica of Federal grant formula except it exclude the level of development.

| Year | Indicators/parameters | Weight given to parameters |
|----------------|-----------------------------------|----------------------------|
| 1995 (EC) | • Population size | 60% |
| | • Level of development | 25% |
| | • Revenues generation capacity | 15% |
| 1996-1997 (EC) | • Number of population | 60% |
| | • Level of development | 30% |
| | • Efforts made to collect revenue | 10% |

Source: Oromia wereda budget transfer formula (1998EC)

As it can be seen from the chart above, the parameters are too general and do not mirror out the expenditure needs of different public sectors. Moreover, the limitations of the previous formula were pictured out by BOFED as follows:

- Parameters used in the formula do not indicate expenditure need of weredas to provide standardized public services.
- It does not address equity issues well
- It is simply based on incremental budget allocation without recognizing the services delivered, it does not consider standardized expenditure,
- It does not explicitly show the relationship between financial performance and government policies, goals, and objectives,
- It does not measure equitable and efficient utilization of resources
- The parameters are subjectively weighted.
- It does not encourage planning, and not output conditional (BOFED, 2005:3).

Based on these limitations of previous formula, BOFED adopted new formula for the Wereda budget transfer. According to this new formula, the objective is to improve resource allocation made to Weredas. The new formula has quality dimensions which address the relationship between financial performance and government policies, goals and objectives, recurrent expenditures need, equity and fair allocation of the available resources, efficiency and effectiveness, improvement of performance and the like. Moreover, the new formula is based on government policies and priorities, and block grant approach.

The development of new formula seems more rational in calculation and allocation of budget. For the purpose of calculation, the formula disaggregates the budget in to recurrent and capital, and like education, Health, agriculture, etc.

The disintegration of budget into sectors is more or less similar to that of Federal budget formula to regions

Thus, Oromia new budget formula attempts to identify the major cost drivers, which should start with screening of Wereda expenditure assignment. Sectoral expenditure assignments of the Weredas are the fundamental unit in calculation of Wereda block grant. The expenditure assignment of Weredas is described as follows.

A. Education

- Primary Education (1-8)
 - School construction, furnishing
 - School management
 - Supervision
 - provision of adult education
- Secondary Education (9-10)
 - School construction
 - Management of service delivery

B. Health

C. Agriculture

D. Water and

E. Road

Each expenditure assignment has detailed sub unit elaborated for the sake of calculating unit cost. These five major cost drivers that take greater share of wereda's budget are selected for the calculation purpose.

Accordingly, major cost drivers for education sector selected to be i) Teachers salary and ii) Operation Costs (stationary, maintenance, and general expenses). Similarly, for the rest four sectors also cost drivers were selected though mentioning them here is not significant to this study purposes.

The formula also attempts to identify the data needed for the calculation purpose. Like wise, indicators identified under education sector are as follows.

- Number of schools
- Number of classrooms
- Unit cost of construction
- School age population
- Number of students enrolled (actual)
- Expected number of enrollment (1998EFY)
- Number of teachers (actual)
- Non salary recurrent expenditure for schools by level (1996 EC)
- other educational expenditures (actual)
- Standard pupil teachers ratio,
- Standard expenditures available.

2.8.2 Application of the New Formula

BOFED explained that, for the EFY 1998 to calculate wereda block grant, only three sectors (Education, Health, and Agriculture) were threaded using unit cost approach to calculate their recurrent expenditure while other were treated under administrative and general services.

According to BOFED (2005) budget allocation formula, the need for approach is basically arise from the intention to provide the minimum required budget for education delivery and to encourage fair distribution of budget among weredas. According to BOFED nearly 50 percent of budget allocated for weredas goes to the education sector standardization of educational expenditure. So, there is strong need to improve efficiency and cost effectiveness in budget utilization.

As previously stated, major cost unit measures of the education sector are teachers' salary and operational expenditures for the service delivery.

A. Teachers' Salary

The two indicators of teachers' salary expenditure are average teachers' salary and student teacher ratio.

Average teachers' salary (AVTS) is taken as a ratio of total salary expenditure for the teacher to the total number of teachers. It is calculated as:

$$AVTS = TTS/TNT$$

Where,

TTS = Total Teachers' Salary

TNT = Total Number of Teachers

Student-teacher ratio (STR) is calculated as:

$$STR = TNS/TNT$$

Where,

TNS = Total number of students

TNT = Total number of teachers.

Therefore average salary unit cost (SUC) IS calculated as;

$$SUC = AVTS/STR$$

Where,

SUC = Education salary Unit Cost

AVTS = Average Teacher Salary

STR = Student Teacher Ratio.

Then to obtain total salary expenditure required in the budget year average teachers' salary per student is multiplied by the number of students to be enrolled in the budget year.

In this new formula, adjustment was made for the pupil teacher ratio by taking pupil teacher ratio of 60 as standard for primary education and 55 as standard for secondary education. Weredas with these ratios of above or under regional average (standard) are expected to come to the standard within five years.

B) Operational Expenses

This includes expenses for teaching aids/materials stationary, maintenance, etc.

These standards established by MOE 2000, stated the unit cost for operational cost 10 birr for grade 1-4, 15 Birr for grade 5-8, and Birr 20 for grade 9-10 to provide education service for one student per year. It suggested also, if the allocated budget will become less than 75 percent of these numbers, it would be difficult to provide quality education for the pupils.

But, the new block grant formula of Oramia stated that, 50 percent and 60 percents of the standards for elementary and secondary education was applied respectively for the 1998 EFY to calculate operation expenditure need of education service. And BOFED expect the remaining to be covered by schools' own revenue and community participation.

Therefore, educational operation unit cost (OUC) is the adjusted standard operation cost. Here, the study was attempted to focus on the application of these formula at local level.

According to this formula, finally, education recurrent budget is calculated by multiplying the total unit cost (sum of salary and operational unit cost) to target enrollment of 1998 EFY.

That is, $BGES = TUC \times \text{enrollment targeted for the budget year}$.

where,

BGES = Block Grant For Education Service

TUC = Total Unit Cost

Hence the study also assessed whether wereda education block grant was allocated in accordance with this formula or not in this fiscal year.

CHAPTER THREE

3. Presentation and Analysis of the Data

This chapter deals with the presentation and analysis of data obtained from the respondents of the study through questionnaire, interviews and document analysis.

The chapter consists of two major parts. Part one discusses the characteristics of the sample population involved in the study, while part two deals with the analysis and interpretation of the data.

The necessary data for this study was gathered from Wereda administrative Cabinet, Wereda Finance and Economic Development Office experts, Wereda Education Office experts and School Management Board. Moreover, data gathering process included Zone Education experts and Zone Finance Office experts.

At Wereda level, a set of questionnaire was prepared and distributed to all respondents while at zonal level interview was conducted with the education and finance offices for supportive purpose since zone has no impressive mandate in the Wereda affairs. The question items in the questionnaire distributed to the respondents were generally similar in the sense because they addressed the same basic issues. Hence, the responses of the respondents are organized according to the similarity of questionnaire for the purpose of coherency of analysis.

The questionnaire distributed to the four groups i.e., cabinet 40 (95%), Finance experts 27(90%), Education Experts 36(86%) and school management board 41 (80.4%) were returned and used. On top of these, data and information obtained through interview were used in the study.

3.1 Characteristics of the Respondents

Based on the information obtained from the four groups of respondents, the characteristics of the respondents were examined as follows

Table 2: Characteristics of the Respondents.

| Variable | Characteristics of categories | Wereda cabine | | Wereda education experts | | Wereda Finance experts | | School management board | |
|-------------------------|-------------------------------|---------------|------------|--------------------------|------------|------------------------|------------|-------------------------|------------|
| | | No | % | No | % | No | % | No | % |
| Sex | Male | 40 | 100 | 36 | 100 | 26 | 96.3 | 40 | 97.56 |
| | Female | - | - | - | - | 1 | 3.7 | 1 | 2.44 |
| | Total | 40 | 100 | 36 | 100 | 27 | 100 | 41 | 100 |
| Age | 20-25 | 8 | 20 | - | - | 10 | 37.04 | 5 | 12.20 |
| | 26-30 | 18 | 45 | 5 | 13.89 | 6 | 22.22 | 15 | 36.56 |
| | 31-35 | 10 | 25 | 9 | 25 | 5 | 18.52 | 8 | 19.51 |
| | 36-40 | 4 | 10 | 14 | 38.89 | 3 | 11.11 | 5 | 12.20 |
| | 41-45 | - | - | 3 | 8.33 | 2 | 7.41 | 6 | 14.63 |
| | 46-50 | - | - | 2 | 5.56 | - | - | 2 | 4.87 |
| | 51-55 | - | - | 3 | 8.33 | 1 | 3.70 | - | - |
| | 56 and above | - | - | - | - | - | - | - | - |
| Total | 40 | 100 | 36 | 100 | 27 | 100 | 41 | 100 | |
| Level of Education | Below grade 12/10 | - | - | - | - | - | - | - | - |
| | Grade 12/10+ certificate | 3 | 7.5 | 5 | 13.89 | 9 | 33.33 | 14 | 34.15 |
| | Diploma | 34 | 85 | 25 | 69.44 | 17 | 62.96 | 23 | 56.10 |
| | BA/BSC | 2 | 5.0 | 6 | 16.67 | 1 | 3.71 | 4 | 9.75 |
| | MA/MSC | - | - | - | - | - | - | - | - |
| | Other | 1 | 2.5 | - | - | - | - | - | - |
| Total | 40 | 100 | 36 | 100 | 27 | 100 | 41 | 100 | |
| Total service year | 1-5 | 22 | 55 | - | - | 11 | 40.74 | 7 | 17.07 |
| | 6-10 | 14 | 35 | 10 | 27.78 | 3 | 11.11 | 7 | 17.07 |
| | 11-15 | 4 | 10 | 9 | 25 | 5 | 18.52 | 12 | 29.27 |
| | 16-20 | - | - | 6 | 16.67 | 3 | 11.11 | 6 | 14.64 |
| | 21-25 | - | - | 9 | 25 | 3 | 11.11 | 8 | 19.51 |
| | 26-30 | - | - | 2 | 5.55 | 2 | 7.41 | 1 | 2.44 |
| | 31 and above | - | - | - | - | - | - | - | - |
| Total | 40 | 100 | 36 | 100 | 27 | 100 | 41 | 100 | |
| Service in Current Post | Less than one year (<1 year) | 13 | 32.5 | 2 | 5.56 | 5 | 18.52 | 6 | 14.63 |
| | 1-3 | 25 | 62.5 | 14 | 38.89 | 20 | 74.07 | 18 | 43.90 |
| | 4-6 | 2 | 5.8 | 10 | 27.78 | 2 | 7.41 | 12 | 20.20 |
| | 7-9 | - | - | 4 | 11.11 | - | - | 4 | 9.76 |
| | 10-12 | - | - | 6 | 16.66 | - | - | 8 | 19.51 |
| | 13-15 | - | - | - | - | - | - | - | - |
| | 16 and above | - | - | - | - | - | - | - | - |
| Total | 40 | 100 | 36 | 100 | 27 | 100 | 41 | 100 | |

As it can be observed from the table two that almost no participation of female in the respondents only 1.39 percent of the total respondents are found to be female. This could be due to the stereotype of gender attitude to put female at higher position or lack of educated females in the sample Woredas.

With regard to age, 65 percent of cabinet 59.26 percent of finance experts and 48.76 percents of school management board are in the age category of 20-30, while about 86 percent of education experts are between age of 31-55. So, a large member of cabinet, finance experts and school management board are youngsters, while most of the education experts are found in the age of young adult hood.

Concerning educational qualification, at average about 68.75 percent of the respondents have different kinds of diploma, 9.03 percent have BA/BSC and 21.50 percents have certain kind of certificate. Hence, education wise the respondents are qualified enough to understand the essence of the questionnaire and to give their opinions.

In the case of total service years and experience in the current position a notable differences can be observed. That is, 55 percent of cabinet and 40.74 percent of finance officers have total service of 1-5 years while 35 percent of cabinet and 27.78 percent of education officers have total services of 6-10 years. On the other hand, 32.5 percent of cabinet, 18.52 percent of finance officers and 14.63 percent of school management board have the experience of less than one year in the current position and, at average 53.47 percent of the respondents have 1-3 years of experiences in the current posts. From these elaborations, it can be said that most of the respondents are fresh and newly appointed officials.

3.2 Analysis of the Findings of the Study

Budget or money that can be provided to an organization could take different forms, such as restricted or general fund form. Most restricted

funds are given for particular purposes to carry out certain activities of an organization. On the other hand general funds are used by an organization as it chooses to carry out the objective of an organization.

The following table indicates the budget allocation form to weredas

Table 3: Budget Allocation System to Woredas

| Items | Types of Respondents | | | |
|--|----------------------|-----------------|-----------|------------|
| | Cabinets | Finance Experts | Total | |
| | | | Fr | % |
| 1. On what base the budget is generally allocated to Wereda | | | | |
| a) on restricted block grant base | 10 | 5 | 15 | 22.39 |
| b) on un restricted block grant with preset ceiling | 28 | 20 | 48 | 71.64 |
| c) On general un restricted block grant with no preset ceiling | 2 | 2 | 4 | 5.97 |
| d) other | - | - | - | - |
| Total | 40 | 27 | 67 | 100 |
| 2. What is the best mechanism that employed in allocating block grants at regional level | | | | |
| a) Weredas' location, level of infrastructure, size of population | 6 | 3 | 9 | 13.43 |
| b) Weredas' expenditure needs | 3 | 2 | 5 | 7.46 |
| c) Weredas' budgetary plan. | 5 | 6 | 11 | 16.42 |
| d) Weredas' previous budget plus some percent | 21 | 15 | 36 | 53.73 |
| e) I do not have information | 5 | 1 | 6 | 8.96 |
| Total | 40 | 27 | 67 | 100 |

Fr - Frequency

As it can be seen from table three above, 71.64 percent of the respondents said that the budget allocated to Wereda is in the form of unrestricted block grant with preset ceiling while un-neglected percent (22.39), said budget is allocated on restricted block grant base.

Concerning budget allocation system, interview was also, made with cabinet members. The information obtained from interview was similar with that of questionnaire. As it was observed from documents also budget is generally allocated from the center on the base of unrestricted (general) block grant with preset ceiling. Thus, it is the cabinet with the help of finance office documents that reallocate the block grant to different public sectors.

With regards to the mechanisms employed at regional level to allocate block grant budget, 53.73 percent of the respondents said that most mechanism used was previous allocated budget plus some amount of percent added to it. The interview made with BOFED budget and planning department head conform the above idea. According to the interview connotation, BOFED was not used specified criteria prior to 1998 EC.

But attempt was made to use some bases such as location of Wereda, level of infrastructure of weredas, size of population etc. But it was highly sensitive to subjective decisions. Because of this, usually, they use the amount of budget previously allocated as a base to allocate the current year budget. In such process weredas' plan are neglected, because BOFED assumed that Wereda plans are usually exaggerated and based on un-concrete data and information. The budget distribution to the public organization could be based on different approaches, such as line item budgeting, incremental budgeting, program budgeting performance budgeting, and Zero-Based budgeting. Every methodology emphasizes certain essence in its application (Hallak, 1970:151).

The following table shows the amount of budget allocated to weredas within four years.

Table 4: Budget Allocated to Weredas and Share of Education in the Year 1995-1998 Ec

| Wereda (year) | Total Budget | | | Share of Education | | | | | | | | |
|------------------|--------------|------------|----------|--------------------|-----------|-----------|------------|-------|-------|--------------|-------|-------|
| | Capital | Recurrent | Total | Capital | Recurrent | Total | In Percent | | | Salary | % | |
| | | | | | | | Cap. | Recu. | Total | | | |
| 1995 | | | | | | | | | | | | |
| Badduno | | | | | | | | | | | | |
| Deder | - | 6675765 | 6675765 | - | 2476326 | 2476326 | - | 37.09 | 37.09 | - | - | |
| Gola oda | - | 1620393.42 | 1620393 | - | 319020.48 | 319029.48 | - | 19.69 | 19.69 | 296497 | 92.94 | |
| Gorogutu | | | | | | | | | | | | |
| Haramaya | | | | | | | | | | | | |
| Kombolcha | | | | | | | | | | | | |
| 1996 | | | | | | | | | | | | |
| Baddano | 593434 | 6593721 | 7187156 | 296050 | 2,000,000 | 2296050 | 48.89 | 30.33 | 31.95 | 2246201 | 97.8 | |
| Deder | 390,000 | 7318308 | 7708308 | 144,000 | 3170,000 | 3314000 | 37 | 45.30 | 42.99 | 2948100 | 93.0 | |
| Golaoda | - | 2144807 | 2144807 | - | 498219,43 | 498219.43 | - | 23.22 | 23.22 | 458369 | 92 | |
| Gorogutu | 497748 | 5032790 | 5530538 | 45000 | 2135813 | 2180813 | 9 | 42.44 | 39.43 | 1,810952 | 85 | |
| Haramaya | 831783 | 8410251 | 9242034 | 200,000 | 4063416 | 4263416 | 24 | 48.31 | 46.13 | 3981376 | 97.98 | |
| Kombolcha | 613000 | 5354016 | 5967016 | 228,000 | 2465197 | 2693497 | 37.2 | 46 | 45.14 | 2331143 | 94.56 | |
| | | | | | | | | | | 38.14 | | 93.39 |
| 1997 | | | | | | | | | | | | |
| Baddano | 1120,000 | 5730312 | 6853312 | - | 2461035 | 2461035 | - | 36 | 36 | 2433160 | 98.86 | |
| Deder | 684,000 | 733600 | 8020,000 | 149,000 | 3127210 | 3276210 | 22 | 42.6 | 40.85 | 2,980231.13 | 95.30 | |
| Gola oda | 70,000 | 2795102 | 2865102 | - | 721341.50 | 721341.50 | - | 45.20 | 25,2 | 666872.88 | 92.4 | |
| Gorogutu | 415,000 | 5689563 | 6104563 | - | 2280783 | 2280783 | - | 40 | 40 | 2039220 | 89.4 | |
| Haramaya | 1130,000 | 7851748 | 8981748 | 160,000 | 3711442 | 3871443 | 14.16 | 47.27 | 43.10 | 3662581 | 98.68 | |
| Kombolch | 1024321 | 5446676 | 6470997 | 80,000 | 2606458 | 2688458 | 7.8 | 47.85 | 41.55 | 2567531 | 98.5 | |
| | | | | | | | | | | 37.78 | | 95.52 |
| 1998 | | | | | | | | | | | | |
| Baddano | 80,700 | 7695847 | 7776547 | - | 3781332 | 3781332 | - | 49.13 | 48.0 | 3697345 | 97.78 | |
| Deder | 314,000 | 7254261 | 7568261 | - | 3476326 | 3476326 | - | 47.92 | 45.93 | 3378988 | 98.2 | |
| Golaoda | - | 3756474 | 3756470 | - | 1085692 | 1085692 | - | 28.9 | 28.9 | 1,045653 | 96.3 | |
| Gorogutu | 350,000 | 6372100 | 6722100 | 30,000 | 3008376 | 3038376 | 8.57 | 47.21 | 45.20 | 2,900.376 | 96.4 | |
| Haramaya | 557891 | 7470988 | 8028879 | 175,000 | 3621723 | 3796723 | 31.37 | 48.48 | 47.28 | 3499713 | 96.6 | |
| Kombolcha | 410,000 | 7040638 | 7450630 | 60,000 | 3524737 | 3584731 | 14.63 | 50.06 | 48.11 | 3399001 | 96.4 | |
| | | | | | | | | | | 43.90 | | 96.78 |

Source: Weredas' Finance and Economic Development Offices

The over all picture of the data reveals:

- Budget allocated to weredas within three fiscal years (1996-1998) have no regular form
- Except Gola Oda, most of weredas attempted to apply the circular sent with block grant budget which orders that 40 percent of block grant should be allocated to education sector. But at average, except in 1998EC the percentage was less than the standard.
- The problem lies on when the allocated educational budget is categorized in to salaries, operational cost and capital budget in which the largest proportion goes to salaries (95.33%).
- The operational cost left over for running educational activities was negligible (4.67%).

Table 5: Budget Distribution for Public Sectors

| Items | Types of Respondents | | | |
|---|----------------------|-----------------|-----------|------------|
| | Cabinet | Finance Experts | Total | |
| | | | Fr | % |
| 1. How do you allocate budget for different public sectors in your Wereda | | | | |
| a) by depending on the nature of sectors | 7 | 10 | 17 | 25.37 |
| b) Based on the budgetary plan of sectors | - | 3 | 3 | 4.48 |
| c) Based on budget performance of previous year plus some percent | 33 | 14 | 47 | 70.15 |
| d) By considering the unit cost approach for every sector | - | - | - | - |
| Other | - | - | - | - |
| Total | 40 | 27 | 67 | 100 |
| 2. What is your best strategy in allocating budget specifically to education? | | | | |
| a) The financial management guideline of MOE, 2002 | - | - | - | - |
| b) The education sector budget plan | 3 | 4 | 7 | 10.45 |
| c) The previous year budget plus some percent added to it. | 37 | 21 | 58 | 86.57 |
| d) The new formula of BOFED | - | 2 | 2 | 2.98 |
| Total | 40 | 27 | 67 | 100 |

Generally table five demonstrates that there is no difference in budget allocation system between Region and weredas according to interview made with Oromia BOFED and Budget department head. The general idea of interview conducted with OFED heads also reveals the similar views that budget distribution among public sectors at wereda level did not follow any specific guideline, rather it was based on assumption and general estimation.

Concerning operational recurrent budget, due to the lack of tangible recorded data, the researcher compelled to be depended on one year data to show the current unit cost of operational budget and its deficit.

Table 6: Recurrent Operational Budget for 1998EC

| Wereda | Level of education | Budget proposed | | Approved Budget | Number of student | Unit cost | | Deficit | | |
|--------------|--------------------|-----------------|------|-----------------|-------------------|-----------|------|---------|------|------|
| | | Birr | Cent | | | Birr | Birr | Cents | Birr | Cent |
| 1. Beddano | 1-8 | 922545 | - | 64561 | 38319 | 1 | 68 | 10 | 82 | 80 |
| | 9-10 | 210552 | - | 19426 | 2259 | 8 | 60 | 11 | 40 | 57 |
| 2. Deder | 1-8 | 400903 | 20 | 26732 | 42081 | 0 | 64 | 11 | 86 | 95 |
| | 9-10 | 107137 | 15 | 21330 | 2208 | 9 | 66 | 10 | 44 | 52.2 |
| 3. Golaoda | 1-8 | 106394 | 45 | 20777 | 8857 | 2 | 35 | 10 | 15 | 81 |
| | 9-10 | - | - | 37449 | 158 | 237 | - | - | - | - |
| 4. Gotogutu | 1-8 | 95000 | - | 30,000 | 25468 | 1 | 18 | 11 | 32 | 91 |
| | 9-10 | 55000 | - | 7700 | 1990 | 3 | 87 | 16 | 13 | 81 |
| 5. Haramaya | 1-8 | - | - | 62795 | 32601 | 1 | 93 | 10 | 57 | 85 |
| | 9-10 | - | - | 11400 | 1805 | 6 | 32 | 13 | 68 | 68.4 |
| 6. Kombolcha | 1-8 | - | - | 58368 | 22251 | 2 | 62 | 9 | 88 | 79 |
| | 9-10 | - | - | 15000 | 969 | 15 | 48 | 4 | 52 | 23 |
| Total | | | - | | | | | | | |

Source: Wereda Education Office

As it can be observed from the table above, the figure is surprising. Especially the condition is worth in the elementary school (1-8). What the MOE proposed and the existing practical conditions are not in accordance. As the guideline states, the allocation of budget to schools should be Birr 10 per student in primary school (1-4), Birr 15 per student (grade 5-8) and

It can be inferred from the ongoing discussion that, currently, educational activities carried out at schools are under serious problems. Because, the allocated non salary operational budget is so far below the standard set by MOE. The current year unit cost for elementary school (1-8) ranges between 5-21 percent of the standard while for secondary school (9-10) it stands between 19-77 percent of the standard.

Therefore, in the budget distribution among public sectors due attention should be paid for education sector especially to elementary schools

Table 8: Difficulties in Distributing Budget Among Public Sectors.

| Items | Types of Respondents | | | |
|--|----------------------|-----------------|-----------|---------------|
| | Cabinet | Finance Experts | Total | |
| | | | Fr | % |
| 1. Suppose you may not use the financial management guide line of MOE and the new formula of budget allocation in financing education. What would be your main reason? | | | | |
| a) If we follow the guide line the whole budget of wereda will go to education | 10 | 8 | 18 | 26.86 |
| b) We are not familiar with the guide lines and formulas. | 27 | 27 | 43 | 64.18 |
| c) The guide lines do not coincide with our budget conditions | 3 | 2 | 5 | 7.46 |
| d) The guide lines are not clear | 1 | - | 1 | 1.50 |
| Total | 40 | 27 | 67 | 100.00 |
| 2. Have you experienced any problems in distributing budget among the public sectors? | | | | |
| a) There is a problem | 37 | 25 | 62 | 92.54 |
| b) There is no problems | 3 | 2 | 5 | 7.46 |
| Total | 40 | 27 | 67 | 100 |
| 3. Suppose your response to item "2" above is "a" what could be the major constraint you have been faced? | | | | |
| a) Education sector demand is beyond Wereda block grant | 7 | 6 | 13 | 20.97 |
| b) The block grants are usually allocated without considering Wereda budget plan | 16 | 9 | 25 | 40.32 |
| c) Every sector presented exaggerated budget request | 9 | 5 | 14 | 22.58 |
| d) A large proportion of recurrent budget is usually goes to education out of any pressure | 5 | 5 | 10 | 16.13 |
| Total | 37 | 25 | 62 | 100 |

As indicated in the table, overall patterns of respondents reflected that Wereda cabinets and WOFED faced a lot of difficulties in distribution of budget among public sectors because

- Most of them were not familiar with MOE and Oromia BOFED financial management guidelines.
- There is a great gap between weredas education expenditure plan and the allocated block grant.
- As it was recognized from interviews also, most of sectors' budget proposals were not based on concrete data and information.

Table 9: The Need for Budget Development and the Controlling System

| Items | Types of Responds | | | |
|--|-------------------|-----------------|-----------|---------------|
| | Cabine | Finance Experts | Total | |
| | | | Fr | % |
| 1. It is obvious that the need for financing education increases from year to year. Do you think that the increment of educational demand is coincide with the development of budget allocated every year? | | | | |
| a) There is a need | 2 | 1 | 3 | 4.48 |
| b) There is no need | 38 | 26 | 64 | 95.52 |
| Total | 40 | 27 | 67 | 100.00 |
| 2. If your response to the item "one" above is "No" need" which of the following option is the best reason for the imbalance of educational demand and budget increment? | | | | |
| a) Need assessment for the budget is not often made | 11 | 6 | 17 | 26.56 |
| b) The allocation of budget at regional and Wereda level is usually based on the top level management will | 3 | 2 | 5 | 7.81 |
| c) The budget ceiling made at the regional level often does not comprehend the actual condition of weredas | 10 | 5 | 15 | 23.44 |
| d) Usually budget proposals of sectors are neglected due to shortage of general budget | 14 | 13 | 27 | 42.19 |
| Total | 38 | 26 | 64 | 100.00 |
| 3. How do you control the effective utilization of Wereda budget? | | | | |
| a) By evaluating the budget performance of every sector monthly | 7 | 5 | 12 | 17.91 |
| b) Through quarterly meeting and discussion | 9 | 6 | 15 | 23.39 |
| c) Usually, auditing and controlling are carried out by OFED. | 13 | 11 | 24 | 35.82 |
| d) Every sector is responsible for its budget control | 3 | 3 | 6 | 8.95 |
| e) Most of the time we run shortage of budget due to in efficient control system. | 8 | 2 | 10 | 14.93 |
| Total | 40 | 27 | 67 | 100.00 |

Table nine above show the proportional development of educational participation and budget allotment to education. In item 'one' of table 'nine,' 95.52 percent of respondents are said the development of educational demand is not commensurate with budget increment allocated every year.

Item "two" of table 'nine' deals with why the two are not relate to each other. In this case, 42.19 percent of respondents said that due to general shortage of budget it could be difficult to follow the development of educational demand in budget allocation.

Item 'three' deals with the control system employed by Wereda cabinet and WOFED. As it is indicated in the table 'nine' 35.82 percent of respondents said that auditing and controlling activities are usually carried out by WOFED it self. Particularly on this point interview was conducted with zone Finance planning and budgeting section head. He was said that the relation we have with Wereda is only based on paper report. Weredas have authority on their budget. We do not interfere in any case, for that matter we do not have mandate to order or take measures against weredas.

Even though the majority of respondents indicate that auditing and controlling are being carried out by WOFED the conditions at wereda, level do not allow them to conduct auditing against them selves. Because the whole money transaction of all public sectors at wereda level is carried out by WOFED. Usually what was done is that quarterly meeting is being conducted and the budget execution report is presented by WOFED.

As it was recognized from the interview made with WOFED heads and experts, within the past four years external auditing was not conducted at weredas level. Even internal control and auditing was become difficult to them. Once the budget is distributed to sectors there is no follow up. Because of this some sectors have already run shortage of budget

(operating) at the end of the third quarter of fiscal year. What observed was that once budget is allocated no evaluation of the outcome of distributed budget as well as efficient and effective utilization of public fund.

Education Experts

Table 10: Budget Preparation

| Item | Respondents | |
|---|-------------|------------|
| | Fr | % |
| 1) What is the major source/guideline/for preparing your annual educational budget | | |
| a) previous year budget information | 8 | 22.22 |
| b) The strategic plan of your office | - | - |
| c) The budget format from finance office | 7 | 19.45 |
| d) The budget ceiling set in advance | 21 | 58.33 |
| e) The financial management guide line of MOE, 2002 | - | - |
| F) Other | - | - |
| Total | 36 | 100 |
| 2) What is the procedure for need assessment and requesting budget for the education sector at Woreda level? | | |
| a) Starts from the school via WEO to finance | 6 | 16.67 |
| b) Wereda EO propose its budget with out involving schools | 3 | 8.33 |
| c)WEO has no power/right/to propose its budget based on its sector development needs | 19 | 53.00 |
| d) We simply propose our budget needs based on our activities | 8 | 22 |
| Other | - | - |
| Total | 36 | 100 |
| 3) When do you prepare your annual budget? | | |
| a) Before knowing the annual budget ceiling and then adjusting to the ceiling | 32 | 88.89 |
| b) After knowing the budget ceiling and preparing accordingly | 4 | 11.11 |
| c) Other | - | - |
| Total | 36 | 100 |
| 4. If the budget allocated to your sector is below your budget proposal, how do you go about your educational plan? | | |
| a) you are compelled to cut down your plan to balance with approved budget | 33 | 91.67 |
| b) You may attempt to find certain budget support | - | - |
| c) Irrespective of budget shortage you may carryout some essential plan with your initiatives | 2 | 5.5 |
| d) You may propose additional budget | 1 | 2.78 |
| Total | 36 | 100 |

The general feature of the table indicates:

- Weredas have been using budget ceiling and the trends of previous year in budget preparation. There is no clear cut steps followed in the budget preparation except organizing some activities to be carried out and materials to be purchased.
- In the case of shortage of budget 91.67 percent of respondents replied that they were forced to cut down a lot of activities during budget adjustment

In the procedure of budget cycle usually budget submission is followed next to preparation. So, the following table deals with the submission and approval process of budget.

Table 11: Budget Submission and Approval

| Items | Respondents | |
|---|-------------|------------|
| | Fr | % |
| 1. To whom do you present your budget proposal, | | |
| a) To cabinet | 2 | 5.56 |
| b) Via OFED to cabinet | 34 | 94.44 |
| c) To zone education office | - | - |
| d) To Zone finance office | - | - |
| e) Other | | |
| Total | 36 | 100 |
| 2) Is the fiscal year budget gets approval and release on time? | | |
| a) yes | 1 | 2.78 |
| b) No | 35 | 97.22 |
| Total | 36 | 100 |
| 3) If your response in question "2" above is "No" what do you think is the main reason? | | |
| a) you may not submit your budget request on time | 2 | 5.71 |
| b)The budget ceilings are often reach weredas lately | 24 | 68.57 |
| c) Steps for budgetary process are too long | 1 | 2.86 |
| d) Usually Wereda cabinet run shortage of time to see and approve the budget | 8 | 22.86 |
| e)Other | - | - |
| Total | 35 | 100 |

As it can be seen from the table, 94.44 percent of respondents said that the budget submitted to WOFED. Concerning this interview was made with WEO and WOFED heads and experts as to why directly submitted to WOFED and why not be cabinet. The general ideas were that, WOFED is responsible for organizing the whole sector budget proposal before it is presented to cabinet for final decision.

At this juncture, WOFED discusses thoroughly with the host sector about the proposed budget. A detailed revision is made, the host sector representative attempt to defend the proposal item by item.

In the second step WOFED organize the whole budget of sectors as weredas' budget and finally submitted to cabinet for final decision. Usually there are no much differences between what has been arranged by WOFED and the final decision of cabinet.

In the second item of table 11 almost all respondents (97.22 percent) said that the budget in the given fiscal year did not get approval on time. The main reason for this, as it could observed from item "three", was that the budget ceiling is not being reached weredas on time. More over, the cabinet do not get sit on time to approve the budget.

As it was mentioned by experts and WEO and WOFED heads there were a lot of problems which commensurate with the delay of budget ceilings. Very often, sectors prepare their budget proposals before their actual budget are known. Sectors allowed to use 1/12th of past year budget monthly for the execution of the current year plan. Some sectors usually education, because of its nature, do not follow this order. On the other hand WOFED does not block or strictly follow sector that exceed the limit set for them. At the time budget ceiling reached weredas, it could be below the last year budget. Due to this some sectors found them selves in the negative budget situation.

Generally, in the budget submission and approval some kind of problems could be observed.

In the delay of budget ceiling mostly education sector becomes victim of budget reduction because it is assumed by weredas cabinet that it is education sector which consume more of the weredas budget, so, when shortage of budget appears education become the first focus point in a weredas.

With regard to this, as weredas experts explained, on one hand weredas plans often lack risk analysis, in the anticipating what would be faced in the course of action weredas experts are lacking experience or know how about risk planning. More over, there is no thorough opportunity and stake holder analysis in the course of planning. Because of these a lot of budget is spent on unplanned situational activities. On the other hand, region continuously ordered weredas to conduct training or to participate in workshop or seminars organized at regional/zonal level with their expenses. All these exert pressure on budget capacity of weredas. Hence the approved budgets is finished before the end of fiscal year or before many of the planned activities are executed due to the delay in the approval of budget and unexpected expenditures.

WEO often faced some difficulties in budget distribution among sub-sectors and schools. In the process of budget distribution different local educational measures should be employed. So, the following table demonstrates budget distribution.

Table 12: Budget Distribution Among Sub Sectors/ Program/

| | Respondents | |
|---|-------------|------------|
| | Fr | % |
| 1) How weredas education office (WEO) decide on the amount of budget for different categories of expenditure or for sub sectors (primary, secondary, adult education etc) | | |
| a) By evaluating the previous years' trends | 4 | 11.11 |
| b) By considering the number of students in the sub sectors | 19 | 53.00 |
| c) By taking the efficiency of the sub sector | 3 | 8.33 |
| d) There is no culture of assigning budget for different programs | 10 | 27.56 |
| e) Other | - | - |
| Total | 36 | 100 |
| 2) How do you divide your approved budget between capital and recurrent budget? | | |
| a) By estimation after Knowing the amount of salaries | 4 | 11.11 |
| b) According to the circular sent with the budget | - | - |
| c) According to the needs of expenditures for the recurrent and capital budget. | 2 | 5.56 |
| d) According to the demand of the community for education | - | - |
| e) Usually the capital and recurrent budget are assigned by cabinet | 30 | 83.33 |
| Total | 36 | 100 |

As it can be observed from the table above 53.percent of respondents was said that mostly the criteria they employed in the budget distribution is number of students. It is common to use number of students in distributing block grant for school in proportional way.

Accordingly, weredas are mostly based on number of students schools have to distribute their operational non salary cost without considering differences in school locality. But the problem of this flat grant formula is that, they provide assistance to poor and rich school locality in the same way.

Based on this interviews were conducted with the experts and WEO heads. They conformed that basically they use the number of students in budget

distributions but some times they consider the distance of school (location), fiscal capacity of the local community and their awareness to support education, the resource capacity of schools (whether they have agricultural land, grass and trees land etc). Though these resources are considered and most schools do not have such resources, there is no much significant differences among schools in getting flat grant funds.

As it was understood from interview, there is no culture of assigning budget specially among different sections of offices like, supervision section, Adult education section, primary, secondary etc sections. Even experts of these sections do not know the amount of budget allocated for the sector. They propose the expenses for their work without any information of sector budget.

In the division of budget between capital and recurrent budget 83.33 percent of respondents were said that it is the mandate of Wereda cabinet to allocate both budgets for every sector based on regional government imposition.

According to the discussion made with WOFED heads the division of block grant between capital and recurrent budget is usually based on the amount of block grant sent to weredas. As they said, some times conditions do not allow them to categorize the budget into these items. Even there was a time where the allocated block grant was unable to cover recurrent budget and additional budget subsidy was asked.

In the case of capital budget management, as in the case of recurrent budget, all the process is carried out by WOFED.

Budget utilization at weredas level is one of the basic concern of this study. So, the following table shows the over view of public educational fund utilization.

Table 13: Budget Utilization

| Items | Respondents | |
|---|-------------|------------|
| | Fr | % |
| 1) Does the WEO utilize effectively and efficiently the approved budget on time? | | |
| a) There was efficient utilization | 2 | 5.56 |
| b) There was no efficient utilization | 34 | 94.44 |
| Total | 36 | 100 |
| 2) If your response to item "1" above is "b" which of the following option could be taken as a major cause? | | |
| a) the approved budget is not disbursed on time | 3 | 8.82 |
| b) the existing financial system structure create obstacle | 24 | 70.59 |
| c) The WEO does not has adequate qualified experts to prepare budget breakdown on time | 2 | 5.88 |
| d) usually purchasing proposals are not submitted on time | 5 | 14.71 |
| Total | 34 | 100 |
| 3) Is the present "one pool system" in public financial management effective in the utilization of your budget timely? | | |
| a) The one pool system is effective | 1 | 2.78 |
| b) The one pool system is not effective | 35 | 97.22 |
| Total | 36 | 100 |
| 4) If your response to the question "3" above is "b" which of the following is the main problem that you have been faced in the system? | | |
| a) A cumbersome/in efficient long process/ bureaucratic system. | 2 | 5.71 |
| b) Unable to get quality educational materials and equipment on time, since purchasing is being carried out by WOFED for all sectors. | 23 | 65.72 |
| c) Un able to get the required expenses according to the schedule | 7 | 20 |
| d) A delay in the execution of educational plan. | 3 | 8.57 |
| Total | 35 | 100 |

The overall picture of the table shows

1. WEO do not utilize efficiently and effectively their budget on time due to the obstacle created by the existing one pool financial structure.
2. There is a cumbersome/in efficient long process/ bureaucratic system to get quality educational materials and equipment on time.
3. Purchasing of materials for all sectors was carried out by OFED.

Table 14: Budget Report and Information

| Items | Respondents | |
|--|-------------|------------|
| | Fr | % |
| 1) who prepare your budget report | | |
| a) WOFED | 35 | 97.22 |
| b) WEO | - | - |
| c) WOFED and WEO jointly | 1 | 2.78 |
| d) Other | - | - |
| Total | 36 | 100 |
| 2) If it is prepared by WOFED how you do get the information about your budget utilization? | | |
| a) By asking your level of conception monthly. | - | - |
| b) Some times WOFED gives us copies of budget report monthly | 7 | 19.44 |
| c) Usually we do not get the report of budget conception on time due to the burden of work on WOFED. | 24 | 66.67 |
| d) Most of the time we are informed after we have finished our budge | 5 | 13.39 |
| e) other | - | - |
| Total | 36 | 100 |

The WEO, budget report is prepared by WOFED (97.22 percent). As it is indicated in item "two" of table 14, 66.67 percent of respondents said that they do not get about their budget utilization report due to the burden on WOFED. As it was interviewed with heads of WEO and WOFED, their opinions was not coincide with one on other.

According to WEO, mostly they informed about their budget after they reached on the eve of finishing what they have. On the other hand WOFED defend and disagree with the opinion of WEO in that they made the possible efforts to prepare budget report monthly for zone WOFED in which they give a copy for sector organization. But they did not deny that up to the recent month they were not in a good position to organize and prepare the condensed report for every sector.

In the case of information exchanging among WOFED and WEO, Some conditions were being observed. For instance, WEO always demand a

charge of money without information about the amount of budget they have been used and what left over. On the other hand WOFED release what was charged again without informing them what has been left over of their budget.

The other point was that, no weight full attention was given for report and organized data. As may it known, the organized information and data are essential for many purposes like planning, research, advancement and the like.

So, at weredas level, such conditions seem to be unrecognized. And or laizesfer style of leadership seems to be prevailed.

Table 15: Capacity Conditions of Education Office (EO) and Finance Office (FO)

| Ser No | Wereda | Total number of staffs | level of education | | | | | | |
|--------------|--------------------|------------------------|---------------------------------|-------------|---------------------|--------------|----------|----------|----------|
| | | | Below 12/10 th grade | Grade 12/10 | 12/10 + Certificate | Diploma 12+2 | BA/ BSC | MA/ MSC | Other |
| 1 | Beddano a) EO | 8 | - | - | 5 | 2 | 1 | - | - |
| | b) FO | 24 | 3 | - | 17 | 4 | - | - | - |
| 2 | Deder a) EO | 11 | - | - | 4 | 7 | - | - | - |
| | b) FO | 27 | 6 | - | 14 | 6 | 1 | - | - |
| 3 | Gola oda a) EO | 4 | - | - | 2 | 2 | - | - | - |
| | b) FO | 21 | 2 | - | 15 | 4 | - | - | - |
| 4 | Gorogutu a) EO | 8 | - | - | 2 | 5 | 1 | - | - |
| | b) FO | 20 | 5 | - | 13 | 2 | - | - | - |
| 5 | Haramaya a) EO | 16 | - | - | 6 | 7 | 3 | - | - |
| | b) FO | 30 | 8 | - | 17 | 5 | - | - | - |
| 6 | Kombolcha a) EO | 9 | - | - | 1 | 7 | 1 | | |
| | b) FO | 32 | 7 | - | 17 | 8 | - | - | - |
| Total | a) EO | 56 | - | - | 20 | 30 | 6 | - | - |
| | b) FO | 154 | 31 | - | 93 | 29 | 1 | - | - |

Generally, there is an acute shortage of skilled manpower at Wereda level. As it can be understood from the table 15 above, both sectors are working

with few total numbers of employees. According to the organizational structure for the six sample weredas education needs 138 experts with the least educational qualification of diploma while WOFED structure require 342 employees with the same educational qualification.

But, the concrete situations of Wereda indicate the opposite environment. Education sector has fulfilled only 40.58 percent of the required experts. Moreover, from the available experts 20 (35.71 percent) are below the required educational standards.

Concerning the WOFED, the available experts cover only about 45 percent. But, qualification wise, only 19.50 percent (30) are fulfilled the required educational standards while the rest are working with under educational standards required for the sector according to the new structure. Especially the problem was serious in WOFED.

In managing the whole sector financial condition the burden is on these few experts who have certain types of diploma. So, this shortage of qualified human power made difficult the appropriate utilization of public funds at wereda level.

Table 16: The Work Environment

| Items | Types of Respondents | | | |
|---|----------------------|---------------------|-----------|------------|
| | Edu. officers | Finance officers | Total | |
| | | | Fr | % |
| 1) Is There stable work conditions for the effective and productive work around your office | | | | |
| a) There is stable work condition | 4 | 3 | 7 | 11.11 |
| b) There is no stable work condition | 32 | 24 | 56 | 88.89 |
| Total | 36 | 27 | 63 | 100 |
| 2) If your response to item "1" above is "b" what would be the major case for this? | | | | |
| a) Continuous restructuring and changes in work process and procedures | 20 | 16 | 36 | 64.30 |
| b) A high rate of staff turn over for the better job | 1 | 1 | 2 | 3.57 |
| c) There is no institutional and organizational facilities in the work place | 3 | 2 | 5 | 8.93 |
| d) A poor human resource management | 8 | 5 | 13 | 23.20 |
| Total | 32 | 24 | 56 | 100 |

Concerning work environment both WOFED and WEO were asked about the stability of work conditions. As it could be observed from table above 88.89 percent of respondents were said that there is no stable work conditions in their weredas.

As to the reason for the unstable of work conditions 64.30, percent of the respondents answered that there has been a continuous restructuring and changes in the work conditions and procedure that result in the displacement of many experts. In the process of interview also experts expressed their views that a lot of them were dissatisfied with process and specifically those of education are working with low initiatives.

In the case of education, the main goal is to produce well qualified, human personalities through the acquisition of skills, conscious, deliberate and organized activities. Since education is a basic means to create a sustainable economy, it needs a conducive and stabilized environment for its implementation

Moreover, its human resources should be well treated to make them efficient and effective. In education it is the mental work that make all the industry to move on the desired direction. So, these need a careful management of its human resources.

Table 17: Additional Source of Income

| Items | Types of Respondents | | | |
|---|----------------------|--------------|-----------|---------------|
| | WEO | School board | Fr | % |
| 1) Do you have any additional source of income? | | | | |
| a) We have additional source of income | 13 | 22 | 35 | 45.45 |
| b) We do not have additional income | 23 | 19 | 42 | 54.55 |
| Total | 36 | 41 | 77 | 100.00 |
| 2) If your response to item "1" above is "a" which of the following is your main source of additional income? | | | | |
| a) School agricultural product income in some areas. | 5 | 15 | 20 | 57.14 |
| b) Support some NGOs | 2 | 1 | 3 | 8.57 |
| c) Community Contribution | 6 | 3 | 9 | 25.72 |
| d) Other | | 3 | 3 | 8.57 |
| Total | 13 | 22 | 35 | 100.00 |
| 3) Who is responsible for management of the additional income | | | | |
| a) WOFED | - | | | |
| b) WEO | - | | | |
| c) School management board | 34 | 38 | 72 | 93.50 |
| d) School director with department heads | 2 | 3 | 5 | 6.50 |
| e) Other | - | - | - | - |
| Total | 36 | 41 | 77 | 100.00 |
| 4) For what purpose the additional income is employed | | | | |
| a) For the construction of additional class, repairing of old classes, and purchasing of some materials | 36 | 32 | 68 | 88.31 |
| b) For covering some operational costs for offices like allowances. | - | 6 | 6 | 7.80 |
| c) I do not know for what purpose it is used | - | 3 | 3 | 3.89 |
| d) Other | - | - | - | - |
| Total | 36 | 41 | 77 | 100.00 |

Concerning the additional income of education at weredas level both WEO and the school board have similar attitudes.

In item one of table above 45.45 percent of respondents said that they have some sort of additional income for education. It should be noted that the additional income discussed here is the one which is related with school resources.

In the case of item "two" above 57.14 percent of respondents replied that the main sources of additional income are school agricultural product.

It was explained in the interview session that the amount of additional income is not uniform all over the schools. According to the explanation of WEO Experts, it mainly depends on the school environmental conditions.

Item 'three' in table 17 above deals with the management of additional income of schools. Here, 93.50 percent of respondents answered that it is managed by school board.

In item 'four' of table 17, 88.31 percent of respondents replied that the additional income of school is employed for the purpose of constructing additional classes, repairing of the existing dilapidated classes and furniture and purchasing some additional materials for school bureau and staffs.

In some cases, as it was explained in the interviews, since the available operating recurrent budget is not sufficient, most schools assign a substantial amount of additional income for daily allowances when they are invited to attend some meetings and work shop organized by WEO or weredas Administration.

School Management Board

The Other aspect of this study deals with the school conditions and environment related with budget and budgetary process. Under this part, how the schools prepare, organize, submit, manage and control their budget for the execution of their educational plans is discussed and analyzed.

So, the following table deals with how the budget is prepared at the school level.

Table 18: Budget Preparation

| Items | Respondents | |
|--|-------------|------------|
| | Fr | To |
| 1. What are the most common sources for your school budget preparation? | | |
| a) The budget ceiling provided by WEO | 35 | 85.36 |
| b) Number of students to be enrolled | 2 | 4.88 |
| c) Previous year performance and efficiency | 3 | 7.32 |
| d) We do not usually prepare budget plan except expressing our need whenever asked | 1 | 2.44 |
| e) Other | - | - |
| Total | 41 | 100 |
| 2. What would be the procedure for your budget preparation? | | |
| a) Develop the draft, getting approval by community and send to WEO | - | - |
| B) Develop draft, revising by board and sending to WEO | 2 | 4.88 |
| c) Developing a draft and send to OFED | - | - |
| d) Developing a proposal based on ceiling and send to WEO | 39 | 95.12 |
| Total | 41 | 100 |
| 3. When do you prepare your budget | | |
| a) Before receiving budget ceiling and adjusting to the ceiling | 1 | 2.44 |
| b) After receiving budget ceiling and compelled to prepare within the ceiling. | 40 | 97.56 |
| c) At the quarter of the year without any information | - | - |
| d) other | - | - |
| Total | 41 | 100 |

As it could be seen from the table above in item "one" 85.36 percent of the school board said that the most common source for their school budget preparation is the budget ceiling provided to them by WEO. Here, the

essential measures like number of students, school performance/ efficiency/ and teacher student as well as student section ratios are not considered in the annual budget draft.

In the item 'two' concerning the procedure of budget preparation at school level 95.12 percent of the respondents answered that there is no much long procedure. Simply schools pass through two steps in budget preparation. Developing proposal and send to WEO. Because schools know in advance the amount of their budget. And they should prepare the budget proposal within the budget ceiling provided to them. What proposed by schools are not being accepted as they are.

The main different between WEO and schools in the budget preparation is that schools prepare their budget after they receive the budget ceiling while WEO propose their budget before budget ceiling is arrived at wereda level. In this case schools are saved from budget adjustment like WEO after the arrival of ceiling.

As it has been indicated in item 'three' of table 18 above 97.56 percent of respondents replied that they prepare school budget after they are made to know the budget ceiling. This has its own effect on the school efforts to carry out its job consciously and effectively.

As the observation of schools revealed most school managements are disparate and reluctant in their work. There is no such encouraging and conducive work at schools. Especially schools in the town areas are deteriorated. Most of their walls and furniture are dilapidated. The management of schools and WEO and cabinet were being interviewed as to what kinds of measures are being intended to improve these school conditions.

The central idea of the entire respondent was that "We do not have adequate budget for this". But schools and WEO blame the Wereda cabinet because, according to their view, it is the Wereda cabinet role to allocate or organize budget for such school condition. Of course, the condition is beyond the capacity of WEO and school management board. However, much effort is not seen also from the side of education sector to improve such school condition.

The other point considered in school condition is the distribution of budget for schools by WEO. In the process of budget distribution many indicators could be employed like school location, number of students, different ratios. Concerning this, schools were asked about how the budget is allocated to them. Thus, the following table demonstrates the condition of budget distribution to schools.

Table 19: Budget Distribution

| Items | Respondents | |
|---|-------------|------------|
| | Fr | % |
| 1. On what bases/manner the budget is allocated to your school? | | |
| a) On our efficiency and performance | 1 | 2.44 |
| b) On the number of our students, school location and economic condition of our school environment. | 28 | 68.29 |
| c) According to our budget proposal | 3 | 7.32 |
| d) On the bases of Wereda education budget | 9 | 21.92 |
| Other | - | - |
| Total | 41 | 100 |
| 2. Do you get involved in the process of budget allocation and distribution at Wereda level? | | |
| a) We do involve | - | - |
| b) We do not involve | 41 | 100 |
| Total | 41 | 100 |
| 3. If your response to the item '2' above is "b" which of the following is the main reason? | | |
| a) Schools are not willing to participate in the process | 6 | 14.63 |
| b) WEO allocate and distribute by its own estimation with out inviting schools. | 35 | 85.37 |
| c) It is difficult to involve all schools | - | - |
| d) other | - | - |
| Total | 41 | 100 |
| 4. In what form do you get your budget from Wereda? | | |
| a) In cash form | - | |
| b) In kind | 41 | 100 |
| c) Both in cash and in kind | - | - |
| Total | 41 | 100 |

In item 'one' of table 19 above, 68.29 percent of respondent replied that number of students, school location and economic condition of our school are the indicators on which budget allocation is based on.

The interview report reveals that:

1. The main indicator for budget distribution was number of students.
2. The operating cost allocated to education was generally too low.
3. The problem was severing in elementary schools.

In the item 'two' of table 19, 100 percent of the respondents said that, they do not participate in the process of budget allocation and distribution made at Wereda level. In item '3' 85.37 percent of respondents replied that the main reason for not participating in the budget distribution is that WEO carried out the process without involving schools.

In item four of table 19, 100 percent of respondents said that they receive the whole of their budget in kind.

As it was already discussed in the middle part of this analysis, all materials are purchased by WOFED experts. What WEOs do is that simply distributing these materials for schools according to each school proposal.

Schools claimed seriously the quality of materials. Because, some times expired materials were being dispatched to schools.

According to the discussion with the WEO, usually such condition happens because, materials are being purchased by WOFED experts without involving sector experts. On the other hand also according to the purchasing principle, following the least bidder is recommended. So, most of the time WOFED and the bidder committee follow the recommendation in the name of effective utilization of budget. Hence, such processes highly affect the instructional process at schools.

As it was mentioned also in the interview, the process is highly vulnerable to corruption since the whole public sectors materials are purchased by one WOFED expert.

Table 20: Budget Conception and Evaluation

| Items | Respondents | |
|--|-------------|------------|
| | Fr | % |
| 1. Suppose, your school may not utilize its budget within the given fiscal year on time what could be the main reason, | | |
| a) Most of the time budget is not released on time | 11 | 26.83 |
| b) There is a long process of bureaucratic system at wereda level | 14 | 34.14 |
| c) WOFED has a shortage of man power to manage the budget of all sectors | 3 | 7.32 |
| d) Due attention is not given often to educational activities carried out at school level. | 10 | 24.39 |
| e) We do not have such problems at our school | 3 | 7.32 |
| Total | 41 | 100 |
| 2. By whom the auditing and controlling activities of your school being carried out? | | |
| a) By WEO experts | 5 | 12.19 |
| b) By WOFED experts | - | - |
| c) By school management board | 2 | 4.88 |
| d) Usually we do not have such experiences in recent years | 34 | 82.93 |
| e) other | - | - |
| Total | 41 | 100 |

As it is indicated in the above table item 'one' in the case of not utilizing the budget on time, different ideas are reflected as to the reason for not utilizing schools their budget on time. However, 34.14 percent of respondents were said that it is due to the long process of bureaucratic process at Wereda level.

As it is already mentioned, organizing material proposal from every school, and every sector at WOFED, calling for bidders, Collecting Performa, making decision on the least bidder, finding car from sectors, etc., that is from collecting data up to purchasing and distribution to school takes a lot

of times. Fiscal year is ended before the last phase of purchasing is carried out and a lot of sector money (budget) is turned back to public treasury. The other un-underestimated percentage (26.83) of respondents said that, usually budget is not released on time.

As the discussion made with school management revealed, schools mostly suffered from the delay of budget. As it may all known, the new academic year starts in 20s of August according to Ethiopian calendar. On the other hand, most of the time budget is not released up to December and January. So there is a time where WEO and schools are forced to run their regular work by credit.

Concerning the internal and external audit of schools, as it is seen in the table 20 above, 82.93 percent of respondents replied that in the recent year there is no internal as well as external audit at schools. WEO experts also explained that, after the decentralization system is stretched down to weredas level no audit work at school and even at weredas level. Prior to 1995 EC auditors were send from the zone for this purpose and WEO was audited at least once a year or per two years. On the other hand WEO experts carry out audit work at least when there is a change of directors in the schools. According to them, at present time, they could not able even to carry out the regular supervisory work.

Table 21: School Facilities and Equipment

| Items | Respondents | |
|---|-------------|---------------|
| | Fr | % |
| 1) Is your school well equipped with furniture and educational materials (library, laboratory chemicals, equipment etc) | | |
| a) Our school is well equipped | 5 | 12.20 |
| b) Our school is poorly equipped | 36 | 87.80 |
| Total | 41 | 100 |
| 2) If your response to item "1" above is "b" which of the following options is the main reason? | | |
| a) The school has no additional income. | 2 | 5.56 |
| b) The allocated budget could not cover even the expense of stationary materials | 24 | 66.67 |
| c) The community has no adequate economic power to support school | 3 | 8.33 |
| d) Still the value of education is not well recognized at weredas cabinet level | 7 | 19.44 |
| e) Other | | |
| Total | 36 | 100.00 |

With regard to school facilities, 87.80 percent of respondents said that their schools do not have the required furniture, educational materials, well equipped libraries and laboratories

As to the main reason for the schools have no adequate facilities, 66.67 percent of respondents answered shortage of budget as the main constraint.

As previously mentioned in the first part of this section today most of the schools visited by the researcher in the zone especially elementary schools (1-8) have no library, laboratory, necessary furniture and even adequate teaching materials.

The newly constructed complete elementary schools (1-8) are usably have library, laboratory and pedagogical center classes, But they stand empty without any materials and equipments.

As weredas cabinets expressed, the main focus of government is improving the access of education.

At present time in all sample weredas a lot of elementary and secondary schools (9-10) have been constructed by community and some support from government side.

In addition to these, according to the explanation of Zone education officers, within the last four years about 4 (four) secondary schools (9-10) were constructed by community and two by government (Oromiya Education Bureau).

Most of these schools especially the one constructed by weredas cabine and community are below the standard in all aspects. More over these schools are constructed in remote weredas. At present time, these schools do not have plasma program, adequate qualified teachers, necessary educational materials like laboratory equipments and chemicals, and the like.

If educational activates that are locally initiated and managed do not receive central support, enthusiasm is likely to evaporate rapidly and the quality of education remain low.

Likewise, in many rural areas of East Hararge Zone, as it was explained by zone experts, there were a lot of educational activities that was locally initiated. Many community evolvments were mushroomed. And, especially the rural society was highly enthusiastic in having complete elementary schools (1-8) and secondary schools (9-10). With the pressure exerted by community on weredas cabinet many elementary and secondary schools were constructed spontaneously without adequate pre hand preparation. The construction of the schools was a relief for those

people (society) who are in the deprived areas and it is encouraging in improving the educational opportunities.

But the problem is that, there is no adequate financial support in the aftermath of construction from the government side to equip these schools with necessary materials, furniture and qualified teachers.

Table 22: Meeting Qualification Standard of Teacher

| Year | 1-4 | | | 5-8 | | | 9-10 | | |
|------|-------|-----------|------|-------|-----------|-------|-------|-----------|------|
| | Total | Qualified | % | Total | Qualified | % | Total | Qualified | % |
| 1995 | 2343 | 3240 | 99.7 | 1002 | 82 | 8.2 | 183 | 41 | 22.4 |
| 1996 | 2364 | 2303 | 97.4 | 1200 | 128 | 10.66 | 203 | 41 | 20.0 |
| 1997 | 2385 | 3203 | 97.4 | 1298 | 142 | 11.0 | 228 | 48 | 21 |
| 1998 | 2410 | 2386 | 99 | 1349 | 162 | 12 | 251 | 54 | 21.5 |

Source: Zone Education Document (1998EC)

As it could be understood from the table most of educational activities in elementary schools (5-8) and secondary schools (9-10) are carried out by unqualified teachers.

On the other hand, as East Hararg Zone is one of the remotest Zones from the center, most of the qualified teachers are either leaving or not willing to go to the rural areas of the zone since there is no adequate infrastructure in many rural towns of zone.

Moreover, seven (7) secondary schools (9-10) (about 50 percent of secondary schools) do not have plasma program, laboratory section adequate laboratories and pedagogical center.

Hence, the educational activities provided in such schools remain at low level of quality measure.

CHAPTER FOUR

Summary, Conclusion and Recommendation

4.1 Summary

The main purpose of this study was to assess, investigate, and examine how the public funds are allocated from center to Weredas, how the allocated fund is reallocated and distributed among public sectors and utilization system of procured finance within educational sector. Moreover, it also attempted to scan the budgetary process at school and Wereda level and administrative techniques to ease the problem.

In order to achieve the purpose of this study, the following basic questions were raised.

1. How are public funds allocated to weredas?
2. How are the allocated financial resources distributed among public sectors services like Health, education.
3. How the education sector distributes and utilized the allocated finance.
4. What mechanisms are in place for the proper management of public educational finance?
5. What are the major factors and constraints confronted in managing public financial resources?

The study was carried out in 12 complete Elementary schools (1-8), five secondary schools and six weredas. At Wereda level, administrative cabinets, finance office, education office experts and school management board were included in the sample population of the study. The study employed three basic instruments for data collection namely, questionnaire, interview and document analysis. In addition to these, interview was conducted with zone education and finance offices to get

additional information to stabilize the study. The data obtained were analyzed by using percentage and simple mathematical methods. Based on the analysis the following findings were obtained.

4.1.1 There is no female participation in the administrative and managerial position at school and Wereda level. The female participation accounted only 1.39 percent. They were found in school management board and Wereda finance as expert.

4.1.2 Concerning educational qualification at average 68-75 percent of the respondents have different kinds of diploma. 9.03 percent have BA/BSC and 21.50 percent have certain kinds of certificate

In the case of total service years and experiences, the largest numbers of Wereda cabinets and finance officers have only 1-5 years services. Education experts are better in service years in which most of them are in experience of 6-10. On the other hand most of Wereda cabinets and finance experts were new in the current position, about 95 percent of cabinets and 92.59 percent of finance officers were in the experience of 0-3, which means most of them are fresh to the world of work and or new to the position they are in at present time.

4.1.3 With regards to budget allocation system to Wereda, budget is totally allocated to Wereda in the form of unrestricted block grant with preset ceiling. The mechanisms employed at regional level to allocate block grant budget was the previous year budget trend. Previously attempt was made to use some indicators like:

- Level of infrastructure of weredas
- Population size
- Location
- Capacity to collect internal revenue.

Oromia BOFED seems to follow the incremental budget approach, but this approach has its own limitation since it neglects outcomes/quality/ which questioning efficiency and effectiveness of the approach.

4.1.4 The process of reallocating the block grant to public sectors at weredas level follow the regional system. Even though, they attempt to subscribe to the guideline/Circular/ sent with block grant, mostly they are based on what has been allocated in previous years.

But, as Oromia BOFED said, at least for the current fiscal year (1998 EC) it has applied 50 percent and 60 percent of what MOE set for financing education for primary and secondary education respectively. But the situation is inverse at weredas level. Mostly the budget distribution is made by estimation without considering the MOE and Oromia BOFED guideline.

4.1.5 Budget allocated to weredas within three years (1996-1998 EC) do not have regular form. It did not follow any form of budgetary approach. Concerning the education share most weredas attempted to apply the circular sent with block grant which orders that 40 percent of block grant should be allocated to education sector. But at average, except in 1998 EC, the percentage was less than the standard set at the central level. On the other hand the largest proportion of recurrent budget goes to staff and teachers' salaries (95.10 percent at average) and only 4.90 percent was left for the operational cost to run educational activities.

4.1.6 The main difficulties faced by weredas cabinet and finance office in managing public funds were, being new for many financial guidelines prepared by MOE and Oromia BOFED.

The other problem was shortage or in adequacy of the block grant allocated from the region. Moreover, they faced the problem of imbalance between the weredas expenditure needs and the block grant. Public Sectors simply estimate the amount of fund they need for the execution of

their activities. In such cases WOFED and cabinet were unable to distribute the public fund among sectors according to their proposal.

4.1.7 The development of educational demand and the budget increment assigned to education every year were not complementary. The budget allocated every year to education did not strictly analyze the fast development of educational expenditure needs that come as a result of growth of educational demand. Moreover, there is no expenditure need assessment in the process of reallocating the block grant budget at Wereda level. So, sectors' budget proposals are mostly undermined, because cabinets and Finance office are basically follow the level of block grant ceiling subsided to them.

4.1.8 Generally, auditing work is carried out by WOFED but, the way it conducted did not follow organized and planned system. Since the whole money transaction of all public sectors in weredas is managed by WOFED, it presents monthly and quarterly report to Wereda cabinet and council.

There is no external auditing system, because all public sectors do not have any contact with money transaction. On the other hand, once the budget is distributed to sectors, there is no strict follow up to keep the sectors within their budget limit. Hence, some sectors run shortage of operating budget before the end of fiscal year, usually during the third quarter. Moreover, there was no culture of evaluating the outcome of distributed budget as well as its efficiency and effectiveness.

4.1.9 The major source/guideline/ for preparing educational budget at Wereda level was the budget ceiling set in advance by the weredas cabinet. Wereda education sector did not follow so much steps in budget preparation. Its budget proposal did not start from the school. The estimation is simply made at WEO level and presented to WOFED. On the other hand, the annual budget preparation is done before the wereda block grant is announced. So, always education sector run shortage of

budget. It was subjected to cut down most of its plan to balance its activities and the budget allocated to it.

In the course of annual budget preparation, WEO did not use the guideline set by MOE, 2002. Some WEO already forgot even the presence of the guide line.

4.1.10 At Wereda level as well as Zonal level, the preparation of educational programs and the required operational budget are carried out by different bodies.

The educational plan programs are being organized by educational experts simply without converting their programs into monetary aspect for its execution. On the other hand, estimate of expenditures necessary to realize the program is being done by the administrative and finance section of the pool system. This section mostly organizes its estimation based on the previous trend of educational budget.

4.1.11 The educational budget was being submitted every year to WOFED. It is WOFED which first made the adjustment of budget proposal of every sector and present to cabinet for final approval. The fiscal year budget did not get approval on time. Because, most of the time the budget ceiling of block grant did not reach weredas on time. In the delay of budget ceiling education sector exposed mostly to the budget reduction because, wereda cabinet consider education sector among others as the one which consume the largest share of weredas budget.

4.1.12. Educational budget distribution among the sub sectors was basically based on the number of students in the sectors. At weredas and Zone level, there is no trend of assigning operational budget to different sections like supervision elementary, secondary, adult education sections etc.

4.1.13. The division of budget into capital and recurrent is carried out by weredas cabinet for every sector. It is at the very beginning of budget

allocation to sectors that cabinet decide on the amount of capital and recurrent budget to be assigned for public sectors based on the regional interest. Very often, the division of budget into the two categories was based on the amount of block grant allocated to weredas.

WEO did not utilize their annual budget effectively and efficiently. Because, the existing financial system structure created obstacle to them. That is, the present one pool system of public financial management system is not effective. It exerts pressure especially on education sector, because there was a delay in purchasing of educational materials since WOFED waits for all sectors to submit their materials to be purchased. In such cases, a lot of money was returned back to public treasury before it is utilized by sector (Schools).

4.1.14. Weredas' WOFED did not followed the same procedure in purchasing and distributing educational materials. Some purchased the required materials according to the schedules set in the guide line prepared by Oromia BOFED for material purchasing.

Still some other weredas purchase independently for every sector as they submit their proposal. They follow the principle which says 'first comer first served'. They follow this method mostly to avoid the delay in material purchasing.

4.1.15. Currently, the greatest attention has been directed to the access side of educational objectives. The quality aspect of educational objective was not to get the required weight. Community participation in education with their labour, proving local material for the construction of new schools and additional classes, and money contribution, etc. all support the accessibility of educational opportunity.

4.1.16. Wereda education budget report was prepared by WOFED combined with other public sectors. Mostly, education sector did not get the copy of budget report on time. WOFED made effort to organize monthly

budget conception report to zone and gave copy for every sector. But it takes a lot of time. There was a time where, two or three months report were compiled due to shortage of man power and time constraints.

Weredas had generally an acute shortage of qualified man power. The available experts in both sectors (WEO and WOFED) are very far below the required qualified manpower that the new structure demands. On the other hand the largest numbers of workers especially in WOFED are below the essential educational standard while in education sector, though experts are educationally better, their number is very few to carry out the educational activities effectively.

4.1.17. There is no stable work condition at wereda level for the effective and productive work in the working place, because of a continuous restructuring and changes in work procedures. In addition to these, in some weredas, due to poor management of human resources, mostly teachers leave schools for better work places.

4.1.18. Some schools have additional sources of income. The main sources of their income were mainly crop production of school agriculture, sales from grass and eucalyptus trees in school compound and in some cases also, community contribution was taken as additional source of income. The additional incomes of schools were managed by school management board.

4.1.19. Schools do not participate in the process of budget allocation and distribution made at Wereda level. They also suffered from getting their budget. Because, there was a long process of bureaucratic system in purchasing educational materials. In addition to this the delay in budget release also exert other pressure on educational activities carried out at school level.

In recent years especially after 1995 EC. Schools were not audited. The materials assigned to schools were not followed up strictly and even not

experts or auditor present in the case where there is a change of directors or store keeper of schools.

4.1.20. Most of the schools especially elementary schools (1-8) and community constructed secondary schools (9-10) were very poor in the school facilities. No adequate materials, laboratory equipment and chemicals, libraries and pedagogical centers were poorly equipped.

Moreover, in the Zone, Most of educational activities in elementary schools (5-8) and secondary schools (9-10) have been carried out by unqualified teachers. Because, educational demands were by far exceed the budgetary capacity of weredas.

4.2 Conclusion

From the proceeding analysis and findings, the following conclusions have been reached.

- Budget allocation and distribution processes at Regional and Wereda level were not followed the systematic, inclusive, relevant and effective formula and budgetary approach. At Wereda level, by simply looking at the larger amount of block grant fund goes to education, in which the most part was swallowed by salaries, there was tendency to reduce the non salary operational budget of education.
- No efficient utilization of the procured educational budget due to the cumbersome process of one pool system and its old methods of accounting system which are usually exposed to wastage and corruption.
- The major factors/constraints/that were militating against effective management of public funds could be summarized as follows.
 - a) The imbalance between weredas' expenditures' needs and the amount of block grant allocated.
 - b) Lack of experiences and shortage of qualified man power.

- c) The delay in the release of block grant
- d) The high contention of public sectors for more budget

4.3 Recommendations

Based on the findings and conclusions arrived at, the following recommendations have been suggested.

Regarding Budget Allocation and Distribution

- At regional and local (wereda) level, the guidelines developed by MOE and Oromia BOFED should be strictly followed. Especially OEB and WEO should play a decisive role in creating awareness and paving the situation for the practical implementation of these guidelines. Unless these guidelines are well understood by those who manage the public funds especially at wereda level, educational finance will not get improvement. More over, the existing budgeting and budgetary approach should be completely changed to program planning and performance approach. Because this approach emphasizes the out comes of program and attempts to measure the performance of each public sectors' programs, reward programs that work well and redesign programs that do not work well

Concerning Wereda Cabinets and WOFED Experts

- It has been found that most of the wereda cabinets and WOFED experts who have direct contact with the public finance management were fresh and do not have adequate wide experiences and know how about the specific nature of public sectors. There fore; the perception level of cabinets and WOFEDS' experts about education sector should be developed. Education sector should not be seen as the largest consumer of wereda operational recurrent budget. What is left for the running of educational

activities (quality improvement) is not more than five percent. So, wereda management body should understand well the importance of financing education and the relation education has with the socioeconomic development of the nation. To this end:

- There should be continuous awareness creation seminars workshops, training programs, symposiums, and discussion sessions at wereda, zone and regional level with strict follow up about their impact and outcomes.
- Mechanisms that strengthen the relationship of zone and weredas should be developed by region.

▪ **To alleviate the constraints faced in managing public finance it is important to consider the following options.**

- As much as possible attempt should be made especially by regional state to compromise the wereda budget proposal and the block grant allocated to weredas; to this end at every fiscal year there should be expenditure need assessment by region and weredas.
- Great attention should be given to the wereda budgetary plan. Because, sectors usually do not make thorough efforts to prepare a tangible and feasible budgetary plan. So, educational budgetary plan must start from school based on unit cost approach. To realize this, the data base of education sector and WOFED should be strengthened and well organized.
- Concerning shortage of skilled man power, experience sharing system should be continued and developed between zone and weredas and within and across sectors. Moreover, wereda should get the full mandate of hiring some qualified man power from the free market at least every year.

- Educational budget should be prepared after the block grant is publicized. And also, the block grant should be released before the new fiscal year is commenced.
- To improve the inefficient condition of "one pool" system, other strategies should be studied which will exempt some large sectors like education from the "one pool system".
- When ever access of education is being promoted, efforts have to be made to improve the commensurate quality to keep the balance between the two objectives. To do these, consideration should be given to the improvement of non salary operational budget. Some part of schools' additional incomes and community participation should be directed to the quality improvement.
- Since all schools do not have similar additional incomes, their annual additional incomes, the economic conditions of school environment and the level of school community awareness to support education have to be taken in to account in budget allocation of schools. Schools' representatives have to be invited also to participate in the process of school budget distribution.
- Concerning accounting system, modified cash base and double entry methods of accounting should be strongly applied in management of public funds, because they are effective in safeguarding against loss due to fraud and carelessness as well as provide data which are reliable. This could be done through upgrading the level of education of experts in the system by giving short term workshop and training, with impact analysis and hiring manpower who have qualification in the filed

The external and internal auditing work should be resumed in a well organized and planned way.

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APPEDEX – A

**Addis Ababa University
School of graduate Studies
Faculty of Education
Department of Educational
Planning and Management**

Questionnaire

Dear Respondents

The primary purpose of this questionnaire is to gather primary information on the topic **The study of public Educational Finance management at Wereda level in East Hararge Zone** to the research work needed for the partial fulfillment of the Degree of Master of Art in Educational Planning and Management.

The success of this study depends on your genuine responses, and the result of this study will help to give important recommendation on educational financing to the concerned body.

The writer promises you that the entire data gathered will be used only for academic purposes and be confidential. And finally, you are cordially requested to respond those questions that go along with your duties and financial transaction experiences of your institution.

Thank you in advance for your cooperation!

Items set for Weredas Cabinets and Finance Experts

1. On what base the budget is generally allocated to weredas?
 - a) on restricted block grant base
 - b) On un restricted block grant base with pre set ceiling
 - c) On general unrestricted block grant base with no preset ceiling
 - d) Other
2. What is the best mechanism that employed in allocating block grants at regional level?
 - a) Weredas' location, level of infrastructure, size of population etc.
 - b) Weredas' Expenditure needs
 - c) Weredas' Budgetary plan
 - d) Weredas' previous budget plus some percent
 - e) I do not have information
3. How do you allocate the block grant budget for different public sectors in your weredas?
 - a) By depending on the nature of public sector
 - b) Based on the budgetary plan of sectors
 - c) Basedon, budget performance of previous year plus some percent
 - d) By considering the unit cost approach for every sector
4. Budget allocated to public sectors in weredas for the last four fiscal years (1995-1998 EC).

Wereda _____

| Year | Total Budget | | | Share of Education | | | | | | | | |
|------|--------------|-----------|-------|--------------------|---------------|-------|-------------|---------------|-------|--------|---|--|
| | | | | | | | In percent | | | Salary | % | |
| | Capital | Recurrent | Total | Capital | Recu rrent | Total | Capit al | Recu rrent | Total | | | |
| 1995 | | | | | | | | | | | | |
| 1996 | | | | | | | | | | | | |
| 1997 | | | | | | | | | | | | |
| 1998 | | | | | | | | | | | | |

5. What is your best strategy in allocating budget specifically to education?
 - a) The financial management guideline of ministry of education (MOE, 2002)
 - b) The education sector budget plan
 - c) The previous year budget plus some percent added to it
 - d) The new formula adopted by Bureau of Finance and Economic Development (BOFED)
6. Suppose you may not use the financial management guide line of MOE and the new formula of budget allocation in financing education. What would be your main reason?
 - a) If we follow the guideline the whole budget of weredas goes to education.
 - b) We are not familiar with the guide lines and formulas
 - c) The guidelines do not coincide with our weredas budget conditions.
 - d) The guidelines are not clear.
7. Have you experienced any difficulties in distributing budget among public sectors?
 - a) yes
 - b) No
8. Suppose your response to question "7" above is "yes" what could be the major constraints you have been faced?
 - a) Education sector demand is beyond weredas block grant
 - b) The block grants are usually allocated without considering weredas budget plan.
 - c) Every sector presented exaggerated budget request
 - d) A large proportion of recurrent budget goes to education out of any intention goes to education out of any intention

9. It is obvious that the need for financing education increases from year to year. Do you think that the increment of educational demand is coincide with the development of budget allocated every year?
- a) A Yes
 - b) No
10. If your response in question "9" above is "No" which of the following option is the best reason for the imbalance of educational demand and budget increment?
- a) Need assessment for the budget is not often made
 - b) The allocation of budget at regional and wereda level is usually based on the top level management willing
 - c) The budget ceiling made at the regional level often does not comprehend the actual condition of weredas
 - d) Usually budget proposals of sectors are neglected do to shortage of general budget.
11. How do you control the effective utilization of weredas budget?
- a) By evaluating the budget performance of every sector monthly
 - b) Through quarter meeting and discussion
 - c) Usually controlling and auditing are carried out by OFED.
 - d) Each sector is responsible for its budget control
 - e) Most of the time we run shortage of budget due to in efficient control system
12. What would be your opinion about budget plan and preparation of public sectors in your weredas?
- a) The budget plan of every sector is usually based on estimation
 - b) Mostly the budget plan is carried out by un qualified man power.
 - c) Most of our plans do not based on concrete data and information
 - d) Our budget plan and the block grant budget sent from the region are not concede.

Wereda Education Experts

- 1) What is the major source/guide line/for preparing your annual budget?
 - a) Previous year budget information and performance
 - b) The strategic plan of your office
 - c) The budget format from Finance office
 - d) The budget ceiling set in advance
 - e) The financial management guideline of ministry of education (2002)
2. What is the procedure for need assessment and requesting budget for the education sector at weredas level?
 - a) Starts from the school via wereda education office to finance office
 - b) Wereda education office proposes its budget with out involving schools.
 - c) Education office has no power/right/to propose its own budget based on its sector development needs since budget ceiling is offered by finance office.
 - d) We simply propose our budget needs based on our work to be done
3. When do you prepare your annual budget?
 - a) Before knowing the annual budget ceiling and then adjusting to the ceiling
 - b) After knowing the annual budget ceiling and preparing according to the ceiling
 - c) Other
4. If the budget allocated/approved/ to your office is below your budget plan how do you go about your educational plan?
 - a) You are compelled to cut down your plan to adjust with the budget limit provided to you

- b) You are attempting to find certain budgets support from the surrounding NGOs.
 - c) You may attempt to narrow the budget gap with community support
 - d) Irrespective of budget shortage, you may carry out some essential plan with your own initiatives.
 - e) Please, specify if any
5. How weredas Education office (WEO) decide on the amount of budget for different categories of expenditure and or for sub sectors (Primary, secondary, adult education etc.)
- a) By considering the past year performance
 - b) By considering the number of students in sub sector
 - c) By taking the efficiency of the sub sectors
 - d) By prioritizing the program
 - e) There is no culture of assigning the budget for different program except for primary and secondary education
6. How do you categorize your approved budget between capital and recurrent budget?
- a) By estimation after knowing the amount of salary
 - b) According to the seculars sent with the budget
 - c) According to the needs of expenditures for the recurrent and capital budget
 - d) According to the demand our community has for education
 - e) Usually there is no tendency for dividing the budget in to capital and recurrent budget.
7. From the recurrent budget how much is allocated to salaries and operating costs
8. What could be the main problem that you have been faced due to shortage of operational budget/cost/?
- a) Insufficient supply of educational facilities, which result in the provision poor quality of education

- b) Unable to promote teachers' initiatives since no budget could be saved for incentives
 - c) Unable to carry out adequate supervisory work
 - d) Unable to get sufficient teachers
9. To whom do you present your budget proposal?
- a) To cabinet
 - b) Via OFED to Cabinet
 - c) To Zone Education Office
 - d) Zone Finance Office
 - e) Other _____
- 10) Is the fiscal year budget get approval and release on time?
- a) Yes
 - b) No
11. If your response in question "9" above is "No" what do you think is the main reason?
- a) You may not submit your budget request on time due to shortage of budget time
 - b) The budget ceilings are often reach woreda lately
 - c) Steps for budgetary process are too long
 - d) Usually wereda's cabinet run shortage of time to see and approve the budget
12. Is the WEO effectively and efficiently utilize the approved budget on time?
- a) Yes
 - b) No
13. If your response to item 11 above is "No" which of the following reason is taken as a major problem?
- a) The approved budget is not disbursed on time
 - b) The existing financial system structure create obstacle
 - c) The WEO lacks adequate qualified experts to do budget breakdown on time

- d) Usually purchasing proposals are not submitted on time
 - e) Any other _____
- 14/ Is the present one pool system in public financial management is effective in the utilization of your budget timely?
- a) Yes
 - b) No
- 15/ If you response to the question "13" above is "No" which of the following is the main constrain that you have been faced in the system?
- a) A cumbersome (in effective, long process) bureaucratic system
 - b) Un able to get quality educational materials and equipments on time, since purchasing is being carried out by finance for all sectors
 - c) Unable to carry out your plan according to the schedule
 - d) B and C
16. Who prepare your budget report?
- a) OFED
 - b) WEO
 - c) OFED and WEO Jointly
 - Other _____
17. How do your get the information about your budget utilization from OFED?
- a) By asking monthly report of our conception
 - b) Some times OFED gives us copy of monthly budget report
 - c) We do not get usually the report of budget conception on time do to the burden of work on OFED.
 - d) Most of the time we are informed that we. Have finished our budget
18. Do you think that the budget allocated to education is adequate for the execution of educational programs?
- a) Yes
 - b) No

19. Suppose your response to question "18" is "No" what do you think is the major cause?
- a) The block grant of weredas is not coincide with sectors' expenditures needs.
 - b) The distribution made at woreda level does not give substantial weight to education
 - c) Though attention is being given to education the large proportion goes to salaries
 - d) Budget distribution among sectors is being done by estimation.
 - e) Other _____
20. Is there stable work conditions for the effective and productive activities around your office?
- a) Yes
 - b) No
21. If your response to item "20" above is "No" what would be the major cause for this?
- a) Continuous re-structuring and changes in work process and procedures.
 - b) A high rate of staff turn over
 - c) There is no institutional and organizational facilities in the work place
 - d) A poor human resource management
22. Do you have any additional budget sources that could narrowed the gap of budget shortage? WEO
- a) Yes
 - b) No
23. If your response to item "22" above is "yes" which of the following is your main source of additional income?
- a) school agricultural product income in some areas
 - b) Support of some NGOs.
 - c) Community contribution
 - d) Others

School Management Board

- 1) What is the most common source for your school budget preparation?
 - a) The budget ceiling provided by wereda education office (WEO)
 - b) Number of students to be enrolled and teacher student and student section ratio
 - c) Previous year performance and efficiency
 - d) We do not usually prepare budget plan except expressing our need when we are asked
 - e) Please specify if any _____
2. How do you prepare your annual school budget?
 - a) By discussing with department heads.
 - b) By involving all the concerned bodies community representatives. (Department heads, student councils, etc.)
 - c) Only the principal prepare the budget by gathering information from the concerned bodies
 - d) Only school management board is responsible for the preparation of school budget
 - e) I do not know how the budget is prepared.
3. When do you prepare your budget?
 - a) Before receiving budget ceiling and then adjusting to the ceiling
 - b) After receiving budget ceiling and compelled to prepare within the ceiling
 - c) At the third quarter of the year without any information
 - d) Other _____
4. Who set the budget ceiling for your school?
 - a) WEO
 - b) OFED
 - c) School management board
 - d) Kebele Council
5. On what manner the budget is allocated to you?

- a) On our efficiency and performance
 - b) On the number of our students, school location and economic condition of our school environment
 - c) According to our budget proposal
 - d) On the bases of wereda deduction budget ceiling
6. Do you get involved in the process of budget allocation and distribution to schools that takes place at wereda level?
- a) Yes
 - b) No
7. If your response to the item "6" about is "No" which of the following is the main reason?
- a) Schools are not invited
 - b) WEO allocate and distribute by its own estimation
 - c) Since schools get their budget in kind no need of involving in the material distribution
 - d) Other _____
8. In what form do you get your budget from weredas:
- a) in cash form
 - b) in kind
 - c) both in cash and in kind
9. Do you have additional sources of revenue other than public/government/fund?
- a) Yes
 - b) No
10. Suppose your response to the item "9" above is "yes". Which of the following is the main source of your additional income?
- a) NGOs
 - b) Community contribution
 - c) School internal income (Agriculture)
 - d) Student fee
 - Other _____

11. How do you manage your additional revenue other than government fund?
- a) It is managed by school management board
 - b) Financial decision is made by school director with the help of department head.
 - c) The school internal income is transferred to OFED treasury and come back to school as a regular school budget.
 - d) It is decided on by kebele council
12. By whom the auditing and controlling of your school resources is carried out?
- a) By WEO experts
 - b) By OFED experts
 - c) By school management board
 - d) Usually we do not have such culture recently
13. Is your school well equipped with furniture and educational materials (library, laboratory, equipment and chemicals, etc.
- a) Yes
 - b) No
14. If your response in question "13" above is "No" which of the following is the major reason?
- a) The school has no additional income
 - b) The allocated public budget could not cover the expense of school beyond the stationary materials.
 - c) The community has no adequate economic power to support school
 - d) Still the value of education is not well recognized at weredas level
15. Suppose, your school may not utilize its budget within the given fiscal year on time. What could be the reason?
- a) Most of the time budget is not released on time
 - b) There is a long process of bureaucratic system at wereda level

- c) OFED has a serious shortage of man power to manage the budget of all sectors.
- d) Due attention is not given often to educational activities carried out at school.
- e) We do not have such problem at our school

Total

16. What would be your suggestion to improve the budget allocation process/specifically the operating cost?

Interview Questions

Appendix- B

These interview questions are designed to obtain information from Zone Education Office, Zone Finance Office, wereda cabinets, wereda education office, and Wereda Finance and Economic Development Staffs and School Management Board.

The information to be gathered through these interviews will be used only for the research purposes to write a thesis about **The Study of Public Educational Finance Management at Wereda Level in East Hararge Zone**. Hence, the genuine responses of those who involved in planning and decision making of educational budget are highly valuable to the success of this study. Therefore, you are kindly requested to be transparent in your reaction to the interview questions.

Thank you in advance for your cooperation!

I. Interview Questions set for the Zone Finance Experts

1. What is your role in budgetary process of weredas?
2. Comparing the role of education in development and its current budget allocation what would be your comments?
3. To what extent you have the discretion over the weredas currently?
4. What are the problems you have been faced in the current "One pool" Financial management system (including at wereda level)?
5. What is your general comment about the public financial management and budgetary process with particular reference to education? (Weredas via Zone).

II. Interview Questions set for the Zone Education Experts

1. What are your sources for preparing the zone education budget, and would you itemize your budgeting process at zone level?
2. What are your roles in educational programs carried out in the zone weredas that demand budget?
3. What are the administrative and institutional problems that interfere with the budget preparation, allocation and utilization at weredas education office level?
4. How do you evaluate the existing "one pool" system of public financial management in terms of effective and efficient utilization of your budget on time?
5. What are the major constraints you have been experienced in the existing public financial management system?
6. What would be your general comment about the present budget allocation, distribution, monitoring and control system? (Compare the past and present experiences).

III. Interview Questions Provided to Weredas Cabinets and Experts of OFED.

1. How the budget is generally allocated to weredas?
2. What are your mechanisms /strategies/ for the distribution public fund among the public sectors?
3. What do your think are the major problems of financing education in your weredas?
4. How do you evaluate the utilization of public funds by different public sectors with respect to the one pool system?
5. What is your opinion about the current educational budget allocation in accordance with its demand? (Explosion of educational enrolment, improving quality etc)

IV Wereda Education Experts

1. What are the bases/strategies/in preparing your annual budget?
2. How the educational budget is allocated to the schools?
3. What mechanisms are employed to distribute budget among sub sector of Education?
4. What are the main constraints did you face in your procured budget utilization?
5. What do you think are the major problems of financing education in your worda?
6. What could be your possible suggestions that could be taken into account to improve the financial condition of education

V. School Management Board

1. How budget is allocated to the schools?
2. Do you have financial sources other than public funds? And if you have, how do you manage it?
3. What are your suggestions about your budget adequacy and utilization with regard to "one pool" financial management system?
4. What are you general comments about financing education and educational activities carried on at school level?

Recurrent non Salary Operational Budget (1995-1998 EC)

Baddannoo

| Fiscal year (EC) | Level of Education | Budget proposed | Approved Budget | Number of Students | Unit cost | Deficit | |
|------------------|--------------------|-----------------|-----------------|--------------------|-----------|---------|----|
| | | | | | | Birr | % |
| 1995 | 1-8 | - | - | 24313 | | | 82 |
| | 9-10 | - | - | 1021 | | | 25 |
| 1996 | 1-8 | - | 68722.40 | 30728 | 2.23 | 10.27 | - |
| | 9-10 | - | 22976.34 | 1523 | 15.00 | 5.00 | 82 |
| 1997 | 1-8 | - | 79628 | 35625 | 2.23 | 10.27 | 45 |
| | 9-10 | - | 19913 | 1811 | 11.00 | 9.00 | |
| 1998 | 1-8 | 922545 | 64561 | 38313 | 1.68 | 10.82 | 86 |
| | 9-10 | 210552 | 19426 | 2259 | 8.60 | 11.40 | 57 |

Deder

| Fiscal year (EC) | Level of Education | Budget proposed | Approved Budget | Number of Students | Unit cost | Deficit | |
|------------------|--------------------|-----------------|-----------------|--------------------|-----------|---------|-------|
| | | | | | | Birr | % |
| 1995 | 1-8 | - | - | 31618 | - | - | |
| | 9-10 | - | - | 2499 | - | - | |
| 1996 | 1-8 | - | - | 36251 | - | - | |
| | 9-10 | - | - | 2547 | - | - | |
| 1997 | 1-8 | 400,903.20 | 26732 | 42081 | 0.64 | 11.86 | 94.88 |
| | 9-10 | 107,137.15 | 21330 | 2208 | 9.66 | 10.44 | 52.2 |
| 1998 | 1-8 | 550705 | 27442 | 41235 | 0.67 | 11.83 | 94.64 |
| | 9-10 | - | - | - | - | - | - |

Recurrent non Salary operational Budget (1995-1998)

Gola Oda

| Fiscal year (EC) | Level of Education | Budget proposed | Approved Budget | Number of Students | Unit cost | Deficit | |
|------------------|--------------------|-----------------|-----------------|--------------------|-----------|---------|----|
| | | | | | | Birr | % |
| 1995 | 1-8 | 22844 | 9532.89 | 3725 | 2.56 | 9.94 | 80 |
| | 9-10 | - | - | - | - | | |
| 1996 | 1-8 | 82050 | 20722 | 5751 | 3.60 | 8.90 | 71 |
| | 9-10 | - | | - | - | | |
| 1997 | 1-8 | 147000 | 283233.68 | 7912 | 3.58 | 8.92 | 71 |
| | 9-10 | - | - | - | - | | |
| 1998 | 1-8 | 106394.45 | 20777 | 8557 | 2.35 | 10.15 | 81 |
| | 9-10 | - | 37449 | 158 | 237 | - | - |

Gorogutu

| Fiscal year (EC) | Level of Education | Budget proposed | Approved Budget | Number of Students | Unit cost | Deficit | |
|------------------|--------------------|-----------------|-----------------|--------------------|-----------|---------|-------|
| | | | | | | Birr | % |
| 1995 | 1-8 | - | 50757 | 16393 | 3.10 | 9.10 | 73 |
| | 9-10 | - | - | - | - | - | |
| 1996 | 1-8 | - | 19532 | 19532 | 3.15 | 9.35 | 75 |
| | 9-10 | - | 751 | 751 | - | - | |
| 1997 | 1-8 | - | 22956 | 22956 | 1.80 | 10.70 | 87 |
| | 9-10 | - | 1665 | 1665 | 9.19 | 10.81 | 54 |
| 1998 | 1-8 | 95.000 | 25468 | 25468 | - | 11.32 | 90.56 |
| | 9-10 | 55000 | 1990 | 1990 | 1.18 | 16.13 | 80.65 |

Recurrent non Salary Operational Budget (1995-1998)

Haramaya

| Fiscal Year (E.C) | Level of Education | Budget proposed | Approved Budget | Number of students | Unit Cost | Deficit | |
|-------------------|--------------------|-----------------|-----------------|--------------------|-----------|---------|----|
| | | | | | | Birr | % |
| 1995 | 1-8 | | | 26434 | - | | |
| | 9-10 | | | 1190 | - | | |
| 1996 | 1-8 | | | 30919 | - | | |
| | 9-10 | | | 1577 | - | | |
| 1997 | 1-8 | | 62795 | 32601 | 1.93 | 10.57 | 85 |
| | 9-10 | | 11400 | 1805 | 6.32 | 13.68 | 68 |
| 1998 | 1-8 | | 65810 | 27867 | 2.35 | 10.14 | 81 |
| | 9-10 | | - | 288 | - | | |

Kombolcha

| Fiscal year (EC) | Level of Education | Budget proposed | Approved Budget | Number of Students | Unit cost | Deficit | |
|------------------|--------------------|-----------------|-----------------|--------------------|-----------|---------|----|
| | | | | | | Birr | % |
| 1995 | 1-8 | - | - | 14322 | | | |
| | 9-10 | - | - | 412 | | | |
| 1996 | 1-8 | 113102 | 113102 | 15847 | 1.14 | 5.36 | 43 |
| | 9-10 | 20952 | 20.952 | 515 | 40.68 | +20.68 | |
| 1997 | 1-8 | 51449 | 51449 | 19406 | 2.65 | 9.85 | 79 |
| | 9-10 | 15898 | 15898 | 715 | 22.23 | +2.23 | |
| 1998 | 1-8 | 58367 | 58367 | 22251 | 2.62 | 9.88 | 79 |
| | 9-10 | 15000 | 15000 | 969 | 15.48 | 4.52 | 36 |