ADDIS ABABA UNIVERSITY
COLLEGE OF DEVELOPMENT STUDIES
INSTITUTE OF REGIONAL AND LOCAL DEVELOPMENT STUDIES

ASSESSING THE PROBLEMS AND CHALLENGES IN THE IMPLIMENTATION OF THE NEW BUDGET REFORM IN TIGRAY REGION: THE CASE OF REGIONAL SECTORS

A thesis submitted to school of Graduate Studies of Addis Ababa University in partial fulfillment of the requirements for the Degree of Master of Arts in Regional and Local Development Studies

By:Solomon Gebrekiros

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By: Solomon Gebrekiros

Approved by: board of examiners:

Approved by:	Signature
....	....
(Chairman, Graduate Committee)	
Fenta Mandefro (Ph. D)	....
Academic Advisor	
...Issac Paul................................	Isaac P ....
Examiner	

june, 2010

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LIST OF Acronyms and Abbreviation

BDA	Budget Discernment Accounting
BIS	Budget information system
BM	Budget Management
BMR	Budget Management Reform
BoANR	Bureau of Agriculture and Natural Resources
BoE	Bureau of Education
BoF	Bureau of Finance
BoFED	Bureau of Finance and Economic Development
BoH	Bureau of Health
BoPED	Bureau of planed and economic Development
CSR	Civil Service Reform
DCI	Development cooperation Ireland
DSA	Decentralization support Activity
E.C	Ethiopian Colander
IBEX	Integrated Budget and Expenditure system
MoFED	Ministry of Finance and Economic Development
NGO	Non Government Organization
RLDS	Regional and Local Development Studies
RRA	Rural Road Authority
SNNPR	Southern Nations and Nationalities and peoples Region
TNRS	Tigray National Regional State
USA	United States of America
USAid	United States Aid

ABSTRACT

Background: *The Expenditure Management and Control Program (EMCP) is one of the five sub-programs of the Civil Service Reform Program. The newly adopted budget reform is also one of the EMCPs launched by MoFED, BoFED and DSA project in TNRS in 2004 with the objective of designing reform ideas for improved and new systems of budget management and control that can be used at the regional and woreda levels. Even though, there are considerable achievements registered in the reform implementation process there are still gaps because of external and internal factors affecting the effectiveness of the reform implementation process.*

Objectives: *The general objective of this study is to examine the problems and challenges that affected the effectiveness of the budget reform implementation process. The specific objectives are, to assess the capacity of implementers, to examine degree of accountability, transparency, and responsibility of different organs ensured by the reform in budget process within the selected sectors.*

Methods: *The research design implemented for this study is descriptive method, and the techniques of data collection were quantitative and qualitative data. The research area includes the budget Management Reform and challenges in its implementation in the BoANR, BoH, BoE and RRA of the region. The target population that this research tried to address comprised heads of the sectors, cost center heads and staff members having duties and responsibilities in budgeting and planning process of the sectors, the plan and budget department and focal person of the reform from BoFED, Economic advisor of the regional government and speaker of regional council. The total number of participants was 90 and the response rate was (86.7%). The frequencies of the responses were recorded, described and analyzed using summery tables.*

Results/Findings*: In adequate remuneration and incentive problems resulting in high staff turnover. Low leader's attention and lack of clear and binding rules and regulations to each concerned bodies especially at cost center level resulting the problem of accountability and transparency in budget processing are found to be the basic problems and challenges affecting the implementation of the newly adopted Budget Management Reform in the region.*

Conclusion and Recommendations:

In order to improve the current problems and challenges faced in the implementation of the reform, it calls political commitment and leaders attention on capacity building, and empowering the grassroot levels and each concerned bodies to play their role actively according to their duties and responsibilities in budget processing,

CHAPTER ONE

1.1. Background of the Study

There is a general consensus in developing countries that economic development is an urgent priority. However, the task to bring about this development has remained an elusive and difficult one. This is so partly due to inadequate financial resources and low level of investment in these countries. The financial resources are in scarce supply to meet ever-increasing social and population growth. Therefore, in view of limited resources and increasing demands, there is a need to improve resource allocation and utilization through introducing and properly implementing better budget management reform.

In recent years, there has been a dramatic surge of interest in budgeting issues amongst governments, development agencies and the wider public. Governments are increasingly realizing the importance of budget as a tool for achieving their objectives, particularly in area of poverty reduction. Countries with similar incomes and growth over the past three decades have seen significantly different impacts on poverty. These differences partly reflect divergences in the ability of governments to direct resources to activities that support the poor. This is compounded by variations in the efficacy of delivering public services, especially basic social services, to the poor. The answer does not lie only in spending allocations: the policy and institutional framework for expenditure management and service delivery is often of equal or greater importance (MoFED,2)

Ethiopia, being one of the poorest countries on earth characterized by lack of infrastructure , lack of skilled work force, poor institutional arrangements, inadequate resources, highly dependent on external aid and loans and poor budget management system: is currently undertaking a comprehensive reform process which needs ample investment, developed infrastructure local capacity and better budget management system.

The country's economy is predominantly agricultural with about 85% of the population being directly dependent on it for their livelihood. The sector contributes about 50% to the GDP, generates about 90% of export earnings and supplies about 70% of the country's raw material requirement for large and medium sized agro-based industries (PASDEP, 2005/2006). Yet, however, the sector remains to be predominantly agrarian with low productivity.

The government has taken various measures aimed at changing the structure of the economy and encouraging rapid economic development. Such measures include the adoption of poverty reduction strategy that is built on Agricultural Development Led Industrialization (ADLI), Justice System and Civil Service Reform and Capacity Building. One from the five components of the civil service reform is Expenditure Management and Control Program (EMCP) with the main objectives of to bring about institutional and structural changes in public expenditure management and to improve both its strategic and technical components. (FDRE, 1999).

In the year 2003, the country was introduced the newly budget management reform nationwide by the government's civil service reform program as one sub-program of EMCP with a general objective of bringing efficient and effective utilization of resources to achieve the overall vision of economic development through improving capacity of the reform implementers, ensuring specific accountability within a cost center and ensuring the function and responsibility of different units in budget process and also by empower grassroots participation in budget management (MoFED, DSA,)

The reform changed the process and structure of budgeting within the country to improve decentralized budget management within a government body. The process is about how budgeting is done and the structure is what is done and there are several elements like a new chart of accounts, new budget classification new budget formats and BIS was included in the reform.

In line with the TNRS civil service reform program component pertaining to expenditure management and control program (EMCP), both the regional sectors including BoANR, BoH, BoE and RRA have introduced the newly adopted budget reform called cost center base budget management reform in 2004. Various measures also being taken aimed at improving the reform practice. However, there are still a number of constraints that need to be surmounted for enhancing the reform pertaining to the activities of the bureaus.

Therefore, this paper, hence, attempts to identify, assess and analyze the constraints encountered by the selected bureaus during the period 2003/4-2007/8 and puts forward recommendations that help for enhancing the implementation of the reform.

1.2. Statement of the problem

Budget Management Reform (BMR) is becoming a widely accepted belief in developing countries as a means of effective and efficient utilization of resources to achieve a given objectives. However, there is no blue print for the implementation of budget reform in a country with limited capacity like Ethiopia where the reform is complex and involving a mix of procedural reforms and capacity building schemes (MoFED, 2005).

The experience of different countries illustrates that decentralized budget management can provide more effective and relevant services and increases public sector responsibilities. However, if the grassroots levels are not provided with the capacity to manage their increased responsibilities and financial resources, decentralized budget management could in fact lead to less transparency, could be less effective and efficient at grassroots level (Scheffer, 2005).

The major purpose of the newly adopted budget reform has aimed to replace the former centralized budget management system by decentralized budget management system with in the government sectors that provides effective and efficient utilization of resources map with specific development plan at cost center level. This budget reform is well come as it brings decision- making down to the grass root level or cost center level within the sectors. However, even budget allocation system is changed from sector base to cost center base budgeting , managing of the allocated budget is still centralized in the selected sectors and have the problem of empowering different concerned units to play their role and responsibilities properly in budget processing. Discussion held with concerned officials and experts of pertinent bureaus revealed the absence of any study to address any problem faced during the implementation of the reform in the region.

The new budget reform plays a great role in proper utilization of given resources in the region. But the government interest, the practical implementation of the budget management approach is affected by many factors. Therefore this study have tried, as much as possible to show the factors that are affecting the newly introduced budget management reform practically among the four regional sectors found in TNRS. Understanding the main factors could enable to recommend solutions that mitigate the budget management disparities among government sectors.

1.3. Objectives of the study

General Objective

One of the major means of strategies to promote development is the establishment of well budget processing and better budget management. This involves the processes of proper allocation of resources among competing needs and an efficient utilization of the available scarce resources. The main objectives of these processes are to establish resource allocation in accordance with government priorities and objectives and to bring about operational efficiency at each level of budgetary units by allocating budget to well defined programs and cost centers rather than allocating to overall activity of the sector which was traditional. These have been mostly achieved by political commitment, by enraging grassroots participation, willingness of concerned bodies to implement and by improving required material and personal capacity among implementers. However, there are several weaknesses in its implementation. This is basically because budget management has received limited attention by the regional government and sectors and it is not considered as the basic problem of development.

The general objective of the study is to examine factors that affected the effectiveness of the newly adopted budget reform in BoANR, BoE, BoH and RRA of TNRS and pinpoint the key challenges and problem areas that seek attention and improvement.

Specific Objective

The study has the following specific objectives:

- ❖ To examine staffing and capacity of government organs to handle the reform,
- ❖ To examine the extent of autonomy, power and responsibility devolved to concerned parties within the budget processing by the reform,
- ❖ To examine how transparency is ensured by the reform in the region related with the budget processing and
- ❖ To examine the degree of accountability ensured by the reform.

1.4. Research questions

TNRS, like many other regions in the country, has encountered many problems related with the management of government budget. Thus to identify the core problem areas, the researcher has pinpointed the following the following basic research questions.

- ➢ Is there an adequate capacity among the implementers of the newly adopted budget management reform?
- ➢ To what extent is the autonomy and responsibility of concerned bodies exercised to fully implement the designed budget reform?
- ➢ Is the newly adopted budget reform ensuring transparency among different units in the budget processing?
- ➢ Is the reform ensuring accountability with clear mechanism of check and balance and consequences installed for what is performed?

1.5. Research Design and Methodology

Research Methodology

In this research, descriptive study is made to examine the performance of the newly adopted budget reform and factors affected the reform in TNRS. Detail description of the back ground and government structure of the study area related with legal frame work, profile of the selected sectors and budget share of the selected sectors appears in chapter three. The research design, methodology used to select the sample sectors and respondents, type of data collection instruments, data collection procedures and method of analyzing data are described as follow.

Research design

This research was designed and based on two main sources: the secondary data and primary data sources. Following the endorsement of research proposal, a set of research questions that help to probe issues related to current performance of the new budget reform and also problems and challenges affect to effectiveness of the reform for the sample sectors were set out. This was followed by identification of possible secondary data sources and interviews with senior experts engaged in budgeting process from different sectors. Considering the limitation of resources (time and money) possibility of access and availability of data, only four big budgetary sectors these are BoANR, BoH, BoE and RRA from total population of fourteen regional sectors are selected purposively with the criteria of their budget share from total budget of the region, share of programs and cost centers from the revised budget structure of the regional sectors and strategic weight given to those sectors by the regional government.

Sample Size and Techniques

The next step was the determination of the number of respondents from each sector. Since they are limited number of responsible personnel under these sectors, total sample size of

90 respondents was selected for this study. 24 from BoANR, 31 from BoH, 22 from BoE and 13 from RRA were selected from each sector. Related with their position, 4 heads of the sectors (one from each sector), 54 head of cost centers (all cost center heads of the selected bureaus), 4 plan and budget experts (one from each sector), and 28 other experts who are involved frequently in the budgeting and financial management of the sectors were purposively selected to fill up the questionnaire.

Type of data and data collection instruments

In this study both quantitative and qualitative data were collected through primary and secondary data collection methods.

a) Primary data sources

The research relied on primary data through questionnaire and interview with speaker of council and the economic advisor of the regional government and in-depth interview with the focal person of the reform and plan and budget department head of BoFED. Since it was believed that the respondents would have a considerable difficulty in comprehending the questionnaire and interview in English language, in all cases data collection was made using Tigrigna language, as common language to all respondents.

The questionnaire includes both close- ended and open- ended questions designed to gather qualitative information. Through these instruments, it was possible to gather sufficient information needed for the study. Since the bureaus are located in Mekelle, both the interviews and questionnaires were carried out by the researcher himself.

Interview and in-depth Interview was administered with four key informants assumed to be more responsible for budget management and have relevant knowledge in the ongoing newly adopted budget reform in the region. The interview and in-depth Interview with the entire key informants was administered taking a time gap of between one and one and half hours.

b) Secondary data sources

Both qualitative and quantitative data were gathered through different data collection methods. Guidelines and manuals prepared by the regional BoFED and DSA for the newly adopted budget reform system were used in order to understand the nature of the budget reform. The budget management rules and regulations for the region were also used to have a general view for the study.

Quantitative data were gathered from periodic reports and BIS/BDA of BoFED in order to know the source and spending patterns, the current situation of human resources related with trained and turnover rate of man power of the selected sectors.

Various budget documents were used including annual budget plans and budget execution reports from the year 2003/4 to 2007/8. In addition to these official documents, books, articles in journals, and working papers from RLDS documents center written by researchers, were reviewed. Internet websites were also used for the study.

Qualitative data analysis was made after selecting and arranging information obtained through the stated tools. An attempt was made to present both qualitative and quantitative data using tables and graphs. The analysis was made with verbal description and interpretation.

Finally to draw conclusions, an attempt was made to link the qualitative data analysis with the quantitative data analysis.

Two for interview that was one from regional council and one from regional government and also two for in-depth interview from BoFED were also selected purposively accordance with their duty, responsibility and involvements in the budgeting, planning and financial management of the region. In order to select those respondents (both for interview and questionnaire), informal discussions were made with all of the bureau heads, cost center heads of the selected sectors and focal person of the reform.

The first key interviewee was speaker of the house of representative of the region in order to gather information about the role of the regional council in budget appropriation and in check and balance of its performance.

The second and third key informants were the focal person of the newly applied budget reform found in BoFED and budget and plan department head of the bureau. This is because BoFED is the only responsible body in the region in relation to planning, budgeting and financial management especially to lead and strengthen the newly adopted budget reform and who believe to have an overall view of the performance of budget reform and its implementation problems and thinking alternative solutions to be taken by the region and this in to consideration the researcher was used in-depth interview with those two informants.

The fourth key informant was the economic advisor of the regional government in order to gather information about the role of the regional cabinet in budgeting process specially starting from approval to evaluation of budget to ensure that whether or not the cabinet is functional according to its responsibility.

Data Analysis

Percentage, ratios, graphs etc were used in the interpretation and analysis of quantitative data generated.

1.6. Significance of the study

This study is expected to provoke the regional policy makers, relevant experts, head of sectors, cost center heads, BoFED, government of the region to look the current performance of the newly adopted budget reform and its implementation problems to meet the anticipated development of the region. Moreover, the research can bring information (used as input) that will fill the gap between what is expected to happen and what is actually going on in the regional government bodies' budget managment system. As a result, the concerned officials of different government sectors and non- governmental sectors are expected to get knowledge and deal with the matter to upgrade the existing level of budget management.

Thus, the finding of this research will add some knowledge for the policy makers and practitioners of the regional budgeting system to analyze the impact of the existing decentralized budgeting process with in government bodies.

Finally, the policy makers, practitioners and the academicians will benefit from the finding of this research.

1.7. Scope of the study

Budget reform is a broad area of inquiry which includes revenue budget and expenditure budgeting reform. However, to make the study manageable, the researcher has confined the study only to assess the implementation of expenditure budget management reform and factors affected the reform within the four big regional sectors.

However, it is believed that the result of the study will provide an insight in to the understanding of alleviating problems related to the context of the objectives of the study.

1.8. Limitations of the study

Though maximum effort has been made to keep the quality of the research output, it should be noted that the research has faced the following limitations which might have some influence on the quality, accuracy and validity of the study.

- Inadequate and unreliable secondary data from the public bodies could have created inaccuracy in the significance of the interpretation that forced the researcher to cross check with BIS and BDA of BoFED.

- The absence of adequate documented information related with the man power resources within the selected bureaus was another problem. However, although time consuming, the researcher was able to collect sufficient information from BoFED.
- From the side of respondents, there were delays to timely return the filled questionnaires.
- Despite all these limitations that elongated the submission time of the work however, the researcher was able to overcome the problems by taking remedial actions that made the research a complete work.

1.9. Organization of the Study

This research is organized in to five chapters. Chapter one contains the introductory part that presents back ground, objectives, research methodology, scope, significance and limitations of the study. Chapter two deals with series of related literature. Chapter three focuses description of the region. Chapter four deals with the analysis of empirical finding related with the principle and current practice of the newly introduced budget reform. Finally, the paper presents conclusion and possible recommendation in chapter five.

CHAPTER TWO

REVIEW OF RELATED LITERATURE

2.1. Definition of budget

Writers have defined budget differently. Schaffer (2003) defined budget as the quantification of activity plans or strategic plan in monetary terms. It is also defined as a projection of future revenues and expenditures (Bland et al, 1997). Budgets are defined also by Jones (2007) as requests by the executive of a sovereign government for authority from the legislature to impose tax and spend it. Therefore, in the context of local governments, budgets may be seen as requests by officers for the authority of the local council of politicians.

In management parlance, a budget is a plan expressed in monetary terms. A budget is an action plan for a specific period of time, covering all functions facets of an organization and containing targets to be achieved both in physical and financial terms which serve as important criteria of performance. The term "budget" has been often used to denote a financial budget. A Financial budget is prepared from the physical action plan or the work plan, The resource requirement will then be converted to financial terms when the time at which each physical resource or facility could be worked out, taking into consideration the lead time needed to get the resource or facility in place. The term budget and budgeting are different. Budget as explained earlier, is as action plan while budgeting covers the process of preparing the action plan in sufficient detail for specific operational period, culminating the financial budget (Amdebrehan: 2004)

Budget represents the core element of any integrated local government financial system. Local governments plan, implement and evaluate local government policies through the budget (Gianakis and Mc Cuem, 1999).

The term budget is used to mean a plan for financing an enterprise or government during a definite period which is prepared and submitted by a responsible executive to a representative body whose approval and authorization are necessary before the plan may be executed (Hyde, 1992). The government budget represents a plan/ forecast by the government of its expenditure and revenues for a specific period.

It is the principal instrument by which government translates in to action the policies and programs set out in its development plans, and it plays a pivotal role in the financial management of the economy (Melesse, 2003). At a minimum, a budget is used to control financial transactions. However, pandy (1979) explained that in addition to controlling financial transactions, a budget should also be used as a management and planning tool.

2.2. The Role of budget

Budgeting could be conceived as a process for systematically related expenditure of funds to accomplish planned objectives (Schick, 1992). Budgeting is not solely a matter of finance in the narrow sense. Rather it is an important part of government's general economic policy. It is a strong instrument in implementing the long term, medium term, and annual administrative and development programs (MoFED, 2003).

Budgeting involves different tasks on the expenditures and revenue sides of government finance. On the side of expenditure, it deals with the determination of the total size of the budget (i.e. total amount of money for the year), the size of outlays on different functions and the magnitude of outlays on various activities. On the revenue side, it involves the determination of the size of overall revenue and foreign aid. Furthermore, budgeting also addresses the issue of the budget deficit (i.e. the excess of out lays over domestic revenue) and it's financing (Premachand, 1983).

Premachand more substantiated the purposes of budget in terms of three aspects- as a tool of accountability and management, as an instrument of economic policy and as a type of legislation and political exercise. Especially, budgeting as instrument of economic policy has more important function. It indicates the direction of the economy and national growth, allocation and utilization of resources. The other function of budget is to promote macroeconomic balance of the country through fiscal policy.

2.3. Budget management

The main concern of budget management (BM) is how to utilize effectively and efficiently public resources to meet the needs of the community in an equitable manner. An important part is the budgetary process. The key issues to be examined in assessing the quality of the budget process are degree of discipline, efficiency in revenue mobilization and extent of transparency, accountability and control in the tax system.

The BM system refers to the structures and procedures through which decisions are made and implemented, regarding the allocation and management of public resources. These decisions are made in the context of the annual budget process.

2.4. History of budget Management

Budget management (BM) has been in exercise, in one form or another, for more than two millennia, although the terms of usage, in their present form, came in to being only toward the end of the twentieth century, and their usage was extensively promoted by governments and international agencies alike to emphasize the growing importance of public expenditures, their underlying policies, the benefits and the costs they entail, and their implications for overall financing, as well as their impact on fiscal sustainability. Many of the elements that formed part of the expenditure management systems in ancient monarchial regimes continue to this day, not merely because of reliance on traditions and a reluctance to change them, but because of their enduring and viable contributions to the effectiveness of the system. A cursory examination of the history of the system reveals, however, that it changed over the years, and that it is continuing to change, in scope and in underlying concepts, as well as the purposes to be served. Such a change is an integral part of the evolutionary process of governments. As these changes take place, some deliberately planned and consciously introduced, while some take place more as a reaction, it is necessary to examine whether the changes were in the right direction and whether they have been adequate or whether more radical changes are indicated.

The growth of government over the past century has been accompanied by considerable changes in the composition of public spending reflecting the changing perceptions of what the state should do. A century ago, spending was mostly limited to the maintenance of law and order, external security, and to some very limited amount of government services and investment over the subsequent decades. The provision of government goods and services was extended considerably. In recent decades, however, real or exhaustive government spending did not grow much in most countries; instead, especially cash spending often associated with social programs grew rapidly. Most of this increase resulted from explicit policy decisions. In more recent years, unemployment and demographic changes have also contributed to the growth of public spending. If current policies persist, the growth of social spending, including pensions and health expenditure, will continue and, together with the growing real interest burden on public debt in several countries, including Ethiopia, could push public spending in unsustainable levels. *(Vito Tanzi and Ldger Schak necht 2000, pp 23)*

The Budget Process

Budget processes differ between countries. However, most budget processes have six generic iterative stages:

1. *Policy review*- an annual evaluation of the results of public expenditure to inform the updating of policies and plans. This may take the form of an annual Public Expenditure Review or a legislative process involving reports to Parliament, or it may be more ad hoc.

2. *Strategic planning*-setting expenditure and deficit targets based on macroeconomic projections - ideally over three to five years. Within this framework, medium-term policy targets and expenditure priorities are specified.

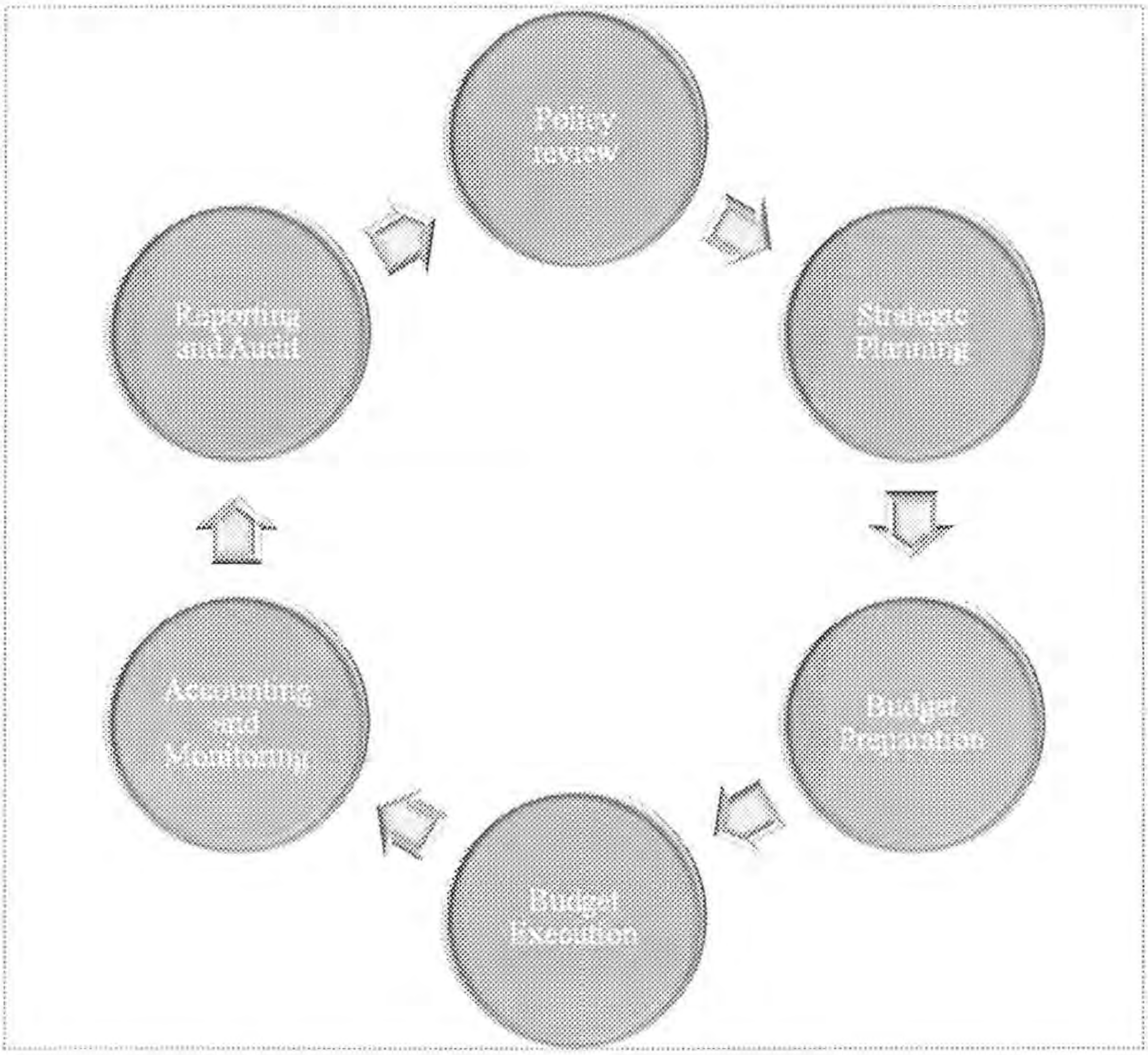
3. *Budget preparation*- submission and negotiation of ministry expenditure bids within budget guidelines, and expenditure limits circulated by the Ministry of Finance. This stage culminates in preparation of the budget by the Ministry of Finance, and parliamentary review and legislative approval.

4. *Budget execution*- when the budget appropriations are approved, resources may be released to the spending agencies to implement expenditure programs. Procedures for the release of funds are differing from country to country. In many developing countries, funds are released in equal installments either monthly or quarterly.

5. *Accounting and monitoring of expenditures and revenues*- tracking the composition and level of revenue and expenditure over the year and monitoring the outputs of expenditure.

6. *Reporting and audit*-the Auditor General reviews compliance with the budget, reporting in detail to the Public Accounts Committee, which advises Parliament and initiates corrective actions as necessary.

Figure2.1. the Budget Process



Source: DSA-BoFED, 2002

The cyclical aspect of the process is crucial to its effective operation. It is the quality of budget execution that gives meaning to the process of budget preparation. It is the strength of auditing which lends rigor to the process of execution and it is the quality of policy review that gives direction to strategic planning. A weak link in the cycle will undermine the system as a whole. For this reason it is important to look at the cycle in its entirety when attempting to diagnose strengths and weaknesses.

Players in the budget process

The precise organizational responsibilities will vary considerably. Nevertheless, three key relationships underpin the budget process as described below.

- *Between the legislature and the executive-* In return for authority from the legislature to raise revenue and make expenditures, the executive is held responsible by Parliament for achieving the public expenditure management (PEM) objectives. Therefore, budgets must be passed by Parliament and audited accounts are typically scrutinized by a Parliamentary Select Committee.

- *Between the executive or Cabinet and the Ministry of Finance-* The executive is responsible for developing a budget strategy and making the fiscal decisions that underpin the budget. The Ministry of Finance supports the executive in promoting the three PEM objectives by providing advice on revenue and expenditure decisions, challenging the programmers and budgets of spending ministries and monitoring the use of resources to ensure consistency with the executive's budget.

- *Between the Ministry of Finance and spending ministries-*The Ministry of Finance takes on a "guardian role" in ensuring that overall expenditure of spending agencies is kept in line with the budget. It undertakes to provide a predictable flow of resources to spending ministries, who in return deliver specified services within a given budget, while consistently searching for ways to improve value for money.

2.5. Budget Management Reform in Developing Countries

2.5.1. Background

In the early 1990s, developing countries in Africa began to focus on the improvement of public finance, particularly on budget and expenditure management reforms. Mainly as a response to concerns from the Donors Community, governments started to critically, review the existing systems and processes. As a response to inadequate and outdated systems, a recommendation was the introduction of integrated financial management system (FMS) along with the experience of developed countries in the 70s and 80s

(integration of different functions of public finance based on a uniform technical platform.)

In recent years, there has been a dramatic rush of interest in BM issues amongst governments, development agencies and the wider public. Governments are increasingly realizing the importance of public expenditure as a tool for achieving their objectives, particularly in the area of poverty reduction. Countries with similar incomes and growth over the past three decades have seen significantly different impacts on poverty. These differences partly reflect divergences in the ability of governments to direct resources to activities that support the poor. This is compounded by variations in the efficiency of delivering public services, especially basic social services, to the poor. The answer does not lie only in spending allocations: the policy and institutional framework for expenditure management and service delivery is often of equal or greater importance.

As stated in the Guidelines of DFID, "in common with other development agencies, DFID now seeks to support development as far as possible through government actions and institutions". The British Government's 1997 White Paper stated that, "where we have confidence in the policies and budgetary allocation process and in the capacity for effective implementation in the partner government, we will consider moving away from supporting specific projects to providing resources more strategically in support of sector-wide programmers or the economy as a whole".

In most DFID partner countries, there are serious weaknesses in PEM. These serve to undermine the effectiveness of all poverty reduction measures, whether funded by development agencies or by government, and to limit the extent to which development agencies are able to move away from traditional project based support. Thus, DFID has a very strong interest in supporting PEM reform. (Understanding and reforming public expenditure management DEFID GUIDE Line for public expenditure management Reform version 1, 2001)

2.5.2. Reasons for the need of budget management reform

In the last decade or so, there has been a growing interest in the quality of public sector financial management in developing countries. In the early years after the fall of the Berlin Wall in 1989, interest in the state was limited, but following the World Bank's Report (World Bank, 1997), the role of the state has become increasingly prominent in development efforts, and particularly in the drive against poverty.

"The new agenda recognized that, while there may be too much state intrusion in the economy, there was also often too little government capacity to make policy, perform basic administrative functions, work with private partners, and ensure the provision of infrastructure and public services." (Batley and Larbi, 2004)

In 2001, the UK's Department for International Development (DFID) issued its guide on public expenditure management which noted that in "recent years, there has been a dramatic surge of interest in public expenditure issues amongst governments, development agencies and the wider public." (DFID, 2001)

One result of such influence has been the widespread acceptance in developing countries of a new set of objectives for public sector BM. Traditionally, public sector BM aimed at avoiding wastage and extravagant spending, and especially, the loss of resources through possible fraud, irregularity or improper spending. The rise of New Public Management, associated with neo-liberalism, has significantly reduced the emphasis given to public financial management regularity and probity. The World Bank's Handbook (World Bank, 1998), for example, outlines the three main objectives of public sector BM as ensuring:

- Aggregate fiscal discipline
- Allocation of resources in accordance with strategic priorities, and
- Efficient and effective use of resources in the implementation of strategic priorities

In many developing countries, a series of fundamental reforms have been encouraged and guided by the World Bank and the aid agencies. These organizations may have played an important role in encouraging the adoption of New Public Management type of reforms through their aid programs and related conditionality (Minogue, 2000). The need for these reforms arose, at least partly as a result of the change in perceived objectives for public sector financial management. Thus, for example, an IMF report on financial management in Anglophone Africa commented that: "in several cases the legal framework is largely oriented towards a compliance and control framework of line-item budgeting. (Lienert and Feridoun 2001: 11)

2.5.3. Objectives of budget management reform

According to common wealth secretariat's guideline for BM reform, the objectives of public budget reform include:

1. For effective management of the collection and expenditure of funds by governments. As societal needs will inevitably be greater than the resources available to government, all public resources must be used as efficiently as possible with a minimum of government wastage. Efficient public financial management is central to creating a relationship of mutual trust and shared consensus between government and citizens that is at the core of the development process.

2. Reform of ineffective BM systems, processes and institutions in developing countries is critical to secure long-term economic success, to maximize the efficient use of limited public resources, to create the highest level of transparency and accountability in government finances and, most importantly, to generate more and better services for the citizens of the country.

3. Successful reform needs to take account of local conditions and should focus on both the *process* of reform; (i.e. how to achieve the correct "enabling"

environment), and on *substantive* changes to the fiscal framework, i.e. what to change.

2.5.4. Challenges on budget management reform

Despite high international investment and significant domestic effort in reforms, BM systems in many developing and transition countries remain relatively weak. By contrast, most countries within the Organization for Economic Co-operation and Development (OECD) have succeeded in transforming rapidly the quality of their BM systems. This suggests a correlation between a high quality of governance and achievement of successful BM outcomes. Yet, successful BM reform is also apparent in some low-income and transition countries without a high demonstrable standard of governance. The reforms in these countries are often slower and smaller scale than in developed countries, and the impact on BM outcomes is typically less pronounced, but reforms have still occurred. This suggests an unclear relationship between the quality of formal governance and the success of BM reform, which warrants closer attention.

The importance of understanding the political economy of reform processes and the problems that political challenges present to these reforms is now better understood by donors and consultants involved in reforming BM and public administration. It is widely accepted that technical solutions, which ignore political realities, cannot lead to sustained reform success. However, there is little guidance on how technical reform processes can become more 'politically astute' in operational terms. Some attempts by donors have gone a long way to bringing politics into reform processes, but they remain unsatisfactory.

One approach, driven by technical strategies, has highlighted the importance of politics by equating it with 'ownership'. Nevertheless, the risk here is that reforms might be designed first and political commitment sought afterwards. Donors such as the UK Department for International Development (DFID) and the Swedish International Development Agency (SIDA) have been investigating the political dimensions of reform processes more closely. They advocate a deeper understanding of political processes, including both the formal and informal rules of domestic systems.

system of the country included regions and recommended wide-ranging reforms in the expenditure and budget process. The recommendation comprises of the link of capital and recurrent expenditures with common activity codes (program), introduced cost center budgeting, rationalize planning and budgeting role, use of public investment program to develop a list projects (MOFED, DSA, 1998)

Since 1997, the United States Government through USAID has been supporting public financial reform and fiscal decentralization in Ethiopia through Harvard University and DSA project.DSA project support for regional public finance management reform was piloted beginning in 2002 in the Southern Nations, Nationalities, and peoples Region (SNNPR), which at the time was the most up-to-date in its account and budget process.

In 2004, Development Cooperation Ireland (DCI) joined USAID in supporting the DSA, enabling rollout of the budget reform to TNRS and Amhara region and deepening the reform in SNNPR.The Netherlands Minister of Cooperation was also joined in supporting DSA, enabling national rollout of the budget, accounts and budget planning reform (USA Embassy NEWS, 2008).

The budget reform being introduced under the government's Civil Service Reform Program changes the *process* and *structure* of budgeting (DSA).According to DSA, the process is about how budgeting is done and structure is what is done. Process includes the introduction of a financial calendar to schedule the tasks of budgeting as well as a computer system that when eventually extended to all regional levels, will assist in the preparation and execution of the budget. And the structure is what is done and there are several elements: a new chart of accounts and budget classification system for coding budget transactions that total all costs for an activity and fit with the accounting system and new forms that simplify and clarify budget preparation.

There are six key features of the newly adopted budget reform introduced under the Civil Service Reform Program:

- A cost center budget
- A significantly revised chart of accounting
- New formats for budget preparation and execution
- New budget structure
- New budget classification.
- A financial calendar and
- A computerized budget information system.

2.6.2. The DSA's project strategy of the reform

Proper sequencing of the financial reform is absolutely, critical to success. The project's strategy of financial management reform in terms of sequence and content was to get the financial transaction platform (budget, accounting, disbursement systems and their supporting computer systems) operating smoothly to ensure efficient financial control. An efficient transaction platform also provides the timely budget and accounts data for the policy/performance platform. The policy/performance platform has three objectives:

1. To shape budgetary allocations by policy,
2. To introduce accountability for financial resources and results, and
3. To promote efficiency

The DSA strategy BR accords with international best practice of sequencing budget reform. The first sequence is to ensure efficient control, which has been achieved by improving the transaction platform. Once effective control is established, the second sequence is to introduce management, which is efficiency and performance of allocation and this is being developed with the policy/performance platform as well as the legislative platform. At this stage in Ethiopia's financial reform it is not, appropriate to introduce the third sequence of financial reform (planning), which involves sophisticated program budgeting and full accrual accounting.

The first step in the project's strategy of budget reform was to improve the transaction platform specifically, to bring inputs of an activity together across the capital and recurrent budgets by cost center through a new budget classification and chart of accounts. Once the inputs of an activity aggregated, it is then possible to take the next step of specifying outputs and performance criteria annually and over the medium term. In accounts, the project assisted the government in clearing a six-year backlog to less than one year and reducing monthly expenditure reporting in regions to two months. The introduction of the modified-cash double-entry bookkeeping system combined with widespread training and automation has achieved these objectives.

The project's approach to reform in Ethiopia has been to pilot a reform first and only roll it out to other jurisdictions once; the pilot has been well tested and improved upon, through experience. A second principle has been to develop reforms that can be used across jurisdictions to promote coherence and integration. A third principle has been to empower government staff to do the reform and not substitute them with technical assistance staff. These are fundamental reforms and if they are to be sustained, government staff must manage them. The reforms have been piloted in the SNNP region; and then 'cascaded' to other regions (Civil service reform program DSA project report: M-52, March 29, 2005 pp3)

2.6.3. Vision of the Reform

The vision of the reform was to create a public budget that is managed by transparent laws, directives and guidelines; acquire qualified human resource in the sector; create a modern, efficient, and accountable and result oriented financial management, and control system that will contribute to the economic development effort of the government.

2.6.4. Objectives of the Reform

The main objective of the reform is to ensure effective and efficient utilization of resource within the region through improving the following specific objectives:

1. *Remove the strong separation between capital and recurrent budgeting to see a clear relation between the whole resource envelope and the desired out comes.*

In the past, there was a strong separation between capital and recurrent budgets. The two budgets were made separately and frequently there was little coordination between planning and budgeting agencies (former bureau of finance and Bureau of planning and economic development). One objective of the reform is to address this issue.

2. *Rationalize expenditures by type of budget (Capital and recurrent)*

Even where capital and recurrent budgets are concerned, it is not always the case that the capital budget contains only capital expenditures and that the recurrent budget contains on recurrent expenditures. Both budgets contain both type of expenditure.

3. *Map the budget in a consistent and adequate manner.*

A fundamental principle of this budget reform is that the budget must relate to the structure of the organization, which is responsible for the budget. "This is often called mapping" the budget to the organization. In each public body there are specific parts of the organization responsible for budget execution. In the old system there was some times the case that departments called cost centers in a public body did not received budget at all. In other cases budget was allocated to an over view set of activities rather than to the individual departments /cost centers responsible for the execution of the activity.

4. *Ensuring the autonomy of different organs in their budget management*

Consistent with Article 52 of the federal constitution of 1995, the modified constitution of TNRS has defined the power and functions of the state government of the region. The sub-Article 1 of Article 47 stated the power and functions of the stated government as: "all powers and functions not given expressly to the federal government alone or concurrently to the federal government and the state government are reserved" (Article 47, 2002/03.19). Consistent with this sub article, the state government of the region has a considerable degree of internal self rule, including the authority to raise local revenue and administer its own budgets, formulate and execute economic and social development plans and strategies.

Following the declaration of the regional level decentralization of budget reform, not only the region but also bureaus and cost centers of the regional bureaus were also autonomous to decide on the preparation, allocation, utilization, and management of their budget to provide those development plans determined in the decentralized frame work.

5. *Ensuring functions and responsibilities of different concerned bodies in budget processing;*

In order to perform better budgeting process, discharging the responsibilities among different level of government and units of the organization should be needed. And because of this, the reform also takes as one and key objectives to introduce and strength this system in the region with identifying the responsibilities of each government level and units in the organization. In the budgeting process of the region, there are different parties involved including BoFED, cabinet, regional council, head of the sector, heads of cost center, plan and budget department and employees with different level of responsibility and influence given by the reform and regional proclamation.

According to the reform, preparation of the budget by sectors and cost centers in the region starts immediately after receiving budget call from BoFED. BoFED prepares the first ceiling (pre ceiling) for budgetary sectors and sends it along with the budget call to each of the regional bureaus in the form of block grant. This pre ceiling serves as a basis for the bureaus to prepare their budget request and reviewing the annual plan. The bureaus are required to prepare their annual plan and budget request at cost center level rather than sectoral level with the type of budget and based on detail line item expenditures. And also the bureaus will investigate the budget request from cost centers, prioritize the budget and plan for those cost centers and submit to BoFED.

The budget for the entire region will be recommended by BoFED by compiling the budget requests of all sectors of the region. Approval of the recommended budget is also the responsibility of the cabinet and it reviews the recommended budget submitted by BoFED and makes adjustments as needed and then vote for approval.

Annual appropriation for the approved budget according to the reform and regional proclamation is the responsibility of council of people's representatives. That is to use public money from the consolidated fund requires a parliamentary appropriation which provides the legal authority to spend.

The implementation part of the budget cycle executes the proclaimed budget public bodies are notified by BoFED of their proclaimed budget in detail down to the line item of expenditure to each cost centers of the sectors using MEBEMA/4 and KABAMA /4 formats for recurrent and capital expenditures respectively. The budget is then implemented, and managed in terms of requests for adjustments and monitored those cost centers through financial and physical reports unlike the old system.

In other words, the new budget system requires the regional sectors to prepare strategic plan (multi-year plan) and its derivative annual plan. Each sub agencies/cost centers should first prepare its annual plan and required budget to be discussed and reviewed by the management committee of the sector and continue to BoFED, cabinet and approved by the regional council can observed.

6. Ensuring transparency in the budget process

Transparency should be measured through introducing clear legal frame work, empowering participation of concerned bodies according to the stated responsibilities, ensuring availability of information to different units of budgetary sectors and people and independent checks and balances of budget execution. Taking this in to consideration, the region has well established legal frame work governing its budget system as stated in chapter three below among different bodies. In the same way to ensure transparency in budgeting process, the reform has stated responsibilities and roles of individual concerned bodies in the budget cycle portion to improve problems of the former system related with transparency.

7. Ensuring specific accountability for use of fund

Another weakness of the former/old system was the lack of specific accountability for funds especially among budgetary units. Another fundamental principle of good budgeting is that resources should be linked directly to accountability for inputs and outcomes. In other words, there should be one individual responsible for ensuring that all funds are properly accounted for. But accountability is not just something, which relates to accounting for finance. A budget holder should also be accountable for what the money he/she is responsible for spending achieves.

Therefore one of the objectives of the reform is to ensure specific accountability with in budgetary units: Sectors are accountable for two layers that are to regional cabinet to report their performance and to their outreach branch/ cost centers to empower grass root participation and to announce their appropriated budget. Cost centers are budgetary units within a sector and accountable to manage their budget and to report their performance to their sectors. Through the budget reform, both the above bodies are responsible to their respective organs-for efficiently and effectively delivering to maintain the quality of social, economic and infrastructural services that the community requires through better budget management with in the region (BoFED budget reform manual Tigrigna version, 2002: 12-15).

2.6.5. Preconditions for the effectiveness of the budget reform

In order to achieve the above objectives, the program is working on seven intervention areas which help to address the capacity building needs of lower level government body. The interventions area includes capacity building on:

- Institutional/organizational rearrangement –based on cost centers
- Manning/staffing and training
- Political commitment.
- Grass roots participation system
- Empowering different units to play their role and responsibility properly
- Improving leaders attention
- Introducing computerizing budget system.

The new budget reform has two distinct features which have not been shown in the previous budget system. The first feature of the new budget system is the power to formulate budget not limited only to sector heads but sub agency/cost centers with in a sector are also empowered to prepare, manage and use their own budget. The second is its entirely different account structure and forms, new budget structure. In the new budget structure, account codes are supposed to be consistent, clear and easily understandable and determining the cost of services and how economically resources are used is possible.

New budget calendar is also adopted in order to facilitate improved budget plan. In the new budget calendar, not only government body is expected to prepare and provide its budget proposal within the calendar but also the regional BoFED (bureau of Finance and Economic Development) it is also expected to notify the budget ceiling timely.

In general, the new budget calendar is prepared to provide government bodies with sufficient time to make systematic preparation of budget plan, and to make the responsibility of different agencies in the budget process known.

2.6.6. Budget Cycle in Tigray

In TNRS, the budget cycle consists of eleven stages according to the reform. The stages in the cycle are the budget call, budget preparation, budget hearing, budget requesting, budget approval, budget appropriation, budget notification, allocation, and budget implementation and budget reporting. Based on the DSA's working manual (2004:15), explanation of each the steps of budget cycle at regional is stated as follows:

Budget Call

The Bureau of Finance and Economic Development issues annual call letter for recurrent and capital budget every year to different regional sectors and Woredas. Budget call in Tigray regional government has two stages. The *first call* is made before the federal government grant ceiling to the region known as pre ceiling. The call will be made by estimating the grant based on only the last year revenue and the foreign aid and loan based on the information available. The *second stage* of the call is when the actual grant from federal government is known. Here, the BOFED instructs the woreda government to prepare their budget based on the new actual budget ceiling. The budget call letter may include information about budget preparation calendar, principles to be followed in preparing capital and recurrent budget, sector polices and priorities to be considered.

Budget preparation

Up on receiving the budget call from BoFED, the Regional sectors at cost center level governments are expected to prepare their capital and recurrent budget according to the estimated ceiling. But this budget is subject to adjustment or revision up on the notification of the new actual ceiling.

The Budget Request

Budget request is the stage when cost centers in the regional sectors prepare and consolidate at sector level their budget using the ceiling provided to them in the budget call and the information from annual budget.

In this process, the cost centers have a task of preparing their own budget related with their annual plan and submit to the sector management committee. The management committee also adjusts their work plans to the budget ceiling according to the sectors work plan, determine the cost of activities in the work plan and complete the standard format to submit the budget request.

Budget Hearing and Recommendation

The BOFED appoints a committee to conduct budget hearing and analyze budgets for each public body. The budget hearing is an opportunity for officials from each public body to present its budget requests for the coming year. The designed committee, in consultation with senior officials of the BoFED, prepares a budget-hearing program.

At the budget hearing, officials of the public body present budget requests for their sub agencies/cost centers and projects to the offices from the budget hearing committee. Budget expects with the BoFED provide statements and additional information to the budget hearing committee. During the budget hearing the officials and experts answer questions and provide any required information.

The budget hearing committee reviews the request budget and checks:

- Whether the budget request is prioritized according to government policies and the objectives of the public body.
- Whether the budget request is within the ceiling provided.

After the budget hearing, the committee must determine a budget that it recommends and present it to the council for approval.

Approval of the budget

Approval is the detailed review of the budget to ensure that it is in line with the government policy. The Regional council reviews the recommended budget and may approve the budget with or without adjustments. The recurrent and capital budget to be approved has to be balanced with the ceiling by its source. The budget will be approved for each cost centers of public bodies of the region. Additional budget, if any, has to be always approved by the regional council. Once the budget is approved by the council, there is no any other body empowered to adjust it.

Budget appropriation

Appropriation is the legal mandate to spend out of the consolidated fund. It is the stage where the annual budget is legalized and proclamation is issued in Regional Negarit Gazeta. The budget proclamation has standardized contents that set out authorities and responsibilities of public bodies, the BOFED, and the council at each jurisdiction. While approval can and should be done by very detailed budget categories, appropriation may be more global. The two major parts of the proclamation are the appropriated budget and the approved budget.

Budget Notification

After a draft budget proclamation is presented to the regional council and appropriation is made by the house of representative, the BOFED prepares the budget notification from presents details of the offices recurrent and capital budget allocation at sub agency /cost center level by item of expenditure and source of finance and send to each government body with in a designed time by using relevant formats.

Budget allocation

Budget allocation is done by each sub agency/cost centers for both recurrent and capital budget using cash flow and other formats to provide them some flexibility in the utilization of the authorized budget. Budget is allocated only once at the beginning of the fiscal year. Once BoFED approves the budget allocation, the respective office is bound to implement, what it indicated. Budget allocation forms are prepared and approved by BoFED and distributed after the approval of the allocation to disbursement section, budget department, the office itself and others so that they can act accordingly.

The sub agency and public sectors have to prepare action plan and estimated monthly cash flow that have to reach the budget and plan section and disbursement section before any disbursement request is presented.

Implementation of the Budget

In the implementation stage the budget is managed in terms of request for adjustments (transfers) and monitored through financial and physical reports. Once the budget is proclaimed, expenditures are supposed not to exceed the approved budget. However, whatsoever properly formulated budget exist, the future may not be as expected. There may be situations which require adjustment of the budget. These adjustments are made in terms of transfer or additional budget.

Budget transfer is made when the requesting office justifies that transfer of budget results in efficient utilization of resources. Such requests should be presented by the standard form signed by the head of the respective office and approved by BOFED. But transfers from operating expenditure to salary and allowances; and from capital budget to recurrent budget are not allowed.

Additional budget may be provided by the regional government to the sectors when fund of additional source is received. Additional source may be given also when there is a situation which forces a project to expend more than the approved budget or recurrent budget. In this case, additional budget will be requested by the sectors. Therefore, additional budget will be allocated to the government bodies based on the priorities of the region and financial capacity of the region. Such budget adjustments have to be approved again by the regional council.

Budget Control and Administration

The responsibility of administering and controlling the budget lies mainly with the sub agencies and public bodies themselves. The sub agencies and public body have to register, balance and check if disbursements are as per the approved budget. BOFED is also responsible to register in the budget control form and check if disbursement requests are according to the action plan and monthly cash flow plan, the approved budget and the financial rules and regulations of the BoFED.

Reporting

In order to follow up and monitor the proper implementation of the budget, there are regular (monthly, quarterly and yearly) physical and financial reports prepared by sub agencies to submit to their bureaus and the bureau to different respected parties(DSA,2003).

2.6.7. The revised Budget Structure of government bodies in TNRS

The budget structure of government sectors of TNRS is revised by the reform as follows to ensure its objective of the reform (BoFED 2003). This are-

1. ***Jurisdiction base classification***- it is the classification of the regional government in to 34 rural woredas, and 12 urban woredas.

2. ***Based on type of Budget***- there are two types of budgets: recurrent and capital budget. Therefore expenditure budget of the region is also divided between these two categories.

3. ***Based on government functions***- There are four functional classifications: Administrative and general service, Economic, social and other functions are the areas of functionalities.

4. ***Based on sub-functional classifications***- Since it is cost center based budget allocation, the sub-functional budget classification is useful for preparing the whole of the government budget or consolidate budget and accounts in detail and specifically.

5. ***Based on public bodies***- it can be principal public bodies (which directly report to MoFED and council of people's representative or subsidiaries. The budget is classified and allocated to them directly through MoFED after appropriation by the regional council.

6. ***Based on programs***- programs exist with a public body. Each public body can have many programs; however each program can only exist in one public body. That means there is no over lapping of program in the region.

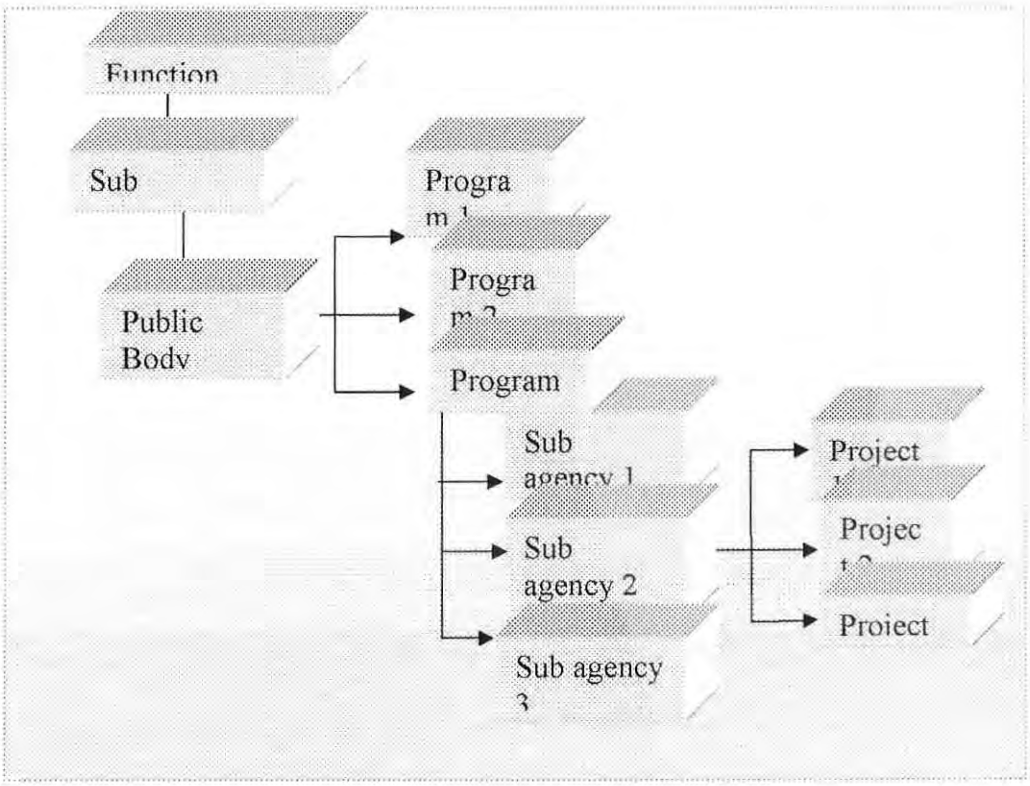
7. ***Based on sub-agencies***- Some public bodies have autonomous sub agencies called cost centers. Sub agencies/ cost centers can have different programs and sub-program and also can have projects. In such away the budget is allocated directly to the sub-agencies.

8. ***Based on projects***- projects are the smallest unit of government program implementation part that managed only with the capital budget. They usually have a specific objective or set of objectives and definable out puts. They may be similar or different types.

9. ***Based on item of expenditure***-It is one component of expenditure budget which shows the line item inputs of the budget and is allocating to specific and different initiated item of expenditure. Currently it uses standardized four digit code.

10. ***Based on source of finance***- there are four sources of finance in Ethiopia for expenditure, two of them are domestic sources (Treasury and retained earnings) and two are external sources (assistance and loans).

Figure2.2. Budget Structure of government sectors of TNRS-At regional level



Source: **BIS-BoFED, 2008.**

2.6.8. The Scope of the Reform

At the start, the scope of the Ethiopian budget Management Reform based on the DSA project plan was:

1. The reform was designed to integrate all elements of public sector budget management and planning into a coherent framework, sequenced in a way that is compatible with the implementation capacity of the different levels of government and
2. The reform was designed to work at all levels of government: federal, regional, zonal and weredas.

2.6.9. Expected Outcomes from the reform

The expected outcomes of the newly adopted budget management reform of the region and as well as the nation were:

1. A set of best practice guidelines or manuals which includes outputs of the legal framework, directives and manuals of the budget management reform project.
2. Improved and installed a nationwide budget information system by use of modern technology and produce timely performance reports.
3. A transparent, effective, accounting and economically efficient budget management system installed.
4. Trained public finance staff at federal, regional and sub-regional level

2.6,10 Achievements of the reform

The expected outcomes of the newly adopted budget management reform of the region and as well as the nation were to ensure effective and efficient utilization of resources through:

- ✓ **Improving financial reporting** - a new computerized Budget Management system (BIS) has been developed for the preparation of the budget, and is continuously being introduced for use by federal, regional, and sub-regional governments. A BIS is critical for a devolved state and decentralized budget management within a sector, so that the budgets from all budgetary units in the country as well as in the region can be consolidated for macro management processes. The computer system has several features: it operates in multiple local languages, it produces the budget notification, and it provides the baseline budget and adjusted budget for the disbursement and accounting system (BDA).

The project (DSA) has developed a significant upgrade of the BIS/BDA systems with introduction of the Integrated Budget Expenditure (IBX) incorporates and extends the functionality of the BIS,BDA systems and meets the international standard of an integrated management information system(IFMIS). IBEX will provide the government with the capacity to manage budget and accounts on a real time basis at all level of budgetary units. With this into consideration, the project was installed this software and given training to all government sectors of the region.

- ✓ **Nation-wide consolidated budget and accounts-**The budget classification system has been standardized across jurisdictions and with the automated budget and accounting system permits the rapid nation-wide consolidation of budgets and accounts. A key conditionality by the IMF is the preparation of a nation-wide consolidated budget. A consolidated budget permits development partners who are moving to budget support to monitor sector allocations in both the budget and accounts.

- ✓ **Development of more effective way to plan public resources in devolved budgetary unit-** The characteristics of the former regional planning and budgeting system have changed from sectoral to cost centers. This single fact informs the need for and designed of, the budgeting reform. The budget structure has been designed in such away as to provide the linkage of capital and recurrent budget within specific program of the cost centers.

- ✓ **Restructuring of concerned organs to improve strong separation of the two expenditure budgets**-Another part of the newly budget reform to remove the strong separation of capital and recurrent budget. This in to consideration, as the researcher understands from the reform documents, the reform has removed this separation through merging BoF and BEDac to BoFED by proclamation no 256/2001. The authorities and responsibilities that were given to the above former bureaus by proclamation no. and 4/1994 were given for newly reestablished BoFED with the responsible department for the budget management called budget and plan department with in the bureau. In addition to this, as the researcher understands from the new budget structure and BIS, the reform has removed the strong separation through allocating the whole resources envelop to specific outcome and specific program of the cost centers by restructuring budgetary units at cost center level. This all indicates as the reform is the means of improving the strong separation of the above two types of expenditure budget to achieve a given assignments with in specific activity.

- ✓ **Development of training strategy**-The project (DSA) has extensive experience in designing and implementing in-service training in budget management. In September 1997 the project developed a program for delivering in-service training in financial management. This program was indorsed by the Prime Minister and the cabinet and additional funding was provided to the project to implement the program. The project has developed comprehensive set of training materials which are based on the budget accounting procedure manuals. The materials have been translated in to Amaregna, Oromiffa and Tigrigna. In addition to this the project has trained 41,771 government staffs including 3,507 trained staff members of TNRS.

2.6.11. Definition of key terms

- **Efficiency-** is a measure of how the budget management system is able to provide the target services with the cost below the plan or achieve more than the target public service with the planed cost. It refers to minimization of the cost of inputs or maximization of the output which emanates from such inputs.

- **Effectiveness-** is a measure of how the budget management system is able to achieve the target public service with a balance between the annual expenditure and annual revenue or allocated budget (full utilization of budget with out deficit).

- **Transparency-**is an arrangement in the budget management system which allows the involvement of the concerned parties and their voices being considered; and information is available to them about the budget performance of the sectors and the region as a whole.

- **Accountability-**is an arrangement by which every budgetary unit or officials entrusted with the power decide or act in the spending and utilization of public budget to be asked for the outcome of their decision and to report their performance.

- **Public sectors-** are the institutions that are entitled to request and receive a budget. Public body/ sector is defined as an institution that has a legal mandate, receive a partial or complete budget directly from the respective finance and economic development bureaus or office and submits its final accounts directly to the respective finance and economic bureau/ office and is on the approved list of public sectors issued by the office of regional chief administrator.

- **Cost centers/sub-agencies-**public bodies/ sectors can also have sub-agencies/cost centers that are relatively autonomous entities by the reform to request, receive and use their budget. Cost centers are usually departments, services, desks, divisions, or sections of a public body structured by the government with the aim to achieve their specific programs and are on the approved list of revised budget structure issued by the reform.

- **Capacity** -The budget management reform entail the creation of new and model budget transactions and computerized budget management system. Therefore the reform demands relatively trained manpower, sustained staff, employees with relevant educational level and professionalism, and computerized budget management information system within each budget unit of government sectors.

- **Budget information system (BIS)** - It is computerized information critical in a devolved state, so that the budgets from all jurisdictions in the country can consolidated for macro management purposes. It has several features: it operates in multiple local languages, it facilitates the preparation and production the annual budget documents, it produces the budget notification, and it provides the base line budget and adjusted budget for the discernment accounting.

Budget management reform is a crucial area of poverty alleviation in the region and in the country as a whole. The reform has many factors with having either negative or positive effect in its implementation like capacity of the reform implementers, roles and responsibilities of each concerned bodies in budget processing, degree of ensuring of accountability and transparency in budget management in the region used to determine the effect on the implementation the reform. The conceptual framework or factors affected to implement the newly adopted budget reform is illustrated if figure below

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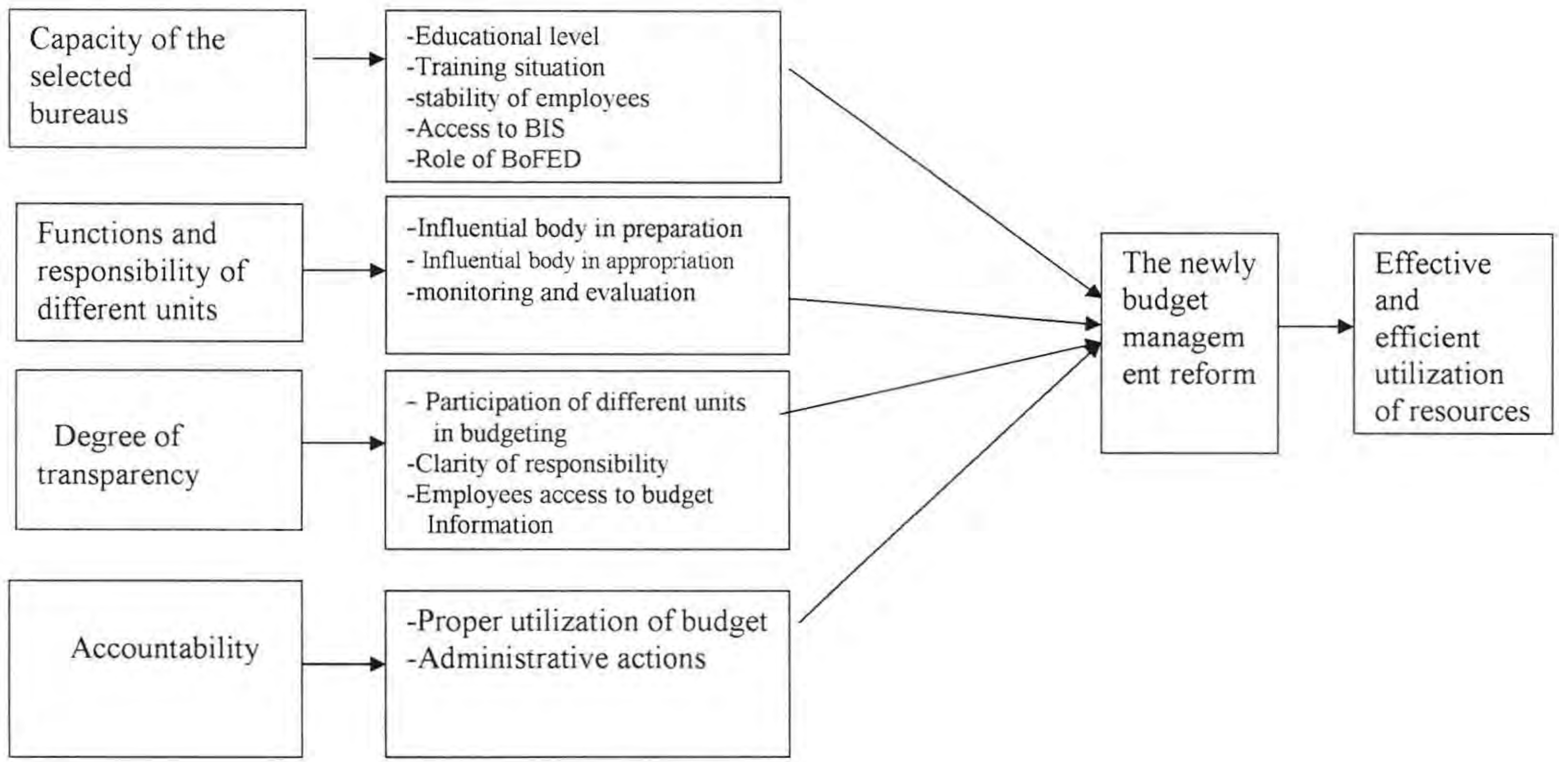


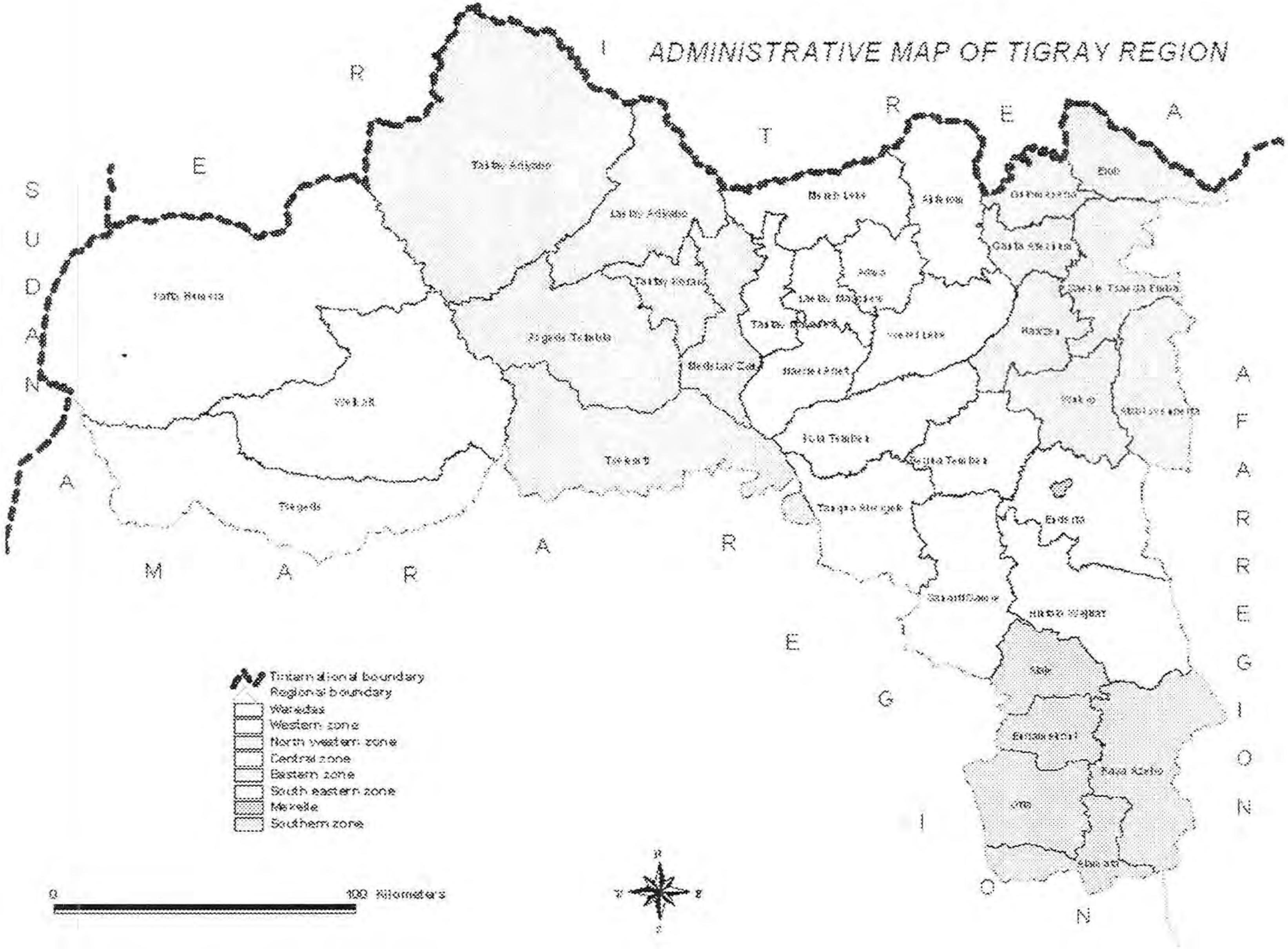
Figure 2.3 Conceptual frame works

CHAPTER THREE

Description of the study area

3.1. TOPOGRAHY

Tigray, whose capital Mekelle, is the northernmost region of Ethiopia extending from 12^0 15' to 14^0 50N latitude and from 36^0 27 to 39^0 59E longitude. It is bound in the north by Eretria, to the west by the Sudan and to the east and south by the Afar and Amhara regions of Ethiopia. It covers a little more than 80 thousand km^0, most of which are high lands between 1500 and 3900 meters above sea level (BOFED, GIS).


ADMINISTRATIVE MAP OF TIGRAY REGION
SUDAN
ERITREA
AMARA REGION
AFAR REGION
International boundary
Regional boundary
Weredas
Western zone
North western zone
Central zone
Eastern zone
South eastern zone
Mekelle
Southern zone
0
100 Kilometers

3.2. Government Structure of TNRS

The council of Tigray Region National state is one of the regions of the country that were formed after the downfall of the Derg regime. It consists of fourteen regional government bureaus and three agencies at regional level and also seven administrative zones. From these Mekelle is a special zone which has its own council of people's representatives and a power to administer its own budget. However, the remaining six zones are extension of the region and they are region's expenditure assignment. There are 34 decentralized rural woredas and also 11 urban administrations having their council of people's representatives with full power and autonomy to administer their own budget. The regional state council is the highest administrative body of the region. The lowest administrative unit in the region is"Tabia" (formally known as "Kebelle").

3.3. POPULATION

Based on the population projection made by BoFED, the population of the region is growing at the rate of 2.67% per annum. According to the figures received from the Central Statistical Agency (CSA) of Ethiopia published in 2007, Tigray has an estimated total population of 4,314,456 consisting of 2,136,000 men and 2,188,456 women. 3,519,000 or 81.2% of the population are estimated to be rural inhabitants, while 816,000 or 18.8% are urban with an estimated area of 50,078 km2 (CSA, 2007).

3.4. OVERVIEW OF SAMPLE SECTORS.

Though the region has huge labor resources of the farmers, vast area that is potential for modern agriculture, potential water resources for irrigation development, 75% of the population is living below absolute poverty line (BoFED, 2003).

Hence, strategic plan was prepared for 2003/4-2007/8 aimed at improving the living condition of the rural and urban population by increasing agricultural production and productivity as well as by minimizing unemployment. This strategic plan was part and parcel of the long term economic, political and social objectives intended to be achieved. The political objectives includes ensuring human and democratic rights, creating opportunities that enable the people express their feelings freely and creating environment through which mass organizations and governmental institutions be institutionalized through the people's representatives. Similarly, the economic objectives are designed to achieve fast economic growth that benefit all the people at different levels and improve basic social services (TNRS, 2003).

This strategic plan had more emphasizing on the problems being observed and new policies and strategies developed to alleviate the deep rooted poverty of the region. The major focused in implementation of the strategic plan would be capacity building and it was planned to boost up the implementation capacity of all stakeholders, with the objective of attaining fast economic growth that benefits the people at all levels and aimed at achieving household based and market oriented agricultural and industrial development. Based on this, the researcher was tried to see high light about the sensitivity of the selected sectors for regional development as a whole, how the regional government was seen them in the revised budget structure by the reform and their budget share during resource allocation.

a) Agriculture

The total landmass of the region is estimated to be 53 thousand square kilometers, of which arable land accounts for about 10.8 thousand sq km and currently about 10 thousand sq km is under cultivation. The population of the region is estimated to be about 4.314,456, of which 81.2% are living in rural areas. The total households living in the rural areas are estimated to be 3,519,000 of which 30% are women headed households. The average land holding of the farmers is estimated to be about 1.19 ha, though it varies from 0.5-0.9 ha in the highland areas to 2ha in the lowland parts of the region (BoANR, 2003).

Agriculture is the backbone of the regional economy, which engages 90% of the working force of the region and bases for the livelihood of the majority of the people in the region. However, the agricultural system of the region is very traditional and subsistent. Thus, as indicated on regional gross domestic product estimation report of the region of 2002/3, the contribution of the agricultural sector to the regional gross domestic product (RGDP) was only 59.9% and the annual growth rate of the sector was only 4.5%. This was below the average annual growth rate of the regional economy, which was 5.3%. Of the total contribution of the sector to the RGDP 36.26%, 17.08% and 3.6% was generated from crop, livestock and forests, respectively.

The cultivated land of the region is very fragmented, less fertile and the farming system is very traditional. As the result, the average yield obtained is less than 7 quintal/ha. Of the total cultivated land of the region (about 10 thousand km sq) about 1,250 km sq is being cultivated by private investors and the remaining is cultivated by individual farmers.. Based on the yield trends taken from 2003/4-2007/8 the total agricultural crop production in the region was estimated to be 702,400 tons per year, with average yield of roughly 0.9 tones/ha. On the other hand, the annual grain demand of the farmers for household food is estimated to be about 1,281,132 tones, which is lesser by 702,400 tones than the demanded. According to the recent estimates one household in the rural areas to attain food security needs net annual produce of 17.5 quintal grains; however, the amount of harvest per year at present is roughly estimated to be 6.59 quintal, which covers only about 38% of annual food demand of the household.

According to the report, the agricultural practice in the region is highly dependent on rainfall and irrigation development is still at its infant stage. Thus, the area under irrigation is estimated to be around 4773 ha, which is very small as compared to the potential of the region. In the last 10 years the regional government has taken irrigation development as priority to mitigate the effect of drought in the region. Accordingly, 46 micro dams and river diversions that can irrigate 2763 ha and 568 ha of land, respectively have been constructed and being effectual. In addition to these, efforts have been exerted to expand irrigation development in the region by developing ground water. Irrigation extension package has been developed and being introduced in the region since 1996/7 production year. However, only 2805 ha of irrigable land are cultivated under extension program, mainly due to limited capacity of both the farmers and development agents.

Though, level of input utilization is one of the major factors that determine productivity, the amount of inputs supplied to the region is found to be very small. For instance, as compared to the total area covered with cereals the amount of improved seeds delivered to the region covers only 1%. Major problems of the region related with sector are:

- Low productivity of the agriculture sector. The agricultural system in the region is very subsistence which greatly relays up on traditional and cultural practices and greatly depends up on rainfall.
- The agriculture system of the region is very vulnerable to drought. There is no clear water utilization strategy that enable the farmers boost their production and productivity.
- As the result of sever environmental degradation the fertility of the soil and water holding capacity is very low.
- Though majority farmers possess livestock the benefits they get from these resources are very low. This is mainly due to lack of feed, poor breed, vet service and management.
- Specialization and diversification that bases on comparative advantages of agro ecology is not yet introduced. Besides, the extension system was not house-hold based.
- The approach of the research institution was not supportive to the farmer. The researches being undertaken were not based up on real problems that can improve the livelihood of the farmer. Furthermore, the capacity to undertake research and disseminate high value crops is very limited.
- Lack of marketing system that enable the farmers to sell their produce with reasonable price in their localities. The cooperatives which are supposed to play the role are very weak and due to poor road net work access to market is limited.
- Off farm income and employment creating ability of other economic sectors is very limited.

Despite of the constraints there are also potentials that can create good opportunity for attaining fast economic growth. Basically, rural development is directly mean agricultural development. Hence, one potential opportunity for agricultural development is that almost all the farmers have got their own plot of land. This opportunity will help to attain fast economic growth by introducing good policies and strategies and developing feasible programs that can increase the productivity of the farmers. In addition to this, the existing arable land in the region is not fully utilized. Therefore, farmers from areas frequently exposed to drought, which have land scarcity and fertility problems can be transferred to areas yet not under cultivation. This will increase the productivity of the farmers and minimize the problem of food insecurity.

81.2% of the total population lives in the rural area and the free labor of the farmer is great opportunity for development. So far the rural community is actively engaged in rural development activities with their labor and monitory terms. Hence, the limited budget intermingled with the free labor of the farmer will create great opportunity to fully introduce household based extension programs. Furthermore, the free labor of the farmer will also be great opportunity to develop community roads, which is important to create access to market, enable the farmers get inputs in their localities and develop basic infrastructures.

The agricultural activity of the region is fully dependent up on rainfall. As the result, the agricultural production varies from year to year depending up on the situation of rainfall and it frequently affected by drought. To alleviate this problem irrigation development is given high priority. Several studies indicate that the water resource potential of the region is very high and it is good opportunity for irrigation development. Available information indicates that the major water basins of Tekeze, Merb and Afar have around 8.2 billion meter cube annual runoff. However, so far the proportion of water being utilized for irrigation is estimated to only 65 million meter cube or 0.8% only. Similarly, of the total area of the region around 3000 kilometer square of land is found to be irrigable land, of which currently only 40 kilometer square or 1.3% is found to be under irrigation. Therefore, the opportunity to tackle the problem of drought and food insecurity by undertaking irrigation development programs and utilizing the available land is very promising or great. Especially, to introduce the already designed household based extension programs, which is based on intensive water harvesting strategy at house hold level the water resource potential of the region is quite sufficient.

Besides, the region has good potential of natural resources, especially incense and gums. This potential with proper management strategies will have significant role in the overall development activities of the region in two aspects. First, it can engage considerable number of farmers in incense and gum production and will be able to attain food security. Second, it will contribute a lot in terms of generating foreign currency earnings to the country.

The region has considerably large number of livestock resources; therefore proving livestock feeding and management system is improved the benefits that can be obtained from this sector both at farmer and regional level will be very high. Hence, in efforts exerted to bring a change in the livelihood of the farmers the contribution of livestock will be very significant. Thus, these opportunities coupled with the efforts exerted to capacitate the farmers will bring about a real change in the future.

b) Rural Roads

As indicated on 2007/8 five years performance report of the region, of total area of the region the largest part is covered with mountain that makes the construction of rural roads very difficult. The total length of roads in the region is estimated to be about 4444 km, of which 1084 km is asphalt road, 1360 km is rural road and the remaining 2000 km is community road. Excluding the community roads the road density of the region is estimated to be 0.6 km/1000 people or 44 km/1000 square km.

With regard to zonal picture of road density, it is found that Southern, Eastern and Central zones have better road density than Western part of the region. The road density of Southern, Eastern, Central and Western zones are found to be 65.3 km/1000, 64.8 km/1000, 52 km/1000 and 20.9 km/1000 square kilometer, respectively(BoFED, 2008).

As indicated above of the community roads (2000 km) is playing great role in the overall development process of the region by creating access to market, opportunity of getting inputs easily and facilitating the construction of schools, health facilities and water points. So far there are only 24 Tabias which have no access roads, otherwise the remaining are accessible either through the main road, rural roads or dry weather roads in the region.

C) Education

The number of primary schools which was only 680 in 2002/3 has increased to 1002 in 2007/8, of which 619 are 1-4 and 363 are 5-8. Of the total number of primary schools in the same year in the region 806 /80.6%/ and 194 /19.4%/ are found in rural and urban areas, respectively. With regard to secondary schools, in 2002/3 there were only 48 and it increased to 78 in 2007/8, of which 47 are 9-10 and 30 are 10-12. Thus, of the 34 rural weredas 33 have one lower secondary school. Similarly, student population in primary schools /1-8/ has increased from 588941 in 2002/3 to 879,422 in 2007/8.

To improve the quality of education measures have been taken focusing on the major quality indicators like teacher student ratio, student class room ratio, student text book ratio and amount of expired periods. Accordingly, in 2007/8 student class room ratio in 1-4, 5-8 and 9-12 were 1:58, 1:60 and 1:56, respectively. As compared to 2002/3 which was1:61, 1:63 and 1:59 still these have shown there is an improvement. Similarly, with regard to teacher student ratio in primary schools /1-8/ it was 1:50 in 2002/3 and it became 1:60 in 2007/8. This indicates that the proportion of increment of students and teachers was not equivalent, thus the teacher student ratio has shown an increment. On the other hand, the teacher student ratio in secondary schools in 2002/3 was estimated to be 1:46. However, it does not take the qualification and the standards of the existing teachers into account. Another quality indicator is text book student ratio, in 2007/8 in most of the primary schools the ratio was 1:2 and in secondary schools it was 1:3 which was below standard.

There are four higher education Colleges own by the regional government. These are Adwa Teachers Training College, Maichew Technique College, Abyiadi Teachers Training College and Mekelle Teachers Training College.

From 2003/4-2007/8 these Teachers Training College has trained 2178 teachers with diploma. This has contributed a lot in minimizing the problem of shortage of teachers in the region. Similarly, from 2003/4-2007/8 Maichew Technique College has trained a total of 498 trainees in automotive technology, building and manufacturing with advanced diploma.

Abyiadi Teachers Training College was being functional in 2000 and until 2007/8 the college has trained a total of 4667 teachers with diploma. Starting from 2003/4 the capacity of the college has increased to 1600 students per year. Mekelle Teachers Training College was established in 2002, since then until 2007/8 it produced 1920 teachers with diploma,. The major problem of these higher education institutions are, low implementation capacity which includes lack of qualified personnel and logistics supply.

The main problems observed in education sector are low coverage and low quality of education which is manifested by the following major problems

- Low teacher student, student text book and student class room ratio
- Low education management capacity
- High illiteracy level

The direction of the government in education sector is primarily focused on quality insurance. Accordingly, the major expenditure of the government would be salary of teachers. Otherwise, construction cost of primary schools expected to be covered by community. Furthermore, in some areas the community has already started to cover salary of teachers as well. This indicates that covering salary of teachers as well will not fully be the responsibility of the government in the future. Hence, the involvement of the community in terms of providing free labor and finance will be one major opportunity or force towards attaining the desired coverage and quality of education. Besides, the involvement of private investors in education sector is going increasing from time to time. This will have positive impact towards attaining the regional objectives in two aspects; first it will contribute a lot in terms of reducing the expenditure of the government. Secondly it will contribute a lot towards achieving the desired coverage and quality of education in the region.

d) Health

Ethiopia is one of the countries, which have poor health situation and ranked the last of all the developing countries. The incidence of morbidity and mortality rates are found to be very high. Of 1000 children born 112 died below the age of one, of 1000 children under five 187 died before the age of five and of 10000 mothers from 500-700 are died with cases related to delivery. The incidence of mortality in TNRS is not different from the national average. The mortality rate of children under one year is found to be 97 per 1000, of children under five the mortality rate is 101 per 1000 and mortality rate of mothers is estimated to be 756 per 10000.

The major cause of morbidity and death are found to be diseases that can easily be prevented and malnutrition. Deep rooted poverty, increasing population pressure, recurrent natural calamities together with low education coverage, lack of potable water, poor environmental sanitation and low basic health services are made the health situation in the region to very complicated.

The new health policy developed recently aimed at giving better services to rural dwellers and the main strategy of the policy focuses on prevention. The strategy focuses on mother and children care, health education, environmental sanitation, controlling epidemic diseases, improvement of quality and coverage of basic health services as well as establishment and expansion of health facilities and human resource development.

Communicable diseases and malnutrition problems are the major causes of health in the region. Accordingly, Malaria, TB, respiratory disorders, diarrhea and HIV/AIDS are among the ten top diseases. These diseases can be prevented via provision of clean potable water, proper vector control, intensification of vaccination programs, provision of health education and by developing attitudinal changes.

To expand quality primary health services, construction of new health infrastructures and maintenance of existing infrastructures are underway every year. Accordingly, the number of health infrastructures in 2002/3 was doubled in 2007/8.

Due to the expansion of health infrastructures, primary health care coverage increased from 55% in 2003/4 to about 75% in 2007/8. This means about 25% of the total population has no accesses to health institutions with in the radius of 10,000km. This indicates that still additional efforts needed to improve the existing health service coverage.

Besides, the existing infrastructures are not equipped with the desired health professional, this problem is much more pronounced in higher health institutions. Thus most of the institutions are rendering services with very few health professionals.

Of the total population of the region the proportion of mother's and children accounts for about 70%. This fraction of population is very vulnerable to diseases and does not get proper health care services, and they are very much exposed to incidence of illness and death's. The incidence of illness and death in the case of mothers is associated with pregnancy and maternity, while in the case of children is associated with communicable diseases that arise due to lack of vaccination, respiratory disorders, diarrhea and malnutrition.

The strategies for controlling malaria includes providing pre test and treatment by using voluntary health technicians /mefreyti hakaym/, providing examination and treatment in health institutions, spraying of chemicals in residential houses, undertaking control measures on multiplication sites in selected areas and distribution of chemical treated bed nets.

In the past several years annually 4-5 thousand people were reported to have malaria and 40% of them were verified to have malaria by examinations and annually 3-4 hundred thousand people gets treatment against malaria.

Though, the efforts made and achievements attained so far are very encouraging, there are still problems that can curtail the implementation of the designed strategies. These problems includes high cost of bed net, high payment for dressing the bed net with chemical, limited know-how of the professionals on vector control, low participation of other sectors and ineffectiveness of chloroqin.

Major problems of the sector are low coverage and poor quality of health services and this mainly due to

- Low health professional population ratio
- Uneven distribution of health institutions
- Low administrative capacity of health services
- Low supply of health equipment and medicine
- Limited coverage of household based extension package program

The direction of the regional government gives emphases to the introduction of household based extension program. This program focuses on prevention and the implementation cost of the program is expected to be very low. Besides, in the coming three to five years government expenditure associated with construction of health infrastructure will be very low. Thus, the expenditure of the government will be at large salary of health professional and supply of medicine. On the other hand, to minimize the shortage of trained manpower, bureau of heath designed new strategy to use the existing hospitals as training centers, which will contribute a lot towards minimizing the gap of trained man power. In addition to these, the participation of private investors in health sector is increasing from time to time. The participation of private investors will have positive impact towards achieving the regional goals and objectives in two aspects. First, it will have impact on minimizing government expenditure on providing health services. Secondly, they will have contribution towards improving coverage and quality of health services by producing qualified man power and construction of health infrastructures.

In the area of health care the priority was the implementation of the household based health extension package which will have significant contribution for increasing productivity of the farm households. Hence fulfilling the required health personnel, equipments and medicines, construction of health posts will be priorities. In education improving the quality and coverage of education will be area of focus. Accordingly, costs associated with fulfillment of the required number of teachers and provision of text books will have got priority. Trainings related with improving the productivity of the farmers will also be considered. Moreover training pertaining to small and micro institutions will also be a focus area in the urban areas. As indicated above, the above sectors are still faced with critical problems and also not performed as the government needs.

3.5. Share of programs and cost centers of the selected bureaus

As the result of the adoption of the newly budget reform in TNRS, budget structure was revised in different programs and cost centers with the principle to those sectors consider as strategically prioritize by the government have high responsibility to improve economical and social development of the region having more programs and cost centers. The advantage of this cost centered budget allocation is to enhance planners and decision makers for information analysis and decision making. It gives information about comparing cost of two or more alternatives and to differentiate the priority on spending the budget. Budget is cost centered when it is allocated to the appropriate projects, sub agencies/cost centers and programs.

Table 3.1 Share of programs and cost centers of selected bureaus

S/N	Name of bureaus(Public sectors)	Number of programs	Number of sub Agencies (Cost centers)	% share of cost centers of each selected bureau
1	BANR	6	15	12.10
2	BoE	4	13	10.45
3	BoH	6	19	15.32
4	RRA	2	7	5.65
5	Total for the selected sectors	18	54	43.52
6	Total at Regional level	58	124	-
7	% age share of the selected sectors	31.03	43.55	100

Source: **BIS, BOFED, 2008**

As can be seen from in Table 3.1above, the selected bureaus have the share of 18 or 31.03% and 124 or 43.55% of programs and cost centers respectively from the total programs and cost centers of the regional bureaus. This indicates that the selected bureaus have structured with high share of cost centers and programs as compared the other regional sectors.

3.6 Budget share of the selected bureaus

TNRS can address the real problem of its community and recognize the government policy through budget allocation. In the allocation process, those sectors which have got strategic priority with the assignment to alleviate poverty and improving infrastructural problem in the region allocate much proportion of the regional budget.

In order to check how much the selected key sectors are recognized by the region's budget allocation, the researcher has taken the amount of budget allocated to the four selected sectors namely BoANR, BoE, BoH and RRA. The data was taken from five budget years (2003/4-2007/8) budget allocation experience that was started from the adoption of the new budget reform in the region.

Table 3.2 Budget share of the selected bureaus (2004-2008)

Sectors	2003/4		2004/5		2005/6		2006/7		2007/8	
	Amount in millions Birr	% of total regional budget	Amount in millions Birr	% of total regional budget	Amount in millions Birr	% of total budget Birr	Amount in millions Birr	% of total budget Birr	Amount in millions Birr	% of total budget Birr
BoANR	15.049	7	38.055	11.5	58.105	14.8	67.243	12.4	138.685	20
BoH	44.306	20.8	87.280	26.4	100.351	25.6	70.230	13	53.548	8
BoE	50.122	23.4	37.151	11.2	54.429	13.9	57.707	10.7	98.465	14.4
RRA	16.529	7.8	45.952	13.9	51.114	13	79.232	14.7	90.353	13.2
Total	**212.739**	**59**	**330.806**	**63**	**392.232**	**67.3**	**540.568**	**50.8**	**685.374**	**55.6**

Source: Author's computation from BIS, BoFED, 2009.

Table 3.2 shows that the selected bureaus take 59%, 63%, 67.3%, 50.8% and 55.6% in 2003/4, 2004/5, 2005/6, 2006/7 and 2007/8 respectively from the total budget of the region. When we compare the selected bureaus, BoH took the highest share of the budget in three years from 2003/4 to 2005/6 that account about 20.8%, 26.4% and 25.6% of the total budget of the regional bureaus respectively except some decline in 2006/7 and 2007/8 due to given more attention to BoANR by the regional government for supplying agricultural inputs, capacity building of the agricultural development workers and farmers and also to construct its bureau at region. BoANR also took almost constant proportion of the budget except some decline in the year 2006/7; RRA took 7%, 19%, 13%, 14.7% and 13.2% of the total budget of the regional sectors respectively. This gives us a clue on the regional government's area of priority that changes from time to time to address urgent regional problems.

This reveals that the allocation of budget in the region was earmarked to the four major sectors who have a lion's share in the regional budget intended towards capacity building programs through the expansion of different levels of education, to promote healthy and productive people through giving attention to expand different level of health institutions, to improve agricultural productivity and expansion of communication through improving rural roads in the region.

3.7. Legal and procedural basis of budget management in the region

Budget is the tool through which resource is allocated and Macro-economy frame work is managed. Therefore, it needs the legal basis which allocates duties and responsibilities to public bodies and controlling agencies of the government.

The legal basis of budget allocation should enforce mainly the system of revenue generation, source of budget, appropriation, and expenditure mechanisms. It is assigning the responsibilities and duties that the public bodies accomplish.

As mentioned above the publication of budget in the country goes back to 1945EC, but the consistence, availability and planning activities are not strong and clearly publicized. This paper tried to see the process from 1990s, or post-1999.

In 2004, the amended and updated the financial proclamation was issued. Following the constitution article 55 sub- article 1 of FDRE, it authorizes the government to pass laws on different activities of the country. As of this general legal back ground, proclamation No 57/1996 concludes the budget system of the region, under financial administration of Ethiopia. The sub-articles which articulate the budgeting system are stated as follows:

Article 15 of proc No 57/1996; formulating and ceiling of the budget, which stated about the formats for budget submission and the annual ceiling and the criteria on which budget submission are to be based on, also it concludes the preparation of public investment program by BOFED. In article 16 of the proclamation, budget approval and notification is issued, that the budget is approved by council of people's representatives. The budget transfer is permitted between recurrent and capital, but not between capital and recurrent (article 17). The possibility of budget transfer with in public bodies is put under article 18, and the BOFED may delegate to heads of public bodies the power to transfer funds with in recurrent or with in capital expenditures.

In article 19 of the proc, the regional cabinet authorized the possibility of transferring funds from the capital budget of one public body to the capital budget of another public body. Article 20 is about the transfer of emergency expenditure which may be funded from the provision of unforeseen expenses, with the approval of regional cabinet. The supplementary budget can be authorized by council of the region on the approval of regional cabinet and is issued under article 21. Article 22 of the proclamation stated about delay in budget approval. When the budget is not approved before the beginning of the fiscal year, BoFED may continue to disburse funds on the basis of last year's approved capital and recurrent budget.

In addition to the proclamation, further detail of the financial administration is issued in regulation prepared by BOFED, (reg. No 17/1997). This regulation mainly includes responsibilities of BOFED to prepare a fiscal plan, and also to formulate and distribute directives that give further details of government's financial polices in all areas covered by the regulations. In article 18 of the regulation, heads of public bodies are required to maintain a register of appropriations, allocations and authorized transfers for each budget head and sub head and for each project; and they are also required to provide information to BOFED to enable central control over budgetary funds.

Article 23 of the proclamation describes as individual head of budgetary sectors are accountable and have a responsibility to implement the financial management according the stated articles of the regional proclamation.

Article 74 of the proclamation describes also the financial reporting system of the regional governments are required to correspond with those of the federal government, and to conform to any reporting requirements of the council of ministers. BOFED is required to provide guidance and support to the regional governments to establish and maintain their financial reporting systems.

The regional governments are also required to provide regular reports to MOFED on revenues and expenditures, cash balance, outstanding debt and their performance against objectives using formats determined by MOFED.

MOFED is required to prepare consolidated financial reports for regional governments and submit those reports to the council of ministers.

MOFED is also required to maintain records of financial transfers and transactions between the regional and federal governments (Revised budget working manual, DSA, 2007; 6-8).

CHAPTER FOUR

Data Presentation and Analysis

4.1. Characteristics of respondents

This part of the study focuses on the characteristics of respondents selected from the four governmental bureaus of the region who have a role in the implementation of the newly adopted budget reform namely BoANR, BoE,BoH and RRA. The characteristics of all the respondents was tabulated in terms of the position they held in the respective bureaus, the number of service years they rendered, their level of education and sex as shown below.

Table4.1 the Distribution and some Characteristics of Respondents,

Name of organization	Position of respondents				Service year		Level of education			Sex	
	expert	Cost center head	Head of the sector	Total	5-10	11 and above	Degree & above	Diploma	12 complete	Male	Female
BoANR	5	15	1	21	7	14	19	2	-	14	7
BoH	8	19	1	28	9	19	25	3	-	20	8
BoE	5	13	1	19	4	15	16	3	-	15	4
RRA	2	7	1	10	1	9	8	2	-	8	2
Total	**20**	**54**	**4**	**78**	**21**	**57**	**68**	**10**	-	**57**	**21**

Source: Authors own survey 2009

As indicated in the Table above, there are all from the mentioned bureaus.57 or 73% of them are males and the rest 21 or 27% are females. It is possible to see that the proportion of females is very minimal which reflects the prevailing low participation of females in the planning and budget management affairs of the region. As shows in the same Table, the plan and budget affairs of the region are decided mainly by those degree holders (87%) and some diploma holders (13%). Regarding the service year of the respondents 73% of respondents have 11 and above year. From the above data, it is possible to conclude that the region will have more access to advanced qualified people for the future.

4.2. Budget utilization of the selected bureaus

Good financial management system and processes for tracking resources utilization are essential for budgetary sectors to make effective and efficient use of their resources. Taking this into consideration the one and major goal of the new budget reform is to ensure efficient and effective use of resource map with reference to the development plan of the region.

However, as illustrated in Table 4.2, the total budget approved for recurrent budget from 2003/4-2007/8 budget years to BoANR, BoE, BoH and RRA was Birr 58,813,920 Birr 64,962,254 Birr 90,962,254 Birr 105,730,000 and 107,850,299 respectively and the adjusted budget for these years was increased to Birr 67,806,667 Birr 78,850,280, Birr 106,503,036, Birr 109,137,814 and Birr 118,685,375. The actual expenditure for 2003/4-2007/8 budget years was Birr 57,845,205 Birr 65,280,484Birr 89,384,612 Birr 92,964,121 and Birr 97,682,888 which is 85%,82.7%,83.9%,85%,and 82% of the adjusted budget in five years respectively. The total unused budget in the five fiscal years by the four selected bureaus was Birr 77,825,862 which is an average of 16.2% of the adjusted budget.

To compare their share of unused budget among these sectors, the share of unused budget by BoH is 20.9%, 21.9%, 10%, 12%. BoE had the share of unused budget of 11.5%, 16.5%, 22%, 14%, and 14.2% in 2003/4, 2004/5, 2005/6, 2006/7 and 2007/8 respectively. However, the remain sectors (BoANR and RRA) are characterized with having unutilized budget below the above two sectors.

As indicated on 3.4 of chapter three, for these sectors having many development problems especially related with shortage of professionalisms and operational cost need more recurrent budget, this huge amount of unused budget occurred in the five fiscal years is suffered for the region. From the above finding, the researcher concluded that, there was a problem of budget approval especially on the supplementary phase by the government with out evaluating the begging approved budget and faced for the existed in effective and inefficient utilization of their recurrent budget by the sectors.

Table 4.2. Recurrent budget allocation and utilization of the selected bureaus (2003/4-2007/8))

Year	Sector	Request budget Birr	Approved budget Birr	Adjusted budget Birr	Actual expenditure Birr	Balance Birr
2003/4	BoANR	12,780,876	5,789,000	7.841,551	7,643,134	198,417
	BoH	97,876,678	29,123,534	32,052,401	25,346,400	6,706,001
	BoE	54,987,345	21,709,000	25,453,933	22,627,653	2,826,280
	RRA	7,435,675	2,192,386	2,458.782	2,228,018	230,764
	Sub Total	**173,080,574**	**58,813,920**	**67,806,667**	**57,845,205**	**9,961,462**
2004/5	BoANR	14,657,786	6,790,254	8,115,300	7,591,846	523,454
	BoH	87,453,324	27,453,000	33,202,758	25,941,010	7,261,748
	BoE	67,453,000	28,739,000	34,629,222	28,913,640	5,715,582
	RRA	5,343,254	1,980,000	2,903,000	2,833,988	69,002
	Sub Total	**174,907,364**	**64,962,254**	**78,850,280**	**65,280,484**	**13,569,796**
2005/6	BoNR	13,657,900	10,887,524	12,342,706	11,183,951	1,158,755
	BoH	95,764,006	31,009,324	34,890,477	31,380,024	3,510,453
	BoE	91,765,234	45,846,000	56,100,384	43,721,662	12,378,722
	RRA	6,345,222	2,340,900	3,169,496	3,098,975	70,521
	Sub Total	**207,532,362**	**90,962,254**	**106,503,063**	**89,384,612**	**17,118,424**
2006/7	BoANR	15,654,345	14,980,079	15,820,000	11,567,968	8,747,968
	BoH	96,254,666	36,780,000	37,632,441	33,188,180	4,444,261
	BoE	87,345,333	50,782,532	52,397,658	45,018,936	7,378,722
	RRA	6,546,700	3,187,389	3,287,715	3,189,037	98,678
	Sub Total	**209,801,044**	**105,730,000**	**109,137,814**	**92,964,121**	**16,173,693**
2007/8	BoANR	14,765,333	15,000,890	17,944,657	13,607,123	4,337,534
	BoH	98,555,859	39,654,900	42,623,127	32,560,837	10,062,290
	BoE	90,543,800	48,905,509	53,227,485	45,656,912	7,570,573
	RRA	6,780,745	3,789,000	4,840,106	3,808,016	321,090
	Sub total	**210,645,737**	**107,350,299**	**118,635,375**	**97,682,888**	**21,002,487**
	Grand-Total	**971,967,084**	**336,856,473**	**480,983,172**	**403,557,310**	**77,825,862**

Source: Own survey from BoFED (BIS)-2009

The same problem was faced in the approval and utilization of capital budget in the region. As clearly stated in Table 4.3 below, the total allocated capital budget from 2003/4-2007/8 for the selected bureaus was Birr 29,802,565, Birr 78,199,000, Birr 93,443,600, Birr 66,177,888 and Birr 147,120,000 while the adjusted budget was increased to Birr 48,198,558, Birr130, 054, 246, Birr 157,496,195, Birr 165,274,712 and Birr 263,365,338 respectively of the adjusted budget through budget transfer and appropriated supplementary budget. The actual expenditure for 2003/4-2007/8 budget years was Birr 32,889,515 Birr 114,072,693,Birr 122,424,595, Birr 135,647,315 and Birr 233,466,779 which is 68.2%,87.7%,77.7%,82%,and 88.8% of the adjusted budget in five years respectively. The total unused budget in the five fiscal years by the four selected bureaus was Birr 125,436,402 which is an average of 16.4% of the adjusted budget. To compare among these sectors, the share of unutilized capital budget in BoNR is26.2%,12.6%, 19.2%, 20.6%, 11.4%, in BoH 23.3%, 26.7%, 63.8%, 18.8%, and 42%. In BoE 71%, 19.3%, 29.4%,84.7and 24% , in RRA 0.7%, 2.3%, 1.7%,0.1% and 0.3% in these five fiscal years. As indicated the above data, BoH , BoE and BoANR have the share of huge unused budget within these five fiscal years.

However, as stated in 3.4 of chapter three, these sectors have critical infrastructure deficit and having serious focused on the regional strategic plan to minimize these problems, this huge amount of unused budget occurred in the five fiscal years is also suffered for the regional development. From this data the researcher concluded that there is the problem of ensuring effective and efficient utilization of resources as the reform needed.

Table 4.3 Capital budget allocation and utilization of the selected Bureaus (2003/4-2007/8)

Year	Sector	Request budget Birr	Approved budget Birr	Adjusted budget Birr	Actual expenditure Birr	Balance Birr
2003/4	BoANR	13,700,900	4,765,000	7,207,400	5,316,909	1,890,491
	BoH	45,000,000	8,324,000	12,253,492	9,402,188	2,851,304
	BoE	31,987.678	7,000,565	14,667,666	4,204,671	10,462,995
	RRA	71,896.000	9,713,000	14,070,000	13,965,747	104,253
	Sub Total	**58,804,784**	**29,802,565**	**48,198,558**	**32,889,515**	**15,309,043**
2004/5	BoANR	87,999,524	19,000,000	30,406,700	26,577,718	3,828,982
	BoH	8,908,655	2,000,000	3,947,990	2,893,810	1,054,180
	BoE	109,987,232	27,866,000	52,650,512	42,494,557	10,155,955
	RRA	120,675,242	29,333,000	43,049,044	42,106,608	942,436
	Sub Total	**327,570,653**	**78,199,000**	**130,054,246**	**114,072,693**	**15,981,553**
2005/6	BoANR	90,000,444	28,000,760	45,762,112	36,982,112	8,780,000
	BoH	51,845,563	4,777,900	19,538,482	7,079,682	12,458,800
	BoE	98,565,234	25,777,000	44,251,029	31,250,029	13,000,800
	RRA	93,000,456	34,888,000	47,944,572	47,112,572	832,000
	Sub Total	**333,411,467**	**93,443,600**	**157,496,195**	**122,424,595**	**35,071,600**
2006/7	BoANR	101,752,000	22,666,000	51,422,960	40,828,025	10,600,935
	BoH	59,655,345	9,231,888	20,074,840	16,294,840	3,780,000
	BoE	35,877,565	1,500,000	17,832,340	2,719,813	15,112,527
	RRA	154,783,000	32,780,000	75,944,572	75,810,637	133,935
	Sub Total	**352,067,910**	**66,177,888**	**165,274,712**	**135,647,315**	**29,627,397**
2007/8	BoANR	205,783,000	79,000,000	120,739,961	106,934,760	13,805,201
	BoH	19,666,098	4,120,000	11,924,499	6,924,199	5,000,300
	BoE	87,583,000	21,000,000	43,188,000	32,824,232	10,363,768
	RRA	134,000,999	43,000,000	87,512,878	87,235,368	277,510
	Sub total	**447,033,097**	**147,120,000**	**263,365,338**	**233,466,779**	**29,446,779**
	Grand-Total	**1,518,887,911**	**414,143,113**	**764,389,079**	**638,952,677**	**125,436,402**

Source: Author's survey from BoFED (BIS)-2009

Although the goal of the reform is to ensure effective and efficient utilization of resources map with reference to the development plan of the region, the above data in Table 4.2 and Table 4.3 shows that there is high amount of difference between approved, adjusted and utilized budget. This indicates also that there was a problem of resource allocation and utilization in the region as the reform needs.

According to the above data and evidences received from documents, the reform was welcomed by the regional government, the budget structure is revised as the reform needed, BIS was installed to all public sectors and training was given related with the reform as well as related with BIS and IBEX to all concerned bodies at the beginning. In addition to this, starting with the new budget management reform (2004), budget allocation is decentralized to cost center level in all government sectors included the sampled sectors.

However, as indicated in 3.4 of chapter three, even the region has faced with critical development problems those demands more recurrent and capital resources especially with those strategically prioritized sectors, the budget utilization of these sectors as sown in table 4.2 and 4.3 of chapter four is faced with the problem to ensure effective and efficient utilization of resources by the sample sectors. Therefore, the researcher was investigated those challenges and problems affected to implement the reform in the region as follows.

4.3. Capacity of the selected bureaus to implement the budget reform

The effectiveness of the implementation of budget reform largely depends on the quality and skills of the reform implementers. Managers and employees at all levels within the sectors/cost centers should have a clear knowledge and experience about budget management. They should know that the intended plans and expected results could be achieved only through the availability and adequacy of skilled man power and related materials in the sectors to perform the reform. Therefore the researcher had focused to investigate in areas of educational level of existing employees compared with the required vacant position, training situation, stability of employees in their working area, status of using computerized budget information system (BIS) and the current contribution of BoFED to strengthen the reform in the region.

4.3.1. Educational level of the employees in the bureaus

It is widely believed that the level of education of employees plays a cardinal role in materializing the intended budget reform within a sector.

As indicated in Table 4.4 below, 78.3% of the vacant positions of the selected bureaus are occupied by degree holders, 70.2% of the vacant positions are occupied by diploma holders and the rest 54.8 of them by grade 12 completes. To compare among sectors, RRA was well occupied by 87.3% of its degree and above vacant position and the next is BoH with 80.9%. BoE was 74.7 and the last was BoANR occupied by 64% of the same vacant position. As the researcher's findings from the interview and the questionnaire, 85.9% of the respondents confirmed that the flourishing private and government colleges and universities which are providing distance and extension education programs have contributed much in the improvement of the staff profile of the bureaus. This shows that, since the majority of employees are (70.7%) degree holders, the researcher believes that it is possible to accomplish the reform properly.

Table 4.4 Educational level and vacant position of the selected Bureaus (2004-2008)

Sector	Educational Level required	Vacant position	Occupied position	
			Number	%
BoANR	Degree and above	502	321	64
	Diploma	97	80	82.5
	12 complete	38	21	55.3
BoE	Degree and above	498	372	74.7
	Diploma	116	74	63.8
	12 complete	65	38	58.5
BoH	Degree and above	2590	2095	80.9
	Diploma	1115	849	76
	12 complete	125	64	51
RRA	Degree and above	236	206	87.3
	Diploma	112	75	67
	12 complete	42	25	59.5
Total No and Ave.%	Degree and above	3826	2994	78.3
	Diploma	1440	1011	70.2
	12 complete	270	148	84.8

Source: BoFED'S Assessment report, 2009

4.3.2. Employees training on budget reform

To exercise the newly launched budget reform, educational level of employees alone cannot bring about the desired goal. Side by side, updating employees with modern technologies and systems is mandatory. Taking this in to consideration, according to BOFED's annual report of 2005, majority of the concerned staff members of the regional bureaus have taken initial training in 2003 on the newly introduced budget reform and BIS with the help of BoFED and DSA project.

However, according to BoFED's assessment report of 2008, the current situation of the selected bureaus indicates that an average 68% of the existing employees have not taken the training on budget reform and the remaining 32% of them have taken the training of the reform in the selected bureaus. The reason for the presence of low number of trained employees in the selected bureaus, as confirmed in the report and supported by 68 or 87.2% of the respondents was, because of high turnover rate of trained employees in the region.

4.3.3Stability of employees

Instability of the work force is also one factor which adversely affects the capacity of the bureaus to implement the newly adopted budget reform. BoFED's assessment report of 2008 and the majority of respondents believed that there was high turnover rate of employees in the region. As respondents responded for the question to explain the reason for the existence of high turnover rate of employees through the questionnaire, 62 or 79.5% of them agree with the prevalence of uncompetitive salary scale in the government bureaus and the presence of better working conditions and attractive payment in NGOs, colleges and universities.

The high turnover rate of medium aged employees who could vibrant in implementing the reform was another notable problem observed during the study. As indicated in Table 4.6, and as confirmed in Table 4.5, 65or 83.3 % of respondents responded, the share of turnover of employees with middle aged (26 - 45 years old)have the highest share in the selected bureaus. As the assessment report of BoFED of 2009 stated and as 63 or 80.8% of respondents agreed, the reason for the high turnover rate of the middle aged employees was because these have relatively wide employment opportunities than the older and fresh employees. The same report indicates that the rate of turnover in the region was high among medical doctors from government hospitals, engineers from RRA and instructors from government colleges of BoE.

Another problem faced by the region, as forwarded by the focal person of the budget reform and plan and budget department head of BoFED through interview and as 64 or 82% respondents agreed was, because there was absence of knowledge transfer culture and handing over problem of training manuals from the trained and experienced employees to new and inexperienced employees of the regional bureaus.

Table4.5. Age Vs turnover rate of employees in the selected bureaus (2004-2008)

Sector	Age	Number of employees replaced					Average replaced within five years per sector
		2004	2005	2006	2007	2008	
BoANR	≤ 25 years old	3	1	-	3	2	1.8
	26-45 years old	12	8	6	11	13	10
	≥ 46 years old	5	3	6	2	1	3.4
BoH	≤ 25 years old	-	9	3	1	2	3
	26-45 years old	12	21	19	23	11	17.2
	≥ 46 years old	4	6	2	8	1	4.2
BoE	≤ 25 years old	3	6	2	2	8	4.2
	26-45 years old	11	12	20	16	13	14.4
	≥ 46 years old	3	1	-	8	6	3.6
	≤ 25 years old	2	7	14	6	-	5.8
RRA	26-45 years old	17	9	16	13	10	13
	≥ 46 years old	5	-	8	9	4	5.2
Total	≤ 25 years old	8	23	21	12	12	3.8
	26-45 years old	52	50	61	63	47	13.7
	≥ 46 years old	17	10	16	27	11	3.5
	Total replaced employees	**77**	**83**	**98**	**102**	**70**	**7.2**

Source: BOFED'S combined report, 2009

4.3.4. Access to computerized budget information system (BIS)

To enable the sectors to have accurate data and timely budget communication, to prepare consolidated budget and other relevant advantages, computerized BIS was installed and training was given to the majority of regional sectors including the selected bureaus by BoFED in cooperation with DSA project. However, the researcher had observed that the BIS were not functional in all of the selected bureaus. The reason, as the majority of the respondents replied and as cross cheeked by the researcher from the sector's human resource structure, was because there was no any vacant position of data processor responsible to operate this soft ware in their approved civil service structure.

4.3.5. The role of BoFED to strengthen the capacity of the bureaus

Another problem which contributed to the prevalence of low capacity in the region to perform the reform is the problem faced in BoFED itself. BoFED is the only responsible body for smooth implementation of the ongoing budget reform within the region. It is mandated to lead a budget reform by designing the training manual, redesigning the budget structure of regional sectors and *woredas* of the region in accordance with the reform. Facilitating and giving refreshment training to budgetary sectors, installing necessary software and necessary materials needed to carry out the reform, timely follow up and taking corrective actions if necessary, are all entrusted upon it.

Practically however, the role of BoFED to strengthen the budget reform in the region was found to be weak and it was not playing its role as per its responsibilities. As respondents responded for the question asked to tell the degree of support of BoFED to strengthen the budget reform in the region, 58 or74.3% of them agreed that the support was weak and 20 or 25.7% of them responded that the support was average. This response was cross checked by raising the same question to the focal person of the reform and plan and budget department head of the bureau where both agreed that the support was weak and confirmed that BoFED was not able to play the expected role.

The main reason for the weak contribution of BoFED, as the key informants responded during the interview, was because there was the problem of sustainability or frequent restructuring of the bureau including the responsible department called plan and budget department and high turnover of senior and experienced plan and budget experts.

Table 4.6 Summary of responses related to capacity of the selected bureaus

S/N	Issues and Responses	Frequency	Responses %
1	Reasons if there is presence low number of trainees in the selected bureaus • high turnover of employees • No reason	68 10	87.2 12.8
2	Training situation in the region related with the reform: • Lack of adequate training materials and continuous refreshment training and • Unconsciousness of employees to skill up them selves	71 7	91 9
3	Culture of knowledge transfer and handling over of training manuals in the selected bureaus: • Absence • No feedback	64 14	82 18
4	Turnover rate of employees in the selected bureaus: • High • Average • Low	42 26 10	53.9 33.3 12.8
5	If high turnover of employees in the bureaus, the reason • Prevalence of uncompetitive salary scale in government bureaus and presence of better working conditions in NGOs, colleges and universities. • Personal interest and the freedom of employees to in and out.	62 16	79.5 20.5
6	Share of turn over related with age and experience: • Old enough • Middle age • Least age	5 65 8	6.4 83.3 10.3
7	If there is high turnover share in middle age employees, reason • Wide employment opportunity than others • No reason	63 15	80.8 19.9
8	The degree of support of BOFED in strength the reform in the region: • Strong • Average • Weak	0 20 58	0 25.7 74.3
9	Current condition of BIS/IBX in the selected bureaus • Un functional	78	100%

Source: Own survey -2009

From the above findings, it is possible to conclude that the capacity of the sectors in the region is very limited. The region is highly challenged by lack of capacity to implement the reform due to the above mentioned reasons. The above weakness related with the capacity of staff have an implication for implementation of the new budget reform in that relative with effective utilization of resources, timely reporting the consolidated budget using IBEX and have negative impact to sustain the reform. Unless the capacity of budgetary sectors is improved to implement the reform, ameliorating the development problem of the people in the region is impossible by simply providing sufficient budget without sustain and strengthen the reform.

4.4. Autonomy of budgetary units in their budget management

Following the declaration of the regional level decentralization of budget reform, not only the region but also bureaus and cost centers of the regional bureaus were also autonomous to decide on the preparation, allocation, utilization, and management of their budget to provide those development plans determined in the decentralized framework.

Long before the introduction of the reform, budget was allocated to an overall set of activities of the bureau rather than to the individual departments responsible for the execution of the activity and the autonomy for transfer and expending of budget was given to the sector heads by declaration. The newly launched budget reform has devolved the autonomy for expending and transferring of budget to the cost center. In practice however, no autonomy was devolved top to bottom and the statuesque was maintained where the authorities at grassroot level are still subject to sectoral bureaus. This was fully confirmed by majority of respondents. This gives a clear picture on the failure in the application of the reform with regarding effects the achievement of the intended reform. Ultimately, it manifests that the autonomy devolved to cost centers was merely put in proper but not in practice.

Table4.7 Summary of responses related to autonomy of the selected bureaus

S/N	Issues and Responses	Frequency	Responses %
1	Cost centers are full autonomous to manage their budget • Strongly agree • Agree • Disagree • Strongly disagree	 - 78	 - 100
2	Budget transfer from expenditure item to expenditure item with in a cost center both to recurrent and capital budget of one project done by, • Bureau heads • Cost center head them self	 69 9	 88.5 11.5

Source: Own survey -2009

Based on the finding, the researcher concludes that the first task of the reform should be to actually practice the stated autonomy at all levels without which the declared autonomy cannot be a success.

4.5. Functions and responsibilities of different organs in budgeting process.

The rationale behind undertaking the reform was with the firm belief to clearly identify the responsibility to be shouldered concerned bodies. With this in mind, the investigator tries to assess the current situation of functions and responsibilities of the regional government and budgetary units of the sectors focused on the areas of the influential body in budget preparation, the influential body in budget appropriation and also status of monitoring and evaluation related with the principle of the reform.

4.5.1 The influential body in budget preparation

Before the reform was introduced in the regions, budget was allocated to an over set of activities of the bureau rather than the individual departments responsible for the execution of the activity. Therefore one of the objectives for the reform was to map the budget in a consistent and adequate manner with in a departments / cost centers to ensure allocation of specific budget for specific activities, to link capital and recurrent budget within specific program and to encourage cost centers by full participation during budget preparation and allocation.

This in mind, preparation of the budget by sectors starts immediately after receiving budget call and pre-ceiling from BoFED in the form of Block grant. The bureaus are required to prepare their annual plan and budget request at cost center level by cost centers based on detail line item expenditures and budget type rather than sectoral level of and also the bureau head coordinate with cost centers will investigate the budget request from cost centers, prioritize the budget and plan for those cost centers and submit to BoFED.

Although, as depicted in Table4 .8, 45 or 57.7% of respondents responded that the head of the sector plays greatest role to determine the preparation and allocation of budget among competing needs in the cost centers and expenditure items with in a cost centers however, its task/ responsibility is to guide and lead cost centers in their budget management. 23 or 29.5 % of respondents responded as the plan and budget department of the sector is the second influential party than cost center heads to decide in each activity of budget process which its task/responsibility is to provide expertise assistance to the sector head and cost centers, related with planning and budgeting, to consolidate the decided plan and budget and to consolidate and report physical and financial performance of the sector. 8 or 10.3% and 2 or 2.5% of respondents believed that the cost center heads and employees are third and fourth influential parties respectively. This mean that they are almost with no influence in the budget process with in bureaus though cost center head's task/responsibility is to determine its own budget.

4.5.2. The influential body in budget appropriation

The rationale behind undertaking the reform was with the firm belief to clearly identify the responsibility to the shouldered by each of every level of government and organizational units. As mentioned above, the regional council has the responsibility to appropriate approved budget by regional cabinet adjusting with the development plan of the region.

However, as indicated in Table 4.8 and cross checked from the key informants through interview, these parties have different levels of influences in the appropriation of regional budget.43 or 55% of respondents' responded that the main influential party in the appropriation of the budget is the regional cabinet which its task/ responsibility is to approve budget. 26 or 33% of respondents believed BoFED to be the second determinant in budget appropriation better than the regional council of peoples representative, though its task is to recommend the regional budget,. However, the regional council of people's representative, which is the highest governing body in the region and empowered to appropriate the annual budget and 9 or 12% of the respondents, believed that it had played the least role in the regional budget appropriation.

Table 4.8 Summary of responses related to functions and responsibilities different organs in processing

S/N	Issues and Responses	Frequency	Responses %
1	The main influential party in budget appropriation:		
	• Cabinet	43	55
	• BoFED	26	33
	• Council	9	12
2	Reasons for the limited role of regional council in budget appropriation, if limited		
	• Low capacity and limited skill	63	80.77
	• Have active role	8	10.3
	• Haven't any reason	7	9
3	The main influential party with in a sector in budget preparation:		
	• Head of the sectors	45	57.7
	• Plan and budget department of the sector	23	29.5
	• Cost center heads	8	10.3
	• Employees	2	2.5
4	Reasons for limited role of cost center heads and employees in budget process with in a sector if limited		
	• Low level of leaders attention to empower the grass root level of the bureau	41	52.6
	• Problem of externalizing the budget work by cost center heads and employees	37	47.4
5	Status of monitoring and evaluation practice with in a cost center:		
	• Adequate	12	15.4
	• Inadequate	66	62.6
6	The main influential party in monitoring and evaluation financial and physical performance of cost centers:		
	• Plan and budget department of the sector associated with head of the sector	60	77
	• Cost centers associated with their employees	18	23

Source: Own survey -2009

The reason for the limited role of the regional council of peoples representative to appropriate the regional budget as all of key informants agreed on their interview and 63or 80.77% of the respondents responded in their explanation on the questionnaire was that majority of the members (Council members but not cabinet members) are characterized by low capacity, limited skill and elected with a criteria to represent different civic associations and nationalities. 8 or 10.26% of respondents responded as they have active role and 7 or 8.97 % of respondents responded as they haven't any reason. For these this means it was difficult for the council members to ensure their participation according to their duties and responsibilities entrusted on them.

4.5.3. Monitoring and Evaluation

Subsequent to the amount of money specified in the annual budget to be released and began to be used; there should be needed continuous monitoring and evaluation. As the budget training manual indicated, monitoring and evaluation help cost centers to assess the status of the utilization of the budget for the intended purpose and take necessary early adjustment for deviation if any. However as indicated in Table 4 10, 60 or 77 % of respondents agreed through their questionnaire that monitoring and evaluation was made usually by plan and budget department of the sectors associated with the head of the bureau without any /limited involvement of cost centers and employees which they are responsible and accountable to use and timely monitoring of their budget related with their determined program.

The other factor which hinders proper evaluation and monitoring of budget in the quality of the report is the type of report submitted by the bureaus does not help to evaluate how the sector and cost centers are utilizing the budgeted resources for the intended purpose. Since most of the sectors and cost centers do not have the system of recording of the budget utilized, system of monitoring and evaluation associated with the performance of physical plan at cost center level and sector level. In this condition, the evaluation is simply a comparison of the physical plan activity with the actual performance without consideration of its cost at any level of budget units. And this implies one of the problems to perform the newly adopted cost center base budget reform in the region related with the responsibility of monitoring and evaluation the performance of their allocated budget and their physical plan at cost center level.

The reason for not applying a participatory approach in the sectors as the majority of key informants in the interview and 41 or 52.6 % of respondents confirmed in their questionnaire is that as there is low level of leaders attention to empower the grass root level of the organization in budget processing and 37 or 47.4 % of respondents responded as there is a problem of externalizing the budget work by the cost center heads and employees. This shows the poor performance of the decentralized budget management reform within the regional sectors.

4.6. Transparency

Transparency is always at the heart of accountability and participation of different concerned bodies according to their responsibility stated in budget reform and region's constitution in budget management system. In other words transparency in the newly introduced budget reform can be ensured through the involvement of concerned bodies and employees in budget decisions making process.

Following the cost center budget reform, not only the bureau but also cost centers are responsible to decide on the preparation, allocation, utilization, and management of their budget to provide those development plans determined in the decentralized framework. So one of the principles of the reform was to map the budget in a consistent and adequate manner within a department /cost centers through empowering those cost centers and employees in the above mentioned responsibilities .Among them, cost centers are responsible for preparing their budget request with their work plan to the sector head and to define their budget request in a formal budget hearing with BoFED. Then the researched has tried to investigate on the areas of clarity of roles and responsibility of these parties in budgeting process, Employees access to budget information within their bureaus and Participation of different parties in budgeting process as follows.

4.6.1. Participation of different parties in budgeting process

According to the reform, not only the bureaus but also cost centers are responsible to decide on the management of their budget. One of the principles of the reform was to map the budget in a consistent and adequate manner within a cost center through empowering them to participate in the above mentioned responsibilities. Cost centers are also responsible for preparing their budget request with their plan to the sector head and to define their budget request in formal budget hearing with BOFED. Then the researcher tried to see on the areas of the degree of participation in budget process, clarity of responsibility and access to know the budget information in the region.

With regard to the responses on the degree of participation of cost centers in budget hearing, 43 or 55% of the respondents replied that it was minimum 25 or 32% of them said that it was average and the remaining 10 or 13% of respondents responded that there was full participation.

Table4.9 Summary of responses related to Transparency

S/N	Issues and Responses	Frequency	Responses %
1	The role of the reform to improve participation of employees compared with the former budgeting system		
	• There is high improvement	6	7.7
	• There is limited improvement	72	92.3
	• No improvement	-	-
3	The reason for low participation of cost centers and employees in budget processing ,if low		
	• Lack of effort from the heads of the sectors	65	83.3
	• Lack of employees and cost centers willingness	55	70.5
	• Low awareness of employees and cost centers	49	62.8
	• Lack of mandate given to cost centers and employees	44	56.4
4	Announcement of appropriated budget to cost centers and employees:		
	• No announcement	40	51
	• Some times announcement	21	27
	• Properly announcement	17	22
5	Clarity of responsibility between different units in the budget and plan process of their sector:		
	• There is no problem of clarity of responsibility	66	86.4
	• There is a problem of clarity of responsibility	12	13.6

Source: Own survey -2009

As indicated in Table 4.9, a significant proportion of the respondents said that the involvement of cost center heads in the budget preparation of their bureau is minimal. This shows that although the involvement of cost center heads is required highly for the implementation of the budget, their participation in the budget preparation of their bureau is very low.

The respondent's response as depicted in the same Table shows also that employees of the bureau neither participate in budgeting process nor have awareness about the allocation and execution of the budget. Though the employees of the bureaus are the primary users of the bureaus, their awareness about how much and what proportion of the budget is appropriated and executed is very low. That is why the bureau heads are not able to empower the grassroots levels to participate in budgeting process.

The same Table presents the respondents who responded for the question asked to identify the reason for low participation of employees in the bureaus budgeting preparation. The first reason forwarded by 65 or 83.3% of them is lack of willingness from the heads of the sector to involve employees in budgeting process, 55 or 70.5% of respondents answered lack of willingness of employees and cost center heads. Lack of clear mandate given to cost centers and employees and low awareness of the employees about the importance of participating in budget preparation are selected third and fourth by considerable number of respondents (62.8% and 56.4% respectively). Therefore, one can learn from this finding that, the effort of the heads of bureaus to get the participation of their employees was very minimal. This problem seems to be the result of the cost centers and employees may not be willing to participate in the budget preparation due to low expectation from the heads of the bureaus or lack of awareness. These may not be willing to participate when they are discouraged by the past performance of their head.

4.6.2. Clarity of responsibilities

The other difficulty in the regional sectors is the absence of clear power sharing between the sector head, cost center heads and other parties of the sector. Their response as shown in the same Table above, it indicated that 66 or 86.4% of them are not clear about their power in the process of planning and budget management. That is, they will involve in planning and budgeting if only they are requested by the head of the sector.

However, there is a guideline which tells clearly the role and power of different parties including cost centers of the sector in the working manual during planning and budgeting in the sector. There is also clear systematic procedure of involving different parties in budget process of the sector. However, this problem seems to be the result from the absence of any legal arrangement which shows officials how the employees and cost center heads involved in planning and budgeting process.

It is possible to conclude the budget management of the region has a problem with regarding to clarity of responsibilities of cost centers and employees in budget processing and this situation can prevent the staff from either actively participation or exercising power in budget preparation and allocation.

4.6.3. Employees access to budget information

Following the adoption of budget reform in the region, bureaus are accountable to their outreach branches /cost centers and employees to announce their appropriated budget. However as depicted in the same Table below, 40 or 51 % of respondents responded as there was no any announcement; 21 or 27 % as there was some times announcement and 17 or 22 % as there was proper announcement of appropriated budget in their bureaus

In general, it is possible to conclude that the financial system and budgeting of the region is not transparent to cost center heads as well as to employees. This non transparent trend can contribute not to make the officials accountable to the employees and cost center heads.

4.7. Accountability

Devolution of power and responsibility to different budgetary units has to be complemented with accountability under circumstances in which accountability lacks, misuse and waste of public funds is inevitable. Therefore the researcher had focused on how cost centers and employees are accountable for proper utilization of their budget, administrative actions for those cost centers are not proper use of their budget.

However, the budget management of TNRS is characterized by weak accountability system. As shown in Table 4.12, for the question asked to tell if officials and employees are accountable for efficient, effective and economical use of the budget 10 or 12.8% the respondents responded as there is accountability while 68 or 87.2% of them responded as there is no accountability. Their response was cross checked by another question which asks what types of administrative actions are taken on the individuals for not using the budget efficiently and effectively. Majority of the respondents who believed in the exercise of accountability replied that the efficient or inefficient use of the budget will affect only the promotion of employees. Rather, efficient or in efficient use of the budget has never lead employees and officials to salary increment demotion or discharge from job. Key informants also agreed that they have never seen any employee or official promoted, got salary increment, demoted or discharged as a result of the level of resource utilization for the intended purpose.

The focal person of budget reform and plan and budget department head confessed that in most cases the utilization of budget or cost aspect is the most neglected part of performance evaluation in the region. They also explained that there is a good start in at least to recognize those bureaus which have utilized their budget effectively, efficiently and economically. However, the problem is no administrative action is taken on those who have not used their budget wisely. They explained further that there is no any guideline or legal procedures in thee reform manual which helps them to take such actions confidently specially at cost center level. Therefore it is difficult to say accountability exists in the regional budgeting system while any administrative action is not taken on those who used the budget improperly.

Table4.10 Summary of responses related to accountability

S/N	Issues and Responses	Frequency	Responses %
1	Officials and employees are accountable for effective and efficient utilization of their resources.		
	• Strongly agree	-	-
	• Agree	10	12.8
	• Disagree	68	87.2
	• Strongly disagree	-	-
2	Administrative actions are taken on the individuals for not using the budget effectively and efficiently:		
	• Strongly agree	-	-
	• Agree	12	15.3
	• Disagree	66	84.7
	• Strongly disagree	-	-

Source: Own survey -2009

The existence of accountability can be also depending on the level of transparency in the budgeting system and the capacity of the control system to address illegal and misuse of resources. This means that if there are the problem of transparency to play every concerned body according to their given responsibility and problem of capacity to control illegal and misuse budget management results minimum accountability.

From the above study, it is possible to sum up that there is marginal degree of accountability that resulted from the absence of binding legal framework at cost center level.

CHAPTER FIVE

Conclusion and Recommendation

5.1. Conclusion

According to some writers, decentralized budget reform is becoming a widely accepted belief in developing countries as a means of effective and efficient utilization of resources to achieve given objective. However there is no blue print for the implementation of budget reform in less developed countries with limited capacity like Ethiopia where budget reform becomes complex and involving a mix of procedural reforms and capacity building schemes (MoFED, 2005).

The experiences of different countries illustrate that decentralized budget management can provide more effective and relevant services and increases public sector responsibilities. However, if the grassroot levels are not provided with the capacity to manage their increased responsibilities and financial resources, decentralization could in fact lead to less transparency, less effectiveness and efficiency of resource management at grassroot level (Shecffer. 2005).

Decentralization Support Activities program (DSA) has taken several actions to carry out the reform properly in the region in areas such as, preparation of manual and guidelines, new budget structure, new code for expenditure items and new system of BIS/BDA to all regional sectors. In addition to these training was also given to those employees of regional and woreda sectors having a relevant assignment in the budgeting and planning activities on the new budget reform.

In 2004, the TNRS embarked on a comprehensive civil service reform program to address the weakness of public expenditure management versus development planning in the region at different levels of the government sectors. Among others of the civil service reform, budget reform has been attempted with the support of DSA to improve effective and efficient utilization of resources through empowering grass root participation at different levels of government and within one government sectors.

Despite all these policy measures, budget management remains a continuous problem of the region. To identify the causes and extents of these problems, survey has been undertaken in four selected sectors related with the assessment and implementation of the newly adopted budget reform. The survey employed structural questionnaire with close-ended and open-ended questions and interviews. This analysis was also supported by secondary data collected from various documents of different institutions.

The research finding has identified several problems regarding the implementation of the budget reform in the region. Among others are, inefficient and in effective utilization of resources, lack of integration between budget and development plan, lack of accountability and transparency for the use of funds, limited capacity of public sectors, weaknesses among the different functional units assigned in the budget process to perform the reform according to the duties and responsibilities given by the proclamation and the reform, problem of empowering the concerned bodies to play their role according to stated responsibilities and also lack of stated legal frameworks used to support effective budget management within cost centers, which all adversely affected the proper implementation of the intended reform.

Based on the findings of the study, the following conclusions can be drawn.

- In order to discharge the responsibilities vested among different level of organizations the government sectors are structured according to requirements of the reforms. With regard to the restructuring of the sectors, there is no any problem faced in the region to perform the budget reform. The effectiveness of the implementation of budget reform cannot be ensured only by structuring of the sectors only but it also depends on the quality and skills of the staff. According to the researcher's finding, most of the structure of the selected bureaus was filled with the qualified personnel. However, due to high turnover of employees, lack of knowledge transfer experience and lack of continuous refreshment training were found to be the main causes for the presence of low capacity in government sectors to handle the budget reform properly in the region.

- Based on the data from 2004 to 2008 fiscal year, the financial situation of the region was characterized by a continuous increase in expenditure that resulted from the need of salary for new employees, market inflation to material purchasing, salary increments and high need of the region's development objectives. In addition to this there is also proportional increase of own revenue, federal subsidies and foreign assistance to cover the regions development needs. With regard to financial situation, the recurrent budget had the largest share of the total budget while the proportion allocated to capital budget was meager. The study had also found out that the largest problem of the annual expenditure was appropriated to key development sectors namely, BoANR, BoH, BoE and RRA.

- The utilization of the budget in the region was found to be not at good status both to the recurrent and capital budget. Series problem was observed in the utilization of capital budget year to year and the finding indicates that there was high budget transfer and unused budget had occurred in all fiscal years. This also implies that the budget allocations of the region had its own problem related with mapping the budget and development plans in a consistent and adequate manner.

- According to the findings, the serious problem of the region was not the shortage of budget rather absence of capacity of officials at different levels of the region, lack of accountability for failure to fully utilize of the allocated funds properly, the problem of interference of different bodies beyond their responsibility and the problems of externalizing their assignments and in the budget process at all levels of concerned bodies.

- Although the framework for check and balance was established, the role of the regional council in the budgeting process, as explained in the discussion, was nominal due to lack of capacity and lack of clarity of their role in budgeting. This is mainly because the majorities of the members of the regional council (other than cabinet members) were uneducated and were elected only to represent the civic organizations and nationalities in the region. This was also a central problem that hindered the proper and timely implementation of the reform.

- BoFED, the only responsible government body which has a mandate to lead the reform by providing training for budgetary sectors, realign the structure if necessary, installing software related with the reform and follow up the implementation of the reform have not played its role due to unsustainable structure of its bureau and department too. So, according to the researcher's finding, the unsustainable structure had also its own contribution for the failure or delay to implement the reform.

5.2. Recommendation

Based on the finding of the research, the following recommendations are forwarded.

- Introducing and implementing a system of accountability is vital for the success of the reform. To this end, there should be a clear and binding rule in the regional constitution in plane of the working manual for all cost centers and employees at grassroot level. Side by side with the formation of a rule, way and means should be decide by which cost centers could be accountable to the employees and their heads and similarly bureau heads to government and its lower level budgetary units in issues related budget management.

- The regional council has the supreme authority with regard to budget appropriation and taking of corrective actions by check and balance of its performance and revising of necessary rules and regulations. However, weaknesses were witnessed in practicing its expected duties and responsibilities that earmarked from lack of capacity. Thus, to alleviate the existing problem, the researcher strongly recommends the provision adequate capacity building schemes like training and orientation to the members of the council on regular basis.

- In principle, BOFED is the leading bodies to implement the reform, produce manuals, and provide training to the implementers and to establish rules and regulation for the reform. Practically however, BOFED had faced certain limitation to exercises these bold objectives due to turn over of employees and the frequent restricting of the bureau specially the budget & plan department. Therefore, to alleviate the turnover problem, measures like capacitating the work force through training and provision of attractive salary are recommended. With regard to the issue of frequent restructuring BOFD is required to produce a relatively lasting, workable and sustainable structure.

- In the same token, bureau heads have the responsibility to transparently apply the reform in their respective sectors through improving cost centers and employees. However, to finding had shown that there was monopoly of power by the heads that did not invite the grassroots level to participate in the application of the reform. Thus the researcher recommends the heads to clearly understand and be governed by the rules and regulation of the reform and thereby create conditions that enable their subordinates to act accordingly.

- Cost centers and their employees have a gives autonomy on their respective areas to exercise the responsibility entrusted upon them. However, grate problems have been manifested in terms of high turnover of employees, absence of planned refresher program and absence of the experience if transferring knowledge and training materials to new employees. Thus, measures like introducing attractive salary payments the financial capacity of the region should be devised so as to retain experienced work force. Since raining plays a pivotal role in empowering the capacity of the work force, capacity building training programs should be conducted to all employees to equip them with the necessary skills appropriate for their specific tasks. There should also be a mechanism by which training materials could be stored in the respective cost centers and trained personnel could disseminate their accommodated knowledge and experience to other untrained employees

- Aiming at having accurate and reliable data, produce a timely budget report and consolidated budget at different budgetary units, the reform demands the introduction of computerized BIS in each of the bureaus. However, the regional bureaus had no a responsible body to undertake the task. The human resource structure in the bureaus does not have data encoder for the BIS. Therefore, to get rid of the consequent problem, the researcher recommends the inclusion of the said position in the structure of the regional bureaus.

Finally, it is important to note that all of the aforementioned recommendations will not be effective without the commitment of political leaders, sector heads and cost center heads. The commitment of the above concerned bodies is necessary to comply and enforce rules, regulations, procedures, budget schedule and systematic budgeting.

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Appendix 1

The study focused on the implementation of cost center base budget reform which is applied since 2004. The new budget reform was started and many experts had taken the training. According to the reform, the study focused on the assessment of the reforms implication in order to recommend for its weakness sides. Therefore, please give your opinion on the newly budget reform in order to achieve the objective of the study.

Remarks

- Your name is unnecessary for the study
- Please, circle your response
- Please, don't give me make than one answer.
- Put the rank for the questions which are raised to put steps (ranks)
- Cost center refers for the expenditure center which is found under the sectors and this is out of the BPR structure.

I thank you very much for your time scarifications.

1. Sex—Male-----------------Female-------------

2. Age--

3. Your position--------------------------------

4. For how long stay on this position? ---------------------

5. How is your position?

   A. Through political assignment   B. through professional position

6. How is your academic status?

   A, complete grade 12   B, certificate   C, diploma   D, degree and above

7. Please, write your field of you was certified --

8. For how long you participated on the governmental budget preparation and administration as well? --

9. Did you taken training on government budget administration?

   A, yes   B, no

   If your response for question No. 9 is "yes"

   A, The kind of the training---

   B, for how long was the training --

10. Did you taken training on the cost center budget reform?

   A, yes   B, no

   If your response for question No. 10 is "yes", how was the training?

   A, excellent   B, very good   C, good   D, not satisfactory

11. There were prepared different manuals which are used for the purpose of the budget reform. How are they?

   A, at the nice manner   B, it is satisfactory   C, it is not good

12. Do your organization/ cost center have enough capacity/human and material/ to manage the cost center based budget reform?

A, yes B, no

13. How do you evaluate the degree of turnover of employees in your organization?

A, high B, medium C, low D, no

If your answer for question No 13 is high/medium, how can you see the side effect? With the implementation of the new budget reform please explain------------------------

----

Please explain the reason for high turn over of employees in your bureau----------------

----

14.Share of turn over is high among:

A, least age employees (25and below) B, Middle age (26-45)

C, Old enough (46 and above)

Please explain the reason for your answer--

15. How do you evaluate the culture of knowledge and handling over of training manuals Specially related with the new budget reform among employees of your organization?

A, always present B, Some how C, no culture

16., How BOFED supports your organization to strengthen budget reform?

A, Excellent B, very good C, good D, no

17. Is your bureau used the new budget information system (BIS)?

A, yes B, no

If your response for question No. 17 is "yes", how can you see the system on Managing the budget effectively and efficiently?

A, It is very important   B, It is moderate important   C, it is less important   D, it is no important

If your response for question No. 35 is "no", what is the reason?

---

18. Depending on requirement of the budget reform, what your opinion on the academic status of the structure in your organization?

    A, it is more than enough   B, it is satisfactory   C, it is not satisfactory

19. What is the workers' (professionals') interest on the new budget reform?

    A, It develops the workers' ownership on the work

    B, there is no change with the previous system of work

    C, it is boring

20. Depending on the current capacity of your organization, what is the side effect on the management of the new budget in your bureau?

    A, there is high negative side effect due to lake of experienced workers

    B, there is moderate negative side effect due to lake of experienced workers

    C, there is no negative side effect due to lake of experienced worker

21. Do you believe the new budget reform ensured the budget division /allocation among cost centers is according to the development plan?

    A, yes   B, no

    If your response for question No. 21 is "no", what is your reason?

    ----

22. How do you evaluate the degree of integration between policy, planning and recurrent and capital budgeting in your organization comparing the old budgeting system?

A, High C, Medium B, no change

If your answer for question No 22 is "YES' please explain--------------------------------

----

23 Does the budget preparation in your organization being from organizational goals and annual plan as well as objectives?

A, yes B, no

24. Do you believe that the new budget reform strengths performance budgeting as compare as the old budgeting system?

A, yes B, no

If your answer for question No 24 is "yes", please explain---------------------------------

----

25. The new budget reform is ensured the linkage between capital and recurrent budget with in specific programs of cost centers.

A, strongly agree B, agree C, Agree D, Disagree E, Strongly disagree

26. Do you think a new budgetary reform at the regional level would necessary to improve public bodies' program results?

A, yes B, no

27. Does the allocated budget serve as a performance measurement tool in your Organization/ cost center compare to the old system?

A, yes B, some how B, no

28. The main influential party in budget appropriation of the region.

A, Council of people's representative B, Cabinet C, BoFED

Please explain in detain for your answer of question No 28---------------------------------

29. How was your degree of participation on the preparation of sect oral/your sub- sect oral plan and budget?

A, high B, medium C, low D, no

If your response for question No.29 is "high" how you're participated?

If your response for question No. 29 is "no", what your reason?

----

30. Who has great role in order to participate on the plan and budget preparation?

A, head of the bureau B, head of the cost center C, management team

D, all staff E, if others---

31. How often the head of cost centers participated on the budget preparation?

A, they have enough participation

B, they participate rarely

C, they have least participation

D, no participation

If your response for question No.31 is "least /no participation", what is your reason?

A, Lack of awareness B, problems of externalizing by cost centers C, lack of ledgers attention D, Ignorance of higher officials E, If other----------------

32. How much degree of freedom for the head of the cost centers in order to manage their own budget?

A, full freedom B, limited freedom C, they have not freedom

If your response for question No.32 is "they have not freedom" what is your reason?

33. How often, the head of the cost center and his/here colleagues, evaluate the plan and its achievement?

A, both the plan and budget achievement

B, only the plan achievement

C, both the plan and budget couldn't evaluate

34. Budget transfer with in a cost center (among expenditure items of both to recurrent budget and capital within one project) is done by

A, head of the bureau B, head of the cost center C, plan and budget department

D, if others..................................

35. The main influential party in monitoring and evaluation financial and physical performance of cost centers in your organization:

A, Cost centers associated with their employees

B, Plan and budget units of the organization with head of the sector

C, Head of the sector with cost center heads

D, Head of the sector

D, If other------------------------------

36. When you compare the old budgeting system with the new adopted budget reform Which one is better related with ensuring effective and efficient budget management?

A, decentralized cost center is better than the old/centralized budgeting

B, centralized budgeting is better than decentralized cost center budgeting

C, I don't have enough knowledge.

37. The new budget reform is ensured officials and employees are accountable for Effective and efficient utilization of their budget compare with the former budgeting System.

A, Agree B, disagree C, no answer

38. Is there legal accountability for the cost centers and other concerned bodies which aren't used their budget properly?

A, yes B, no

If your answer for question No 37 is "yes", how please explain-----------------------------

----

If your response for question No. 37 is "no" how the budget is managed?

A, traditionally B, Simply with the previous rules and regulations C, others-----

----

39, Administrative actions are taken on the individuals for not using the budget effectively and efficiently?

A, Strongly agree B, Agree C, disagree D, Strongly disagree

40. Expenditure of cost centers is authorized by

A, head of the bureau B, head of the cost center C, plan and budget department

D, if others..................................

41. Appropriated budget is announced to cost centers and employees in your Organization:

A, strongly agree B, Agree C, disagree D, Strongly disagree

Appendix 2

Check list of guiding questions during the interview with the speaker of council.

1. The Power of the Regional council regarding with appropriation, monitoring and evaluation of the regional Budget.
2. Clarity in the power and responsibility between the cabinet and regional council in budgeting process
3. Capacity of the members of regional council and its staffing situation
4. Provision of Training and Orientation to Regional council members and committee members related with the new adopted budget reform.
5. The quality and nature of reports presented to council and committee and practice evaluation and monitoring by the council and committee.

Appendix 3

Check list of guiding questions during the interview with the focal person of Budget reform and plan and budget department head of the region of BoFED.

1. Difference between the previous and the new Budget reform.
2. The role and responsibility of BoFED and the focal person regarding with the strength of budget reform.

3. The capacity of BoFED to handle and lead the new budget reform in the region.
4. Benefits and difficulties of the new budget reform
5. Arrangement of budget structure of the regional sectors.
6. Training and capacity building situation of sectors related with the reform..
7. Degree of follow up and supporting of BoFED to Budgetary sectors.
8. Current situation of BIS/BDA in the regional sectors
9. The participation of cost centers and employees in the process of Budget preparation and management.
10. Alternatives and correction measures BoFED thinking to take as a solution related with the problems tracks to perform the newly budget reform properly
11. Clarity of the different parties for their responsibilities in Budgeting.
12. Mapping the budget in a consistent and adequate manner
13. Ensuring specific accountability for the use of funds.
14. The influential power of different parties (at governmental and sector level)

Appendix 4

Check lists of guiding questions during the interview with the economic advisor of the regional government.

1. Role and responsibility of cabinet in the approval and appropriation of budget.
2. The practice of budget approval and appropriation of the region.
3. Provision of Training and orientation to regional cabinet regarding the newly Budget reform.

4. Role and practical implementation of cabinet to monitoring and evaluation of the utilization and execution of budget with in the region
5. Effectiveness, efficiency transparency and accountability in the utilization of budget.
6. Commitment of the cabinet members in planning, budget preparation and budget controlling based on full participation different units with in the sector
7. The procedure followed by the cabinet to approve regional budget among sectors and type of budget
8. The participation of cabinet members in the process of approval and evaluation of the sectors performance.

DECLARATION

I declare that this thesis is my original work and have not been presented for a degree in any university and all the sources of materials and used for this thesis are duly acknowledge.

Name: Solomon Gebrekiros

Signature: ....

June, 2010

Place: Addis Ababa University

I confirm that this thesis has been submitted with my approval as academic advisor: Fenta Mandefro (Ph. D)

Signature: ....

June, 2010