



**ADDIS ABABA UNIVERSITY
SCHOOL OF BUSINESS AND PUBLIC ADMINISTRATION
DEPARTMENT OF ACCOUNTING AND FINANCE**

**EVALUATION OF BUDGET PRACTICES OF ETHIOPIA IN COMPARISON WITH
TWO EAST AFRICAN COUNTRIES**

BY

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**A THESIS SUBMITTED TO SCHOOL OF GRADUATE STUDIES OF ADDIS ABABA
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A thesis submitted to the school of graduate studies of Addis Ababa University in partial fulfillment of the requirements for the degree of masters of accounting and finance.

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Statement of Certification

This is to certify that Birhanu Yimer Ali has carried out his research work on the topic entitled “Evaluation of budget practices of Ethiopia in comparison with two east African countries” The work is original in nature and is suitable for submission for the reward of the Msc Degree in Accounting and Finance.

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STATEMENT OF DECLARATION

I, Birhanu Yimer, have carried out independently a research work on “Evaluation of budget practices of Ethiopia in comparison with two east African countries” in partial fulfillment of the requirement of the Msc program in Accounting and Finance with the guidance and support of the research advisor.

This study is my own work that has not been submitted for any degree or diploma program in this or any other institution.

ABSTRACT

The purpose of this study is to assess similarities and differences between Ethiopia and two east African countries with respect to budget practices and procedures. The study focused on the different phases of budget cycle and cross cutting issues such as budget transparency and participations. To conduct the study qualitative research method was employed. In order to investigate significant insight about budget transparency and participation in Ethiopia the researcher distributed questionnaires to employees of Ministry of Finance and Economic development of Ethiopia, specifically in the budgeting department. The study was based on secondary data sources which were collected on-line on the internet. The study indicates various opportunities which improve budget transparency and participation. The result of the study revealed that the level of transparency with regard to full disclosure of all relevant budget information is very poor in Ethiopia, Kenya and Uganda. Relatively Ethiopia frequently publicizes budget information. It also showed that the need to increase transparency is important in the area which is broadly linked to the different phases of budget cycle so as to increase citizens' participation in the budget decisions. Moreover, public participation in the budget process is very limited in Ethiopia, Kenya and Uganda. This is because of lack of reliable and adequate information. The findings of survey which were carried out with budget experts at *the ministry of finance and economic development of Ethiopia disclose that budget information is not available for citizens in accessible, timely and clear and easy to use manner, except very little budget information during budget drafting phase. The major factors that limit citizen participation in the budget process are limited accessibility to budget information, budget language and country population.*

Key words: Budget transparency & Budget participation

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ACRONYMS

BFP: Budget Framework Paper

BOFED: Bureau of Finance and Economic Development

CABRI: Collaborative African Budget Reform Initiatives

CBA: Central Budget Authority

CDRF: China Development Research Foundation

CPBR: China Public Budget Reform Program

CSO: Civil Society Organization

DOF: Department Of Finance

IBP: International Budget Partnership

IMF: International Monetary Fund

INTOSAI: International Organization of Supreme Audit Institution

MEFF: Macro-Economic and Fiscal Framework

MFPEd: Ministry of Finance and Planning for Economic Development

MOFED: Ministry of Finance and Economic Development

MPs: Members of Parliament

MTEF: Medium Term Expenditure Framework

NGOs: Non- Governmental Organizations

OBI: Open Budget Index

OECD: Organization for Economic Co-operation and Development

PEFA: Public expenditure and financial accountability

SIPs: Sector Investment Plans

SWG: Sector Working Group

WB: World Bank

Chapter One:

Introduction

The introduction section includes background of the study, Statement of the problem, Purpose statement, Significance of the study, Scope and limitation of the study and Structure of the study.

1.1 Background of the study

The budget is an important instrument that every government used to define the direction of its national policy, the cost implication of government programmed and public source of revenue during the fiscal year, Wildavsky A. (1975). A good budget practices incorporates a long term perspective, establish linkage to broad goals, focuses budget decisions on results and outcomes and involves and promotes effective communication, Francisco B., et al. (2007).

Stakeholders who used budget either at the organization or at countrywide level raise complain about various unsatisfactory budget practices and procedures like budget participation and transparency, Folscher, A. (2002). As citizens increasingly began to engage in budget decisions, the absence of timely and accurate information is the major challenges. So as to overcome this challenges different researchers investigated appropriate solutions for budget participation at organization level and show that budget participation is a very constructive management tool in attaining higher performance. On other hand, participation of citizens in the national budget process allows members of the community to rise what is important for them and consequently, manipulate budget

allocation.

The purpose of this master's thesis is to discover similarities and differences between Ethiopia and two east African countries that are Kenya and Uganda with respect to budget practices and procedures.

The study was based on the analysis of the existing theoretical and practical experiences. An extensive review of academic literature on wider budget topic used to present all academic links researchers have found regarding budgeting in addition their conclusion and recommendation will be summarized. The research also provides relevant information regarding improving the budgeting practices and challenges on implementation.

As far as the structure overview is concerned, this paper is organized as follows: the first chapter covers the introduction, background of the study and also outlines the study objectives. The second chapter analysis review of related literature on wider budgeting fields so as to show all academic links researchers have found. The third chapter will focus on methodology. In this chapter, methods adopted ,method of data collection, study design, sampling technique and data analysis and interpretation will be clearly explained. The fourth chapter is about data presentation, analysis and interpretation. Analyzing data involves sorting data type and summarizing using tables. Appropriate interpretation will be given by comparing Ethiopia and two east African countries regarding budgeting practices. Finally, there will be a conclusion which will provide a short review of the thesis and some suggestion will be forwarded.

1.2 Statement of the problem

Ethiopia has undertaken attempt aimed at improving its budget process. The most important effort was the move from incremental to programme budget designed in 2000 E.C. It will be implemented in the coming year. Until the current year 2003 E.C Ethiopia carries out its budget process using line item or incremental budget approach however, due to several limitations such as, weaknesses as to evaluation process and budget planning, programme budget was considered to overcome the problem. There is also a need to further effort in the level of participation of citizens in the budget preparation, approval, and implementation stages because; participation is an essential ingredient in the budget process to ensure efficient provision and more equitable distribution of budget allocation. Moreover, it allows different layers of government to know the most and unmet demands of the community. Finally, citizen should participate in controlling and evaluating the budget performance of a country because, the budget funds are contributed by citizens in the form of taxes this gives the right to the public to control and evaluate at the time of collection and utilization of funds. As citizens increasingly began to engage in budget decisions, the absence of comprehensive, accurate, timely and frequent information on budget practices are the major challenges. This master thesis needs to be conducted so as to examine whether the Ethiopia budget is transparent and encourages participation of general public in government budget decisions in comparison with two east African countries.

1.3 Purpose statement

1.3.1 General objective

The main objective of the study is to assess similarities and differences between Ethiopia and two east African countries with respect to budget practice and procedures.

1.3.2 Specific objectives

1. To analyze how Ethiopia carries out its budgeting practices in comparison with two east African countries.
2. To examine the level of involvement of citizens in the budget process of Ethiopia in comparison with two east African countries.
3. To assure availability of budget information to the general public in Ethiopia in comparison with two east African countries.

1.4 Significance of the study

The study can be important to the government, managers, employees and general public. It provides relevant information regarding budget practices and challenges on its implementation. In addition, it presents information about how corrective action can be

made during budget practices. Moreover, the research indicates various opportunities which improve the budget transparency and participations. Finally, the study can be used as reference for future research on the topic.

1.5 Scope and limitation of the study

Even if, there are more than three countries in east Africa the study wholly depends on the evaluation of budget practice of Ethiopia in comparison with Kenya and Uganda. Due to lack of time and financial resources the focus area will be limited on the entire budget cycle, from budget formulation to approval, budget participation and transparency across countries listed above.

1.6 Structure of the study

This study paper consists of five chapters. The first chapter emphasis on introduction, the second chapter presents review related literature, the third chapter focuses on methodology. The fourth chapter contains data presentation, analysis and interpretation. Whereas the last chapter deals with conclusion and recommendation

Chapter two:

Review of related literature

The review of related literature section contains introduction concerning budget, Overview of budget Practices, Budget practices of Ethiopia, Kenya and Uganda, Empirical evidences and Conclusions.

2.1 Introduction

The national budget is the most important policy statement made by the Executive in the course of the year, Wildavsky A. (1975). It reflects the fundamental values underlying national policy. It outlines the government's views of the socio-economic state of the nation. It is a declaration of the government's fiscal, financial and economic objectives and reflects its social and economic priorities.

The budget is a critically important document in insuring transparency, accountability, comprehensiveness and good governance, Hameed, F. (2005). By providing a detailed description of proposed expenditure, it allows Parliament and the general public to "know where the money goes" and thus increases transparency. In addition, the budget requires approval by Parliament before the government can spend money or raise revenue, making ministers accountable to Parliament and its committees.

Finally, it provides a regulating and disciplining framework within which government departments must be managed and must perform their functions, Folscher, A. (2002). It is difficult to conceive of any public policy that can be carried out without money and the way money is allocated to policies is through budgets.

Therefore budget is important to the implementation of all policies. To monitor or track a budget and to assess its impacts on policy implementation it is important to understand the budget process.

As far as the structure overview is concerned, this review of related literature is organized as follows. After the introduction, the second part will be dedicated to general presentation of overview of budget practices. In this section basic budget principles, stages of budget process and how budget is linked with policies and priorities will be presented. Following this, the third section will be budget practices experiences in Ethiopia and two east African countries namely, Kenya and Uganda. The fourth section will be empirical evidences on budget participation at the national and organization level and transparency. Finally, there will be conclusion that summarizes the major contribution, current position and gaps and area of further study.

2.2 Overview of budget Practices

In this division, factors determine the total budget surround, governmental budgets matter, essential budget principles like participation, transparency, accountability, and equity and inclusiveness and four stages in the budget process at any level of jurisdiction these are budget preparation, budget approval and appropriation (legislative process), budget execution (implementation process), and budget control (performance monitoring - audit and evaluation process) will be presented.

2.2.1 Factors determine budget

There are various factors that determine the total budget envelope that is how much money is available to spend, Wildavsky A. (1975). These are base line figures from previous year, need (as reported by offices), cost of programs, cost effectiveness research, equity, and capacity to spend. Policy priorities (political), constitutional obligations (legal framework), and rights may determine how the envelope is going to be spent (sectoral allocation).

2.2.2 Concerns on government budgets

Government budget decisions affect everyday lives and the future of every citizen. To put it simply budget decisions influence where we work, what transport we use, what health care is available to use, education our children have, whether we have clean water and sanitation, electricity, and many others. It determines what services the government provides and what taxes we have to pay.

The Government (be it federal, regional or woreda) is also a powerful actor in the economy. Thus, how it spends the money is a large determinant of economic development with redistributive impact. This gives it the power to influence the level and direction of economic activity. It is the most important economic policy instrument of government, and as such can be a powerful tool in transforming the economy to meet the needs of the poorest.

2.2.3 Budget Principles

A budget process needs to be governed by principles like participation, transparency, accountability, and equity and inclusiveness. These are the ideals but not all budgets follow them. Each budget system should be considered in terms of these standards.

A. Participation

This is the level of involvement of all stakeholders/actors in the budget process directly or through legitimate intermediaries. The process in a budget preparation, approval, implementation, and review stages needs participation of various stakeholders. It is through participation of people that one can bring people's perspectives to the policy makers. It also allows citizens to hold the government accountable, to identify weaknesses in a budget, to build consensus, and to mobilize the community effectively to meet a budget target.

Participation in a budget process is not a luxury; it is rather a basic right of all citizens. It allows members of the community to raise what is important for them and, hence, influence budget allocations. It also allows different layers of government to know the most and unmet demands of the community.

By doing so, the government and the community can mobilize resources, provide more equitable distribution of budgetary allocations (without discrimination based on gender, ethnicity, region, rural/urban, and vulnerable groups) and effectively spend the resources. Thus, participation is an essential ingredient in the budget process to ensure efficient provision and more equitable distribution of budgetary allocations.

Through, active participation in the budget process, people could stop money or resources being allocated to activities that would threaten their economic rights or ensure they receive compensation for rights they have been denied, Zender N. (1996):P. 144-146.

B. Transparency

This refers to the provision of comprehensive, accurate, timely and frequent information in useful formats on a country's economic conditions and its budget policies. It is also related with the existence of clearly spelt out rules, procedures, and forums on the basis of which budget decisions are made.

The principle of transparency is crucial to the budget process, mandating that information affecting budget decisions (budgetary and fiscal information, information on development thrusts and programs, etc.) should be accurate, true and portray the genuine state of the economy.

In addition, this information should be made available and accessible to the general public, open to public scrutiny, and written clearly and be readily understood by the public. Availability of information on budget policies, expenditures, and outcomes allows the public to hold the government accountable, motivate citizens and civil society to participate, and helps to mobilize the community effectively to meet budget targets.

The principle of transparency is important in the budget process. Transparency is a prerequisite for public debate; if budget information is not available, it is difficult to discuss.

Transparency allows the analysis of state policies and facilitates the identification of weaknesses leading to the adoption of needed reforms.

Transparency can increase faith in the state, and can contribute to consensus building and commitment. Transparency enables citizens and civil society to hold the government accountable, which they can only do if they have information on budget policies, practices, expenditures and outcomes, IMF(2007,A): P.131-138.

C. Accountability

This refers to answerability of decision makers and implementers with regard to budgetary processes at the formulation, approval, implementation and performance review stages to those whose interests are affected by their actions or inactions.

Accountability in the state budget has several dimensions: accountability for objects of expenditure (what the state spends on), state performance and results (achieving results or meeting objectives for which public funds are spent), and budget processes that result in best value, quality and service for public money.

In general accountability requires robust financial management system, robust financial management legislation, independent auditor general and strong parliament, active civil society, strong media, and aware electorate, IMF (2007, B):P.120-128.

D. Equity and inclusiveness

This refers to ensuring opportunities that will maintain and improve the well being of diverse groups in any given social or political setting in terms of budgetary allocations. Budgets should also be governed by the principles of equity and inclusiveness without discrimination.

Budget allocations should be fair and just, and should redound to all citizens equally, without discrimination based on gender, ethnicity, social class, age, geography, etc. In particular, vulnerable sectors of society should not be discriminated against in a budget, IMF (2007, B):P.95-97.

2.2.4 Stages of Budget Process/Cycle

There are four stages in the budget process/Cycle at any level of jurisdiction. These are budget preparation (drafting/design process), budget approval and appropriation (legislative process), budget execution (implementation process), and budget control (performance monitoring - audit and evaluation process).

A. Budget Preparation

The central agency (usually ministry of finance) circulates a budget call letter and guide line to all public bodies. Every public body is required to prepare their budget requirement and submit to the central agency. The central agency is responsible to summarize and consolidate the national budget and finally to present this before the council of ministers and/or parliament.

B. Budget approval and appropriation

In the second stage, once the recommended budget is reviewed and adjusted by the councils of ministers, it is then presented to the parliament for debate and approval. Annual appropriation of the approved budget will then follow.

C. Budget execution/implementation

The third stage is disbursement of the approved budget to the relevant agencies, implementation of planned activities, and recording expenditure. This is the process of the transfer and spending of the money which ensures that activities can happen to reach the required goals.

D. Budget control

The fourth stage in the budget process/cycle is budget control/performance monitoring. This involves monitoring activities in terms of annual public bodies' reports and audit reports to the parliament, i.e., accounts for expenditure, evaluate and audit. This stage provides information that can be feed into future plans, IBP (2006):P.120-135.

2.3 Budget practices of Ethiopia, Kenya and Uganda

This section comprises Ethiopia's budget process, the budgetary practices in Kenya in particular respective roles of Parliament and the Executive and Budget practices in Uganda.

2.3.1 Ethiopia's Budget Practices

The budget process is guided by a directive (known as Financial Calendar) issued by the Ministry of Finance and Economic Development (MOFED) to all entities listed as public bodies. This directive has a schedule to ensure that planning and budgeting are prepared, approved, appropriated and executed accordingly.

Budget preparation is guided by a document known as Macro-Economic and Fiscal Framework (MEFF) prepared by MOFED. The MEFF provides, among others, forecast of government revenue and expenditure, expenditure financing, the split of aggregate expenditures between federal and regional, and the split of federal expenditures between recurrent and capital for the next three years.

Based on this 3 year MEFF, MOFED prepares annual fiscal plan by January 24, which includes identification of the amount of resources (foreign and domestic) known as the resource envelop, the amount of money needed know as the expenditure requirement, setting the block grant amount for regional governments and administrative councils from all sources (domestic and foreign), and spilt the federal share between capital and recurrent budget.

Following this MOFED prepares the totals of the annual subsidy budgets and notifies the regional governments and administrative councils by February 8 at the latest. This is the starting point of the budget preparation.

Ethiopia's budget process has the same four stages (budget preparation, budget approval, budget implementation, and budget control) at all level of jurisdiction (Federal, Regional, and Woreda government).

The first stage - budget preparation - has four phases. Firstly, all public bodies are required to perform all budget preparation activities including mid-year program review for the current fiscal year, preparation of unit costs and work plan for the upcoming fiscal year. This phase facilitates the second phase, submission of budget request in time.

The second phase of budget preparation includes a budget call letter issued by MOFED/BOFED to all public bodies. The budget call letter includes recurrent and capital budget ceilings, priority or focal areas to be considered in preparing the budget, submission date of the budget request by public bodies to the respective finance and economic development institutions at all jurisdictions.

Public bodies are required to respond to the budget call by preparing their budget according to the guidelines with their action plan. If a public body fails to submit its budget request with the time specified in the budget call letter, MOFED/BOFED shall recommend a public body's budget based on the information it has.

The third phase is conducting a budget hearing (public bodies with MOFED/BOFED). Based on this discussion and government policies and priorities, total expenditure ceiling, allocated ceilings for each public body; the requested budget will be reviewed, adjusted and consolidated.

The last phase is summarization of the recommended budget by MOFED/BOFED/woreda to be presented to the executive body, Council of Ministers, Regional Council, and Woreda Council. The executive body shall review and recommend the budget.

The second stage of the budget process/cycle is budget approval and appropriation. After the recommended budget is reviewed and adjusted by the respective executive body at all levels, it is then presented to legislative bodies the federal house of people's representatives, regional house of people's representatives, and woreda house of people's representatives for approval of the budget and annual appropriation of the approved budget at all levels. These, legislative bodies review, amend, and approve the budget.

The third stage is budget execution. Once the budget is approved and appropriated by the legislative bodies, MOFED/BOFED prepares the budget allocation guideline and the notification to public bodies and their budget institutions of the source of finance and line item of expenditures for the disbursement of the approved budget. The institutions then use the budget to carry out their activities for the year.

The last stage, budget control, deals with performance review. This includes activities such as ensuring whether the revenue utilization is according to laws and regulations, ensuring whether disbursement is made according to budget, ensuring whether public property is kept safe, and the recording and accounting procedures are up to the standard. The office of the general auditor is in charge of auditing public bodies and presents its findings before the House of Peoples Representative (www.mofed.gov.et/).

2.3.2 The budgetary practices in Kenya - Respective roles of Parliament and the Executive

The budgetary process includes three main phases: formulation of the budget; reading and adoption of the budget; execution and oversight.

The second phase is the one that directly involves the exclusive mandate of Parliament whereas responsibility for drawing up the budget and carrying out the program in accordance mainly with the Executive, although Parliament is responsible for the policy choices and priorities which should inform the Budget and for overseeing its implementation.

As far as Parliament is concerned, the budget should not be an event but a process, developing throughout the year if Parliament is to perform its function of overseeing the Executive. The budget in itself and the procedure relating to its shaping and execution underscore a fundamental constitutional relationship between the Executive and Parliament.

A. Formulating the budget

The elaboration of the budget is not only based on national needs and priorities. It is also affected by a variety of external factors and pressures. In many countries, the largest single item of expenditure - and one that is not optional - is the cost of servicing debts incurred in attempting to balance the budgets of previous years.

Debt servicing may represent such a burden that it deprives the nation of resources and services that are crucial to its development such as education, health, social welfare, housing, etc. International financial institutions can impose conditions on States that represent great constraints on the budget drafting process and have a significant impact on the welfare of the community.

Parliaments need to be more involved in setting this conditionality since eventually it is the constituents who bear the brunt thereof. There should not be any interference in the responsibilities of the Executive in drawing up the budget, this process should be transparent and participatory so as to meet the needs of the community and also feature a consensus in Parliament.

In one form or another, the process should involve not only officials and ministries but also large sectors of society: private sector, industrialists, trade unions, NGOs, women's organizations, interests groups, etc.

It should also involve exposed, underprivileged groups such as the disabled. Provincial parliamentary assemblies, where they exist, should also be able to contribute further to the elaboration of the budget.

In a democratic environment, Parliament should be able to influence the drafting of the budget more pro-actively and make sure that the balance of appropriations is horizontally correct between the various sectors and groups of the population and vertically correct between the various levels of government: national, provincial and local.

One effective way of achieving this is through the presentation to Parliament by the Executive of a medium-term policy statement providing an opportunity for MPs to gain an understanding of the overall policy framework within which the next budget will be developed.

Parliament's influence in the drafting of the budget should be the result of an ongoing process throughout the year, especially through its relevant committees and thanks to the parliamentary mechanisms available for raising the awareness of the Executive about the needs and concerns of the public: oral and written questions procedure, motions, inquiries, Select Committee hearings, White Papers, representations to ministers and departments.

To secure such an ongoing and meaningful contribution by Parliament, parliamentary programming could, where appropriate, be revised to include separate debates and votes on each appropriation, as well as a full budget debate, full Select Committee examination of each appropriation based on audited and tabled annual reports of each department, ministry and Government Trading Organization.

Parliament can assume to the fullest its oversight functions of the Executive with regard to the budget through the following mechanisms: six monthly fiscal reports and projections tabled and debated; mission statements for each appropriation, purchase agreements between ministers and departments, performance agreements between the public service authorities and heads of departments and ministries, and specific government goals or strategic results areas which specifically guide annual budget program.

B. Reading and adopting of the budget

Once the budget reaches Parliament, it becomes "Parliament's property". It is crucial that Parliament should have the necessary time to proceed to a thorough reading of the budget and that budget passage not be rushed through it. Parliaments need to be capacitated to deal with the budget adequately.

MPs should be more prepared to understand the overall structure and process of the budget as well as the underlying policy issues so as to fully perform their role with regard to the budget. Also, Parliaments should be equipped with the relevant technological facilities for a proper reading of the budget.

MPs should further dispose of the assistance of experts and research units and well-trained support staff able to assist them in their duties; to that effect, capacity-building sessions for the parliamentary staff should be developed.

The traditional system by which a parliamentary rejection of the budget amounts to a vote of no confidence in the Executive leading to its resignation may affect not only the ruling party but the country as a whole.

Parliament should be enabled by law to do more than just accept or reject the budget bill. It should be able to discuss the budget as an instrument of policy and to assure itself that it meets the values and principles enshrined in the Constitution.

Parliament should also be able to proceed to a detailed sectoral analysis and reading of the budget. It should be able to cross-examine the accounts, and request separate votes for each allocation.

Parliament should further be authorized by law to amend the budget so as to meet more adequately the needs and aspirations of society as reflected by the variety of the political views within it. However, such powers should not serve to cripple the Executive, especially in the context of a democratic transition.

The highest interest of the nation should go beyond the power relations between the majority and the opposition in Parliament and should not hinder a democratic reading of the budget. Affiliation to the majority party should not prevent MPs from looking at the budget critically in the interests of the electorate.

For the majority party to be able to discuss and negotiate with the other parties in Parliament, party caucuses in which experts inform MPs about the proposed budget may be a useful instrument in reaching a consensus in Parliament. Similarly, the budget should serve for the Executive and Parliament to act as partners interested in achieving the common good. The existence in Parliament of a specialized standing committee to deal with all issues relating to the budget process in all its three phases is crucial to ensure that Parliament can perform its constitutional role in this field.

Through questions and motions, Parliament may in fact be used as a forum to increase transparency in the entire budget process. The budget of Parliament should be initiated, developed and approved by Parliament.

C. Executing and overseeing the budget

Parliament's responsibility with the budget does not end with its adoption. Its oversight and audit functions should be thoroughly enforced. To that end, there is a need to exist a formal link, established by constitutional law, between the Executive and the Parliament with regard to the execution of the budget. As a matter of practice, Parliament should arrange for regular reporting to Parliament on how the ministries spend the money through the following procedures: departmental annual reports, examination of each appropriation by parliamentary committees, audited annual accounts of each ministry, specific estimates debates on each department in parliament: independent authority of the Auditor-General to report to Parliament on any matter of expenditure at any time.

Parliament should make sure that the Auditor-General is appointed by Parliament and has a clear term of office, that he/she has the means to perform his/her mission independently and report to Parliament and its Finance Committee. The auditing process entails both the auditing of figures and the auditing of performances. The way in which money is actually spent should be fully documented at all stages. The fully audited presentation of accounts to Parliament is one of the symptoms of democracy.

Parliament should see to it that judicial sanctions are provided for by law and are applied in case of corruption and mismanagement of State resources by officials and the political body. Parliament should also see to it that remedies are applied in case of fault, [\[http://www.ipu.org./splz-e/Kenya .htm\]](http://www.ipu.org./splz-e/Kenya.htm). Nairobi.

2.3.3 Budget practices in Uganda

The national budget plays a central role in the government of Uganda economic and political functions. It is used as an economic policy tool to allocate public financial resources in accordance with policy priorities and to use financial resources effectively to achieve government policy goals.

The budget process is characterized by relative transparency and openness and broad participation. Important components of this process are the Budget Framework Papers (BFPs), which are prepared at the national, sectoral and local government levels. They are three-year rolling frameworks used to modernize and guide the budget process, setting out planned outputs and their associated expenditures in the medium term.

The national budget is a compilation of Budget Framework Papers prepared at the sectoral and sub national levels. The national BFP is prepared by the Ministry of Finance and Planning for Economic Development (MFPED) and consists of the expenditures proposed by sectors and local governments. The process is guided by the Government of Uganda annual budget strategy, sector strategies and inter-ministerial policy discussions on outstanding issues.

Spending restrictions and limitations are imposed by the macro economic framework, an updated MTEF and its provisional ceilings.

The preparation of the national BFP is not a highly consultative process, since the input from actors outside the MFPED is relatively passive.

Inputs such as the Annual Budget Strategy from Cabinet and sector BPFs are written documents complemented with inter-ministerial discussions usually initiated by MFPED. According to some participants these do not accommodate all the sector needs. The sector working groups (SWGs) are responsible for the sectoral budget process.

The sectoral BFP is the official statement of sector expenditure priorities and outlines the sector's contribution to poverty reduction. In theory, a high-quality, well-formulated sectoral BFP accompanied by high sector performance leads to balanced and adequate allocations of sector ceilings in the MTEF.

In practice, the PEAP does not rank its priorities nor does it provide guidance on funding levels for sectors and sub-sectors. This makes the determination of sector ceilings less transparent. Some SWG members believe that major budgetary decisions are made based solely on discussions between the MFPED, the World Bank and the International Monetary Fund (IMF).

In addition, the MTEF sub-sectors are managed separately and the distribution of resources among them is determined to a large extent by the MFPED. Budgets prepared by the sectors often significantly exceed the ceilings provided by MFPED, which leads the Ministry to make arbitrary cuts.

According to the Donor Economists Group, sector budgets tend to be based solely on the projection of recurrent expenditures, with modifications to the budget from year to year merely reflecting changes in resource availability, political interference and fluctuations in the project support provided by development partners. This suggests that the sectoral BFPs do not reflect sector strategies and Sector Investment Plans (SIPs), **<http://www.global-mechanism.org.Uganda>**.

2.4 Empirical evidences

The empirical evidence section centers on prior academic researchers concerning budget participation in the organization and national level. In addition it Stress on the degree of provision of comprehensive, accurate, timely and frequent information in useful formats on a country's economic conditions and its budget policies to the general public.

Budgeting is one of the most researched topics in management accounting. Covaleski, Evans, Luft and Shields (2003) have categorized the existing researches on budgeting in the following three areas.

1. Psychological based research

The Psychological based research investigated the effect of budgeting on variety of potential conflicting mental states and behaviours primarily, motivation, stress, satisfaction, commitments, and individual management performance.

2. Sociology based research

Sociology based studies linked budgeting to organizational theory and produces a stream of studies based on the contingency theory that argued the organization adopt practice like budgeting that improved performance, these practices vary systematically depending on organizational variables such as, size, strategy, culture, and technology.

3) Economics based research

These research investigated the use of budgeting practices like, budget performance measure, budget targets, budget based compensation and participative budgeting.

Since the kind of structure of budgeting research literature is very general and in some cases overlapping this thesis will present an overview of budgeting research in a more specific way and focus on budgeting practices, like budget participation. This topic has emerged from behavioral aspects of budgeting research where academicians wanted to find out, how budgets affect people, and how people in return affect budget.

2.4.1 Budget participation

Accounting literature indicates the importance of participation in budget setting. It states that the participation of middle and lower level managers in the budgeting process can have beneficial effect in at least two ways. First, the process of participation reduces information asymmetry in the organizations, thereby enabling top management to gain insight in to issue about which lower level managers have specialized knowledge. Second, the process of participation may bring about a greater commitment by lower level managers to carry out the budget plan and meet the budget.

Studies related to the topic of budget participation can be in general divided in to two major groups. One set of researches tried to investigate and determine the optimal condition of budget participation, while others were more interested in depicting the link between participation and variables like, performance and job satisfaction.

Bruns and Waterhouse (1975) discovered in their studies that the manager in highly structured organizations tend to perceive themselves as having more influence and therefore participate in budget planning and appear more satisfied with budget related activities. The researchers drew 284 managers directly involved in the budgeting process from 26 different companies.

The most important findings are:

- 1 Organizations structure influences the level of participation
- 2 Size of organization and technology are positively correlated with structuring activities.
- 3 Structuring implies distribution of authority and increase in the level of participation

Hofstede (1968) observed that those who do not usually participate in budget setting mostly do not desire it and the participation usually becomes attractive only after it has been experienced. The researcher drew 90 managers and 50 controllers from six plants.

The most important findings are:

1. Participation leads to higher motivation to attain.
2. Participation is found more at higher management level.

In other hands, Brownell, (1981), found that the link between participation and performance was dependent up on the personality of the manager involved. The sample used by the researcher was laboratory experiment with 46 under graduate students and 48 middle level managers.

The most important findings are:

1. There is significant interaction between participation and locus of control affecting performance.
2. Participation has positive effect on performance with individuals who feel they have a large degree of control over their destiny.
3. Participation has a negative effect on performance with individuals who feel that their destinies are controlled by luck, chance or fate.

Chong (2002) found that budget participation facilitates job relevant information acquisition by managers and the job relevant information, in turn associated by improved performance. The researcher drew 79 middle level managers from manufacturing companies.

Similarly, the finding of Wentzel (2002) showed more participation fosters a higher sense of fairness, which in turn increases management commitment to budgeting goals and subsequently enhances performance. 74 managers have drawn at large urban hospital.

In the national level a Preliminary Assessment conduct by Elizabeth Mekonnen (2005) showed the following conclusion:

1. The legislature is sound and the legal frameworks such as the Constitution and other financial proclamations clearly state the nature of the budget system and the level of transparency.
2. The introduction of the Fiscal Calendar has brought clarity on process of financial planning and budgeting. It clarified responsibilities among the various public intuitions at each levels of government.

3. The drafting of the budget is neither transparent nor open to the public. However, the publication of the outcome (Federal Budget) is a step towards openness and transparency.

4. The legal provision for access to budget information is an opportunity for civil society organizations to realize the right to engage in budget related work and understand the dynamics involved.

The finding of the preliminary assessment draws heavily on desk review. A few interviews were carried out with officials at the Ministry of Finance and Economic Development (MOFED).

2.4.2 Budget transparency

The International Budget Partnership (IBP) was established in 1997 to promote civil society budget engagement in order to make budget systems more transparent, accountable, and responsive to the needs of poor people. Today, the IBP partners and allies are actively engaged in public budget processes in over 100 developing and transitional countries throughout Africa, Asia, Eastern Europe, and Latin America.

Civil society organizations in some of these countries have registered notable successes in opening their governments' budgets to public scrutiny and encouraging more responsive and accountable budgeting. However, they have also faced a number of challenges. In particular, one overarching challenge has constrained the ability of groups in many countries to conduct credible and timely budget analysis and advocacy: a lack of access to comprehensive budget information.

In 2005, the IBP published the results of a pilot survey on budget transparency, based on research conducted in 36 countries (Gomez P. 2005). The study built on prior efforts by the IBP and some of its partner organizations in Africa, Eastern Europe and Latin America to develop methodologies for assessing budget transparency and participation in the budget process.

The pilot study looked at countries' performance in three main areas: executive budget documents, monitoring and evaluation reports, and public and legislative involvement in the budget process.

Overall, the study found that countries tend to do a better job of meeting international best practice guidelines for the information presented in the executive's budget proposal than they do for providing information on the budget after it has been enacted, or taking steps to encourage public and legislative involvement in the budget process. Only two countries namely, Slovenia and South Africa were found to have strong practices in all of the major areas covered by the questionnaire.

In light of this situation, the IBP developed the Open Budget Survey, the first independent, comparative survey of budget transparency and accountability around the world. The Survey was first conducted in 2006 and most recently updated in 2008 by Ruth Carlitz, Paolo de Renzio, Warren Krafchik and Vivek Ramkumar conducted a study on Budget Transparency around the World.

The researchers discuss the results of the 2008 survey and ways of improving budget transparency.

The Open Budget Survey is based on an accurate questionnaire that reflects generally accepted good practices related to public financial management. Many of the criteria used are similar to those developed by multilateral organizations such as the IMF, the International Organization of Supreme Audit Institutions (INTOSAI), and the OECD. However, the survey's scope and research process clearly distinguish it from similar initiatives by these organizations. Most of the questions in the survey focus on the content and timeliness of eight key budget documents according to international good practices of all countries should issue.

Survey finds that the average OBI (Open Budget Index) score across the 85 countries surveyed is 39 out of a possible 100. This finding indicates that, on average, the countries surveyed provide minimal information on their central government's budget and financial activities. Only five countries (France, New Zealand, South Africa, the United Kingdom, and the United States) make extensive information publicly available as required by generally accepted good public financial management practices. A further 12 countries provide substantial information to the public. The remaining 68 countries score poorly on the OBI. The 25 countries that provide scant or no budget information include low-income countries like Cambodia, the Democratic Republic of the Congo, the Kyrgyz Republic and Nicaragua, as well as several middle- and high-income countries such as China, Nigeria and Saudi Arabia.

In 23 of the 25 poorest performing countries, the public cannot even see the executive's budget proposal before it is approved by the legislature. Instead, the public receives the annual budget as a fait accompli. Thus, those most directly affected by the ultimate decisions cannot have any meaningful input into the formulation or discussion of the government's budget policies.

In addition, the Government of China recently initiated a series of fiscal reforms aimed at improving expenditure management and making public budgeting more transparent and accountable through public involvement and enhanced oversight. In support of this process, the China Development Research Foundation (CDRF) launched a research and capacity building program on public budget reforms in 2005 to improve responsiveness in the budget for developmental activities as well as to build a system of strong fiscal governance.

Among the achievements in the first phase, the project introduced the first participatory budget experiments in China, produced numerous research reports on fiscal issues for national and local governments, and developed a handbook on public budgeting for deputies to the National People's Congress.

Building on work carried out under Phase I, the general objective of the China Public Budget Reform Program (CPBR) Phase II (2003) is to build knowledge and capacity to improve budgeting mechanisms and processes at the national and local levels, improve the efficiency and effectiveness of public expenditures for social welfare, and strengthen transparency and accountability through public involvement and enhanced oversight.

The specific objectives of China Public Budget Reform Program (CPBR) Phase II (2003) are as follows:

1. To analyze China's current budgeting practices and challenges at national and local levels, and to provide policy recommendations to guide reforms for improving social expenditures;
- 2 . To provide support to local governments undertaking innovative practices in public budgeting and their institutionalization, and to facilitate participatory budgeting experiences across China;
3. To promote communication and interaction among research institutes, universities, and government research agencies in public finance and budgeting;
4. To strengthen the capacity of National People's Congress deputies, officials of local people's congresses, and other government officials to improve public budgeting practices.

The project will carry out five interrelated sub-projects carried out by senior researchers from across China. These include collaborating with the Budget Working Committee of the National People's Congress in analyzing budget reforms at the local level and their impact on the implementation of social welfare policies, assessing different innovations in budget reform initiated by local governments, such as participatory budgeting experiments and performance management, and updating the Handbook on Public Budgeting with new research and analysis for distribution to all of the deputies to the National People's Congress.

The project is expected to contribute to the following outcomes:

1. Increased knowledge and capacity among deputies of the People's National Congress, and local level policy makers and officials, to undertake informed decisions with respect to public finance and in particular budgetary reforms;
2. Improved social development policies and programs being implemented at the local level;
3. Increased transparency in the budget process and improved oversight mechanisms, leading to improved local level governance and democratic practices in budgeting;
4. Replication of participatory budgeting experiences across China, and other positive local government innovations in public budgeting; and
5. Increased interaction among research institutions, government agencies, civil organizations and the media on issues around access to public goods and budgetary processes.

Francisco Bastida and Bernardino Benito (Aug 2007) conducted study to assess transparency in budget practices. The researchers analyzed to what extent a sample of 41 countries are meeting OECD requirements according to its Best Practices for Budget Transparency document (OBP). The researchers find an average OBP fulfilment of 56.4 per cent.

Transparency is negatively correlated with corruption and positively correlated with economic development. Countries receiving external financial and technical support meet fewer OBP recommendations than countries not receiving it. Considering the political framework, both progressive and conservative governments reach similar transparency levels.

OECD members do not significantly fulfill more OBP suggestions than non-members. In respect of 4 variables: transparency, corruption, democracy and development, four clusters of countries arise: top-performing, low transparency-developed, low transparency-developing and worst-performing.

In this paper, the OECD/World Bank Budgeting Database (OWD) has served as the main source of data. This database provides comparable information on nearly 300 aspects of budget formulation, approval, and implementation and audit phases in each OECD member country and in 30 non-member countries.

The database is unique and serves as a fundamental academic resource for government analytical work. Since the survey examines all aspects of budgeting, it provides comprehensive data, allows a better understanding of budget practices, and provides well-informed analysis and quantitative measures.

In order to assess government transparency in budget practices the researchers have analyzed to what extent governments from an international sample meet the OECD requirements, indicated in its Best Practices for Budget Transparency document.

The researchers have found an average fulfillment of 56.4 per cent of the practices suggested in that document. In general, the situation represents a far from ‘acceptable’ OBP implementation. Only 14 out of 41 countries (34.15 per cent) meet more than 60 per cent of the OBP suggestions.

From the researchers’ point of view, governments have a duty to make an effort to increase budget transparency, since it allows citizens and financial markets to properly assess government financial position and performance; it also improves the decision-making process of economic agents. Some countries provide more transparent budget reports than would be expected of them if we consider their development.

For example, Bolivia, Jordan and Hungary perform above average. The researchers think the main reason for this result is that these countries have implemented fiscal reforms recommended by the IMF and the World Bank. Other developing countries also reach high scores, and this could show the impact of consultants and international organizations spreading the formal attributes of the OECD reporting model. On the contrary, Austria, Germany and Spain reach low scores. These results might have been affected by the federal structure of these countries. A federal government is not disclosing some information that is perfectly well disclosed by sub-national authorities.

This information is not covered by the country responses to the OECD/WB questionnaire.

The best performing country is New Zealand. This result was expected, since New Zealand public sector reforms have received worldwide attention and praise (for example, from the OECD and the World Bank). In this way, the New Zealand government has committed to a regime in which their fiscal plans are as transparent as possible.

Budget reports transparency is significantly correlated with corruption level, meaning that the less corrupt a country is, the more transparent its budget reports are.

2.5 Conclusions

Most studies proved that budget participation allows citizens to hold the government accountable, to identify weaknesses in a budget, to build consensus, to mobilize the community effectively to meet a budget target and to attain higher performance.

Researchers indicate that, on average, most of the countries provide minimal information on their central government's budget and financial activities. From the researchers' point of view, governments have a duty to make an effort to increase budget transparency, since it allows citizens and financial markets to properly assess government financial

position and performance.

According to the most extensive researched topic in countrywide budget practices and procedures basic suggestions have forwarded to deal with budget participation and transparency in the legal frame work, clarity of roles and responsibilities at national and regional level and budget decision making processes. Even though researchers' on budgeting undertaken varies attempts intended at improving budget participation and transparency, there is a need to further study on public availability of budget information.

Chapter three: Methodology

The methodology section comprises method adopted, Method of data collection, study design, Sampling Technique and Data analysis and interpretation.

3.1 Method adopted

The research designed to examine the budget practices of Ethiopia in comparison with two east African countries. Comparative research is the act of comparing two or more things with a view to discovering something about one or all of the things being compared. The motive of using comparative research method is to investigate similarities and differences of budgeting practices of Ethiopia in comparison with two east African countries.

This research was greatly base its findings through qualitative research method because, qualitative research is very essential in describe and explain relationships between two or more things, Creswell (2003). In addition qualitative research provides a richer and deeper understanding of a problem or question being observed.

3.2 Method of data collection

To address the main and specific objectives of the research and to collect accurate type of information the study was adopt qualitative type of data. Qualitative data collected using survey. Survey gather data at a particular point in time with the intention of describing the nature of the existing conditions or identifying standards against which existing conditions can be compared or determine the connection between specific events Creswell (2003).

Particular research method used for data collection for carrying out the research is questionnaires. Questionnaires are a type of survey in which respondents write answer to questions posted by the researcher on a questionnaire form. A questionnaire involves closed ended questions where the respondents are required to answer from a given alternatives by ticking a box. On the other hand open ended questionnaire engaged to gather detail answer regarding budget practices of Ethiopia.

The study was based on secondary data sources which were collected on-line on the internet. Online data collection carries the potential of accessing large sources of information to understand budget practices across countries and it provides time and cost efficient for the researcher. To understand the wide diversity of budget practices and procedures of Ethiopia and two east Africa countries the study was be based

onOECD Budgeting Practices and Procedures Database .

OECD budget Practices and Procedures Database provides information on the entire budget cycle, from budget formulation and approval (including the use of performance information), execution, and accounting and audit. It constitutes an important step in the complex task of sharing best practices and developing common standards. No other database exists for such a broad range of countries, nor reflects the same conceptual basis.

The Database contains the 2008 World Bank / Collaborative Africa Budget Reform Initiative (CABRI) / OECD survey of Africa and Asia. The OECD Budgeting Practices and Procedures Database collected Country data on-line using a designated survey website and monitored to follow respondent's progress. During the first round of the survey in 2007 data from 30 OECD and 8 non-OECD countries was collected.

This was followed, in 2008, by a more comprehensively distributed survey supported by CABRI for Africa, and the World Bank for other regions using this method, 64% of the Asian and 77% of the African countries contacted completed the survey in 2008.

3.3 Study design

To achieve the objective of this proposed study the researcher adopts to use descriptive

method so as to conduct the study in most feasible manner. The researcher was planning to use this kind of study design to acquire sufficient information regarding budget practices so as to formulate rational and sound conclusion and recommendation for the proposed study.

3.4 Sampling Technique

The total population for on-line method of data collection is five African countries which are Ethiopia, Kenya, Tanzania, Uganda and Rwanda. The researcher considered Ethiopia, Kenya and Uganda as a sample. The type of sampling used in this study is purposive sampling because, the desired population for the study is rare and the researcher is interested to compare and contrast OECD member countries, in order to accessing large sources of standardized information to understand budget practices across countries.

In other hand, to investigate significant insight about budget transparency and participation, in Ethiopia the researcher conducted questionnaires to employees of Ministry of Finance and Economic development of Ethiopia, predominantly in the budgeting department. The sample size is 10 employees out of the total population of 20 employees mainly experts in the national budget process. The type of sampling used in this study is random sampling. Because, there are several advantages using random sampling an advantage of random sampling is unbiased statistics, Creswell (2003).

An unbiased statistic has the characteristic that as the sample size increases, the statistics from the sample approaches the true values of the population. The information collected using random sampling is often more accurate, as greater effort can be expended on the training of interviewers, more sophisticated and expensive.

3.5 Data analysis and interpretation

OECD Budgeting Practices and Procedures Database were the major sources of data for this study. Ethiopia and two east African countries similarities and differences regarding the entire budget cycle, from budget formulation and approval, budget execution and performance information was analyzed, interpreted and summarized. The data was analyzed and interpreted using serious of paragraph and tables. The analysis of the questionnaire involved summarizing the data according to the research questions and exploring similarities and differences occurring among them. Once the data are organized and presented it is than analyzed to form meaning regarding about research questions and drew appropriate recommendation.

Chapter four:

Data Analysis and interpretation

To meet the objective of the research the 2008 report on budget practices and procedure in Africa used to gather information on how central government budget process function across various phase of the budget process, from formulation to approval, execution and audit.

The analysis and interpretation section compare and contrast the national budget practices and procedure of Ethiopia, Kenya and Uganda with existing international standards and recognized best practices where relevant. The analysis focuses on timelines of the budget process, issues in the budget formulation, the role of legislature in the budget process,

budget execution, fiscal transparency and budget participation. In addition to examine the level of involvement of citizens in the Ethiopia budget process and to ensure availability of information for the general public questionnaires were carried out to budget experts in ministry of finance and economic development of Ethiopia.

4.1 Analysis of secondary sources

4.1.1 Timeline of the budget process

Budget timelines depict the duration and sequence of the different stages of the budget process, which are likely to reflect country-specific factors, such as administrative heritage and capacity, the balance of power between the different branches of government, as well as the macro economic context.

The beginning of the annual budget process varies between 10 months (Kenya), 9 months (Uganda) and 6 months of Ethiopia prior to the beginning of the relevant fiscal year. There are no international guidelines on the precise duration of budget formulation process.

However according to wildavsky (1975) highlighted the degree of uncertainty in the budget planning. In countries with volatile macro economic environment it is very difficult to plan ahead over an extended time period. Ethiopia has short time duration in the budget formulation process in comparison with Kenya and Uganda.

The government sometimes can not spend money as planned in the budget, for instance, if domestic revenue collection is lower than projected or if donor fund come late or are lower than expected there is a provision for significant budget revision to be made. To do

so enough time should be given prior to the beginning of the relevant fiscal year.

International standards on budget transparency require that legislatures have sufficient time to review the draft budget. Notably, the OECD Best Practices for Budget Transparency recommend the tabling of the budget at least three months prior to the start of the fiscal year and approval before the fiscal year commences (OECD 2002: 8).

The Public Financial Management Performance Measurement Framework developed by the PEFA Secretariat is less demanding. It gives countries a high score if the budget is tabled at least two months prior to the beginning of the fiscal year (PEFA Secretariat 2005: PI-27).

The IMF Code of Good Practices on Fiscal Transparency also demands ‘adequate time’ for the legislative review of the draft budget (IMF 2007a: 2.1.1). In sum, while all of these standards recognise the importance of legislative review of the draft budget, there is no agreement on an exact minimum requirement.

The timing of the tabling of the budget in the legislature is the same (one month) for Ethiopia, Kenya and Uganda prior to the start of the fiscal year. Hence, three of the countries do not meet both the PEFA requirement and OECD demanding standard. The timing of legislative approval is four months after in Kenya, two months in Uganda and zero months in Ethiopia. Therefore, Kenya meets both OECD demanding standard and PEFA requirement. Ethiopia does not meet both OECD demanding standard and PEFA requirement.

Following the end of the financial year, the audit of accounts is a fundamental requirement for government accountability (INTOSAI 1998). According to the OECD Best Practices, audited government accounts should be available within six months of the end of the fiscal year (OECD 2002: 10). This is a tight deadline that even a number of the industrialised democracies do not meet in practice.

The IMF Code is more generous: 'Audited final accounts and audit reports, including reconciliation with the approved budget, should be presented to the legislature and published within a year' (IMF 2007a: 2.2.4).

The PEFA Framework gives countries the highest score when they produce annual financial statements within six months of the end of the fiscal year and when these are audited within another four months (PEFA Secretariat 2005: PI-25 and PI-26).

The OECD, IMF and PEFA standards all require the publication of audited accounts (OECD 2002: 14; PEFA Secretariat 2005: PI-10; IMF 2007a: 4.3.2).

Publication of audited accounts takes place within nine months after the end of the fiscal year in Ethiopia and Uganda. Whereas, twelve months after the end of the fiscal year in Kenya. Three of the countries do not meet the OECD's standard but they meet the IMF more generous deadline.

4.1.2 Issues in the budget formulation

The budget formulation stage is dedicated to the drafting of budget documents by the executive, in order to translate policy initiatives into resource allocation decisions across the numerous activities and units of government.

This process is guided by the Central Budget Authority (CBA) usually based on the Ministry of Finance which sets the guidelines, formulates the macro-economic framework, and negotiates with spending ministries and agencies their respective allocation for the following budget year.

Central budget authority (CBA) in Ethiopia imposes only suggested or indicative limits or ceilings on the initial spending request by line ministries during the drafting stage of the budget process.

Central budget authority (CBA) in Uganda imposes limits or ceilings only for some types of expenditure such as salaries on a chapter level. Then again Central budget authority (CBA) in Kenya imposes limits for all types of expenditure at a chapter level.

Central budget authority in Kenya has complete authority to impose limits on the initial spending request but, central budget authority in Ethiopia and Uganda imposes limits for some types of spending.

In the budget processes there will be issues that cannot be resolved by civil servants, and on which a decision is required. In Kenya and Uganda the finance minister has a power to resolve high level of disputes. But, in Ethiopia the issue is resolved by the cabinet.

A medium-term budgeting frameworks are tools to promote aggregate fiscal discipline by explicitly accounting for outer year costs of both current and capital spending, strengthen planning and implementation of multi-year structural changes in fiscal policies, and encourage greater technical efficiency by increasing the predictability of funding for spending units. Moreover such frameworks help to increase budget transparency (IMF 2007).The medium term focuses on two main aspects, distinguishing between the forward-looking estimates that are included in budget documents in order to describe the medium-term fiscal outlook, and the multi-year targets/ceilings that might be imposed on aggregate or sector-specific spending.

In Australia, forward estimates of budget baselines cover both the budget year and an additional three years. Cabinet and Department of Finance (DOF) consideration of annual budget proposals by the spending units (ministries) focuses on changes in the aggregate forward estimate of indicative allocations for that spending unit. The DOF carefully scrutinizes any policy proposals from spending units that imply an increased allocation, and spending units may be constrained to financing any new spending initiatives out of cost savings in existing programs.

Kenya and Uganda include detailed estimates at a lion item and aggregate level respectively. Ethiopia does not include multi-year estimate in the budget documents that are sent to parliament for approval. All the three countries multi year estimates cover a period of three years including the upcoming budget.

Furthermore multi-year expenditure targets or ceilings that are not submitted to the legislature for approval are much more common. Ethiopia and Kenya applies targets at the ministry level Whereas Uganda at line item level.

The multi year expenditure ceilings or targets are set for three years period in Ethiopia and Kenya except for Uganda (five years). All the three countries revise their targets annually.

There are some good reasons to distinguish the different nature of these two kinds of budgets namely, capital and operating. For example that capital budgeting often requires some distinct processes. However, the existence of two separate budget documents corresponds to two separate budget formulation processes and the lack of adequate integration mechanisms, this can constitute an obstacle for credible and comprehensive medium-term budgeting.

The central government budget in Ethiopia and Uganda integrated capital and operating budgets as Kenya's central government budget split in to a separate capital and operating budget.

Currently, it is advisable to consider jointly both capital and recurrent budgets. After all both recurrent and capital budgets seek to meet jointly objectives with in a given sector. The historical practices in many countries have been to have separate capital and operating budgets. In some countries this reflects the impact of a high level of dependency on donor financing and the donor's preference or preconditions for control or oversight.

4.1.3 The role of legislatures in the budget process

The role of parliament in the budget process is one of the distinguishing features of any public financial management system (Lienert 2005). Amongst others, Schick (2002) and Coombes (1976) have explored the evolution of legislative control of the budget in a small number of OECD countries, mainly highlighting a decline in parliamentary influence. However, little is known about the ‘power of the purse’ elsewhere (Oppenheimer 1983), with the exception of some case studies (e.g. Stapenhurst et al. 2008).

Recent cross-national surveys have shown that the role of legislatures in the budget varies greatly between countries (Lienert 2005, Wehner 2006). The survey provides a unique opportunity to assess, for the first time, the budgetary role of African legislatures.

Legislative budget capacity can be conceptualised in different ways (Meyers 2001). Wehner (2006) adopts an institutional capacity perspective and surveys six variables that affect legislative control of the budget process, which are coded between zero (the least favourable from a legislative perspective) and one (most favourable). Legislatures obtain a high score when: (a) they have unfettered amendment powers, (b) spending is disallowed without legislative approval, (c) the executive cannot unilaterally adjust the budget during implementation, (d) the budget is tabled well in advance of the start of the fiscal year, (e) a budget committee as well as sectoral committees are involved in the scrutiny of the budget, and (f) parliament has access to budget research capacity.

The amendment powers of the legislature in budgetary matters. In Ethiopia the legislature has unrestricted power to amend the budget. In the case of Kenya and Uganda the legislature may only decrease the existing expenditure or revenues specifically the legislature can not increase existing items not create new ones.

In Ethiopia if the budget is not approved by the legislature before the start of the fiscal year last year's budget takes effect on interim basis that is for a limited period. In Uganda the executive's budget proposal takes effect on interim basis. In Kenya other interim measures are voted on by the legislature.

Regarding the committee structure for dealing with the budget, Kenya's single budget committee formally considers all budget-related matters. Sectoral committees may make recommendations, but the budget committee does not have to follow them. Ethiopia's single budget committee formally considers the budget, but members from sectoral committees attend meetings of the budget committee when expenditures in their specific areas are discussed. Uganda's single budget committee formally considers budget aggregates (total level of revenue and spending and their allocation to each sector) and sectoral committees formally consider spending for sector specific appropriations.

Finally, the analysis focuses on legislative access to the specialized budget research unit. A number of legislatures are currently considering the establishment, or are in the process of establishing, legislative budget offices (Johnson & Staphenurst 2008).

Uganda and Kenya have access to specialized research capacity the largest by far is in Uganda with a total staff of 27 and there are smaller unit in Kenya.

In Ethiopia there is no specialized budget research office attached to the legislature to conduct analysis of the budget. Absence of specialized budget research unit would decrease opportunities to improve the budget process.

4.1.4 Budget execution

A major challenge faced by many African countries is to enhance the credibility of the budget by reducing the gap between planned and actual spending. According to the PEFA framework a well-performing public financial management system ensures that the budget is 'implemented in an orderly and predictable manner and there are arrangements for the exercise of control and stewardship in the use of public funds' (PEFA 2005: 2).

Poor budget execution can undermine fiscal policy, distort allocations and undermine operational efficiency (Ablo & Reinikka 1998; Stasavage & Moyo 2000). At the same time, however, overly rigid execution rules can be detrimental to performance (Campos & Pradhan 1996; Blöndal 2003).

One of the principal ways in which the budget can be changed during the course of the fiscal year involves the cancellation or rescission of spending approved by the legislature. In-year cuts can help the government to ensure that aggregate spending remains within planned and prudent levels, but they can also distort budget priorities.

In Ethiopia, Kenya and Uganda the government have the authority to cut or cancel spending with restriction once the budget has been approved by the legislature.

In Ethiopia overspending prior to the approval of a supplementary appropriation by the legislature is not allowed, while in Kenya and Uganda this is only possible up to a certain limit.

In Ethiopia, Kenya and Uganda ministers are allowed to reallocate funds between line item with restriction especially in Ethiopia with the approval of ministry of finance. Ministers in Ethiopia are not allowed to reallocate from operation and maintenance to salary expenditures or from the capital budget to the recurrent budget.

In exceptional circumstances it may also be necessary to allow spending on items that are not included in the approval budget, for example to respond quickly and effectively to natural disasters such as flood or drought.

Ethiopia and Kenya budgets include a central reserve fund for such purpose, while Uganda has no contingency reserve. Being, there is no contingency reserve in Uganda the government might not provide immediate responses for exceptional circumstances like flood and draughts.

Frequency of supplementary budgets or adjustment budgets may be an indicator of poor budget planning, although this also depends on how detailed the budget is and at what level of detail it is approved. Moreover, it is possible that a country has very permissive

rules for in-year adjustments that allow the executive to make a large number of changes without having to ask for parliamentary approval.

The mere number of supplementary budgets does not necessarily indicate the extent of in-year adjustments. Ethiopia and Kenya have submitted one supplementary budget in the past two fiscal years. Uganda submitted more than two supplementary budgets. Uganda relatively has poor budget planning or some governmental units have programmes other than the budget allocated for them.

Internal audit plays an important role in ensuring the effectiveness of internal control which underpins sound budget execution (diamond 2002). All the three countries line ministries have internal audit unit.

All of the three countries line ministers have internal audit units. This indicates that the revenue utilization is according to laws and regulations, disbursements are made according to the budget and public property is kept safe.

4.1.5 Fiscal transparency

Transparency in government finances implies ‘openness about policy intentions, formulation and implementation’ (OECD 2002: 7; and Kopits & Craig 1998). Several studies have found that fiscal transparency is associated with improved fiscal discipline, better credit ratings and reduced corruption (e.g. Alesina & Perotti 1996; Hameed 2005; Alt & Lassen 2006). Others argue that citizens and taxpayers are entitled to full disclosure with regard to the management of public money (Fölscher 2002) to ensure participation and accountability in policy processes.

As a result of this increased focus on the provision and quality of budgetary information, several organisations have developed international guidelines and measurement frameworks.

The OECD has developed Best Practices for Budget Transparency, which is a non-prescriptive reference tool (OECD 2002). Other initiatives include the IMF Code of Good Practices for Fiscal Transparency (IMF 2007a), which is used for formal country assessments, and the International Budget Project's Open Budget Initiative, which develops an index of budget transparency to compare countries across the world (IBP 2006).

It is difficult to define precisely how much and what kinds of information governments should make publicly available. While a general case can be made in favour of publicising as much budget information as possible, two caveats should be kept in mind. Firstly, the quantity of information released to the public should not come at the cost of its quality.

For example, the OECD 'Best Practices' indicate that all countries should produce monthly reports with updated revenue and expenditure figures during budget execution.

In some cases, however, less frequent reports based on more reliable data might be a better option when capacity to produce high quality data is limited. Secondly, in cases where capacity to use available information is limited, for example within civil society, published information may allow other players, such as donor agencies or lobbying groups with a narrow base to distort overall accountability processes.

In this section, the centre of attention is to overview the degree to which Ethiopia, Kenya

and Uganda provide 'full disclosure of all relevant fiscal information in a timely and systematic manner'. Transparency is assessed in three areas which are broadly linked to the different phases of the budget cycle: (a) the information included in budget documents presented to the legislature, (b) the frequency with which data on actual revenues and expenditures is reported during budget execution, and (c) whether audit reports are made publicly available and with what delay.

Ethiopia, Kenya and Uganda include information on budget priorities and clearly defined appropriations to be voted by the legislatures in the presentation of budget documents to legislature.

Ethiopia, Kenya and Uganda do not include information on comprehensive annual financial plan encompassing all revenues and expenditures including off budget expenditures and extra budgeting funds and long term perspective on total revenue and expenditure in the presentation of budget documents to legislature.

Kenya and Uganda reported information on fiscal policy objectives for the medium term and medium term perspective on total revenue and expenditure possibly in the form of Medium-term Expenditure Framework.

Ethiopia does not include information like Fiscal policy objectives for the medium-term and medium term perspective in the presentation of budget documents to legislature.

Ethiopia and Kenya reported information on comprehensive table of tax expenditures and Linkage of appropriations to administrative units (e.g. ministry and agency).

Uganda not claimed to include comprehensive table of tax expenditures and Linkage of

appropriations to administrative units in the documents sent to legislature.

Ethiopia and Uganda include elements like macroeconomic assumptions, comprehensive annual financial plan encompassing all revenues and expenditures for all levels of Government and Non-financial performance targets for programmes and agencies in the presentation of budget documents to legislature. But, Kenya does not include in the government budget documents. Only Uganda includes elements on text of legislation for policies proposed in the budget.

Table 1 Information included in the budget documents presented to the legislature**Countries**

	Ethiopia	Kenya	Uganda
Fiscal policy objectives for the medium-term		x	x
Macroeconomic assumptions	x		x
Budget priorities	x	x	x
Comprehensive annual financial plan including off budget expenditures and extra budgetary funds			
Comprehensive annual financial plan all levels Of Government.	x		x
Comprehensive table of tax expenditures (exemptions, deductions and credits)	x	x	
Non-financial performance targets for programs and/or agencies	x		x
Medium-term perspective		x	x
Long-term perspective			
Clearly defined appropriations	x	x	x
Linkage of appropriations to administrative units	x	x	

Tax of legislation for policies proposed in the budget			x
--	--	--	---

The frequency of reporting on actual revenues and expenditure is also crucial meaning it allows government to measure progress on the implemented budget during the fiscal year.

Ethiopia, Kenya and Uganda publish information on revenues and expenditures every month, quarterly and every six month respectively. Relatively stakeholders in Ethiopia can get information regarding revenues and expenditures timely. Accessibility and availability of budget information every month to all stakeholders has for reaching effect in promoting participation, monitoring and evaluation.

Being the resources used to provide government services are public resources, information regarding the findings of supreme audit institutions should available to the public. In addition every government organization held accountable to the public for how it utilizes those resources. The findings of supreme audit institution are available to the public in Ethiopia, Kenya and Uganda.

In order to give an overall comparative assessment of the level of fiscal transparency across Africa, Fiscal transparency index was summarized by budget practices and procedure in Africa 2008. The index accounts for the information included in budget documents presented to the legislature, the frequency with which data on actual revenues and expenditures is reported during budget execution, and publicly availability of audit reports. Based on the transparency index Ethiopia ranked second next to South Africa, Uganda fives and Kenya eleventh.

Based on the overall assessment of the level of transparency in the area which is broadly linked to the different phases of budget cycle, the relevant budget information is very poor in Ethiopia, Kenya and Uganda. Relatively Ethiopia includes detail information in the budget documents presented to the legislature. Moreover, Ethiopia publishes information on revenue and expenditure monthly. However, less frequency reports based on more reliable data might be better option when capacity to produce high quality data is limited.

It is possible to say that, relatively the general public in Ethiopia can get information regarding revenue and expenditure timely. Even though, the budget information is inadequate.

Lack of availability of information on budget policies, expenditure and outcomes in Ethiopia, Kenya and Uganda, discourage citizens' participation and deactivate the community to meet budget targets.

4.1.6 Budget participation

Participation is defined as a process through which stakeholders' influence and share control over development initiatives, including the decisions and resources which affect them (Mwenda A. K and Gachochi M.N., 2003).

The national budget is an important key public policy instrument that reflects a nation's needs and priorities and since the budget is financed largely from taxes, participation in the budget process is viewed as mandatory.

Besides participation in the budget process is empirically proven as a significant function of promoting budget transparency. Modern management practices advocate for inclusive and open budgeting processes.

It is thus argued that budget secrecy may encourage market speculation, while greater transparency may actually smooth market adjustment to known policy choices. Further, useful, accessible and timely budget information facilitates foreign and domestic private sector planning and investment.

Participatory budgeting has therefore been advanced by budget practitioners as an important tool for inclusive and accountable governance and has been implemented in various forms in many developing countries.

Through participatory budgeting, citizens have the opportunity to gain firsthand knowledge of government operations, influence government policies, and hold

government to account.

Therefore, it is quite imperative that citizens and members of civil societies actively participate in budgeting in order to represent their interests and understand the details on planned public expenditure.

This ultimately has the potential to improve budget decision-making through: simplifying the budget and deepening debate; collating, synthesizing and disseminating budget information; providing independent critical analysis; bringing new information to budget decision-making; building accountability and capacity development.

UN-Habitat (2008) defines participatory budgeting as a continuous, open and inclusive process divided into distinct stages, by which citizens and local governments widen mechanisms for promoting direct and indirect citizen participation in identifying local needs, deciding preferences as well as the implementation, monitoring and evaluation of the budget, taking into account expenditure requirements and the available income resources.

Participatory budgeting is a decision-making process through which citizens deliberate and negotiate over the distribution of public resources. Participatory budgeting programs are implemented at the behest of governments, citizens, Non-Governmental Organizations (NGOs), and Civil Society Organizations (CSOs) to allow citizens to play a direct role in deciding how and where resources should be spent (Shah, 2007). These programs create opportunities for engaging, educating, and empowering citizens, which

can foster a more vibrant civil society. Participatory budgeting also helps promote transparency, which has the potential to reduce government inefficiencies and corruption.

Shah (2007) argues that Participatory budgeting programs also serve as “citizenship schools,” as engagement empowers citizens to better understand their rights and duties as citizens as well as the responsibilities of government. Citizens learn to negotiate among themselves and with the government over the distribution of scarce resources and public policy priorities.

In Kenya public participation in the budget process is further limited by inadequate budget information as well as a lack of capacity and mobilization on the part of general public.

In Kenya the media plays an important role in disseminating discretionary budget information. There is great scope for media to undertake more critical and analytical reporting on the budget. In Ethiopia the public and the media have limited access to information about upcoming calls on budget discussion in due time, citizens would have no information and access until it has been adopted and published in the federal *Negarit Gazeta*. In Uganda the media play an increasingly substantial role by disseminating information on budget issues and providing forum for budget debate. In addition general public participation is limited in Uganda.

In general, public participation in the budget process is very limited in Ethiopia, Kenya and Uganda. This is because of lack of reliable and adequate information. If public participation in the budget process is limited, the general public in Ethiopia, Kenya and

Uganda cannot get opportunity to rise what is important for them and the government cannot also know the most and un meet demand of the society.

Table2 Summary of the major differences and similarities between Ethiopia, Kenya and Uganda

	Ethiopia	Kenya	Uganda
1. Timeliness of budget process			
A. The beginning of the annual budget process prior to beginning of the relevant fiscal year	6 Months	10 Months	9 Months
B. The timing of tabling of budget in the legislature prior to the start of the fiscal year	1 Month	1 Month	1 Month
C. The timing of legislative approval	0 Month	4 Months	2 Months
D. The timing of publication of audited account takes place	9 Months after the end of the fiscal year	12 Months after the end of the fiscal year	9 Months after the end of the fiscal year
2. Issue in the budget formulation			
A. Limits or ceilings by certain budget authority	Only suggested or indicative limits	For all types of expenditures	Only for some types of expenditures
B. Issues that can not be resolved at a civil servant level on which a decision is required	Resolved by cabinet	Finance minister resolved	Finance minister resolved

C. Multi year estimates in the budget documents sent to parliament for approval	Does not include multi year estimates in the budget document	Include detail estimates at a line item level	Include detail estimates at a aggregate level
D. Multi year expenditure targets or ceilings submitted to the legislature for approval	Applies at the ministry level	Applies at the ministry level	Applies at line item level
E. Multi year expenditure set for	3 years	3 years	3 years

3. The role of legislature in the budget process

A. Amendment power of the legislature	Unrestricted power to amend the budget	Only decreases the existing expenditures or revenues	Only decreases the existing expenditures or revenues
B. If the budget is not approved by the legislature before the start of the fiscal year	Last year's budget takes effect on interim basis	Other interim measure are voted by the legislature	Expenditure budget proposal takes effect on interim basis
C. Legislative access to specialized research unit	No specialized budget research unit	Has access to specialized budget research unit	Has access to specialized budget research unit

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4. Budget execution

A. The authority of the government to cut or cancel spending once the budget has been approved by the legislature	Yes, With restriction	Yes, With restriction	Yes, With restriction
B. Can over spending occur before a supplementary appropriation budget is approved by the legislature	No	Yes, up to a certain limits	Yes, up to a certain limits
C. Are ministers allowed to reallocate funds between line items with their responsibility	Yes with restriction	Yes with restriction	Yes with restriction

5. Fiscal transparency

A. Frequency of public information on a actual revenues and expenditure during the fiscal	Monthly	Quarterly	Every six month
B. Availability of findings of the supreme audit institutions to the public	Yes ,always	Yes ,always	Yes ,always

6. Budget participation

A. Public participation in the budget process	Limited	Limited	Limited
B. The role of media	No role	Play important role	Play important role

4.2 Analysis of questionnaires

Analysis of questionnaires were carried out so as to examine the level of involvement of citizens in the Ethiopia budget process and to ensure availabilities of information the general public.

Table 3 presentation of highest educational level obtained, years of experience and position.

No	Item/description	Respondents	Percentage (%)
1	Highest educational level obtained		
	A. Diploma	-	-
	B. Bachelor degree	8	80%
	C. Masters degree	2	20%
	D.PHD	-	-
	Total	10	100%
2	Years of work experience		
	A. 0-5 Years	4	40%
	B. 6-10 Years	-	-
	C. 11-20 years	2	20%
	C. More than 20 years	4	40%
	Total	10	100%
3	Positions		
	A. Junior budget expert	4	40%

	B. Senior budget expert	6	60%
	Total	10	100%

The above table prepared with the intention of determines the highest educational level obtained, experience and position of the respondents in the ministry of finance and economic development of Ethiopia predominantly, budgeting department.

Based on the information on table three under description number one, the leading figure of the respondents are bachelor degree (80%) and the left over are master's degrees (20%). Under description number two (40%) of the respondents have 0-5 years experiences, (20%) of the respondents have 11-20 years of experiences and (40%) of the respondents have more than 20 year's experiences. In description number three (40%) of the respondents are junior budget expert and the rest (60%) are senior budget expert.

All of the respondents reported that citizens are not significantly involved in the country budget process. In the open ended portion of the questionnaire many budget experts explained that citizens elect their representatives to stand for their interest in the country budget process so they do not have to become directly involved. In other hand, most of the budget experts stated that citizens would be beneficial if the budget process should aim at reaching a consensus with the public in setting the priorities of the budget. Different authors on budgeting believed that lack of involvement of citizens in the budget process would minimize a way of improving budget formulation, efficiency in resource allocation and better oversight of the budget process.

This study found that citizens have no access to monitor and evaluate the budget performance. All of the respondents expressed that citizens have no opportunity to control and evaluate the budget performance of a country. In principle citizen should control and evaluate the budget performance of a country because the budget funds are contributed by citizens in the form of taxes this gives a right to the public to control and evaluate at the time of collection and utilization of these funds.

Ninety percent of the respondents stated that information is not available for citizens in accessible, timely and clear and easy to use manner. Only ten percent claimed that very little budget information is made available during the budget drafting phase. In addition at the federal level the budget proclamation is sold in the market and depicted on ministry of finance and economic development web site. At woreda level the budget is depicted on the notice board.

Even if little information is available to the public there should be clarity if the budget information was a critical factor in facilitating the public participation in the budget process. Sufficiency and usefulness of information should not only available to the public during budget drafting but also the need to improve the budget information presentation to public including macroeconomic , public spending , revenue collection , public debt , policy statements , audit and extra budget activities .

All of the respondents stated that budget professionals desire less citizen's involvement in the country budget process. In the open ended portion respondents stated that citizens can not contribute substantively in a positive manner to the country budget for the reason that they have no or limited knowledge regarding budget. The respondents also further explained that before citizens directly participate in the national budget process budget experts should create awareness to the public about basic concepts regarding national budget using different Medias.

All of the respondents specified that there are the legal bases for transparency and participation. Furthermore they explained that Ethiopia has a well established legal framework governing its budget system that derives from the 1995 constitutions of the federal democratic republic of Ethiopia. The constitution clearly defines that structure, division of power and responsibilities among state organs.

Article 12(1) of the constitution states that conduct of affairs of government shall be transparent. The constitution provides the framework for people participation through elector representations. The house of people representatives are composed of more than five hundred members. Legislature has clear authority over the approval of budget estimated and expenditure.

Government support in facilitating the participation of citizens in the budget process is important. The study revealed that sixty percent of the respondents stated that no support

is usually given to the public by the government. Whereas the remaining forty percent of the respondents clearly explained that citizens have got opportunity in the budgeting process through their representatives in the parliament.

The study identified factors that limits citizens participation in the budget process are presented below.

A. Limited accessibility to the budget information

Accessibility to budget information stated a major factor for participation in the budget process. Unless the general public has increased access to budget information, it will be very difficult to have a meaningful participation in the budget process.

B. Budget language is too technocratic

Most of the respondents indicate that the budget language is still too technocratic and thus not easily understood by many Ethiopian's. This has contributed to the limited participation, because, most of the people do not even realized some of the complex budget details.

C. Country population

The number of population also matters. Being, Ethiopia is highly populace country it might be very difficult to make discussion regarding budget process directly with the people.

The study revealed that the challenge in the accessing budget information is Timeliness of budget information. Timeliness of budget information was a primary concern by most

respondents. For example, the macro economic and audit data although available was reported to be realized late and usually in accessible to the public.

Chapter five:

conclusions and recommendations

This section discusses some of the major conclusions that emerged in the study and summarizes the most important recommendation that has been made in the study.

5.1 conclusions

The conclusion part summarized some of the different phases of budget cycle and cross-cutting issues such as fiscal transparency and budget participation.

The timing of budget formulation process, legislative approval and publication of audit account take places varies among Ethiopia, Kenya and Uganda. Ethiopia has short timeline in the budget formulation process, in comparison with Kenya and Uganda. Only Kenya meets established international standards and guidelines such as organization for economic co-operation and developing demanding standard and public expenditure and financial accountability requirement with respect to the timing of legislative approval. Three of the countries do not meet the OECD's standard, but they meet the IMF more generous deadline with respect to the timing of publication of audit account take place.

The budget formulation stage is dedicated to the drafting of budget documents by the executive in order to translate policy initiatives in to resource allocation decision across

the numerous activities. This process is guided by the Central Budget Authority (CBA) usually based on the Ministry of Finance. Central budget authority (CBA) in Ethiopia imposes only suggested or indicative limits or ceilings on the initial spending request by line ministries during the drafting stage of the budget process.

Central budget authority in Uganda imposes limits or ceilings only for some types of expenditure such as salaries on a chapter level. In contrast, Central budget authority (CBA) in Kenya imposes limits for all types of expenditure at a chapter level. To sum up, Central budget authority in Kenya has complete authority to impose limits on the initial spending request however; central budget authority in Ethiopia and Uganda imposes limits for some types of spending.

The role of legislative in the budget process varies among countries. In Ethiopia the legislature has unrestricted power to amend the budget. In the case of Kenya and Uganda, the legislature may only decrease the existing expenditure or revenues specially the legislature can not increase existing items not create new ones. In Uganda and Kenya, legislature has access to specialized research unit. In Ethiopia, there is no specialized budget research office attached to the legislature to conduct analysis. Absence of specialized budget research unit would decreases opportunities to improve the budget process.

In exceptional circumstances, it should necessarily allow spending on items that are not included in the approved budget. Ethiopia and Kenya include a central reserve fund in connection with exceptional circumstances. On the contrast, Uganda has no contingency reserve. Since, there is no contingency reserve in Uganda the government might not

provide immediate responses for exceptional circumstances like flood and draught.

Based on the overall assessment of the level of transparency in the area which is broadly linked to the different phases of budget cycle, the relevant budget information is very poor in Ethiopia, Kenya and Uganda. Lack of availability of information on budget policies, expenditure and outcomes in Ethiopia, Kenya and Uganda, discourage citizens' participation and deactivate the community to meet budget targets.

In general, public participation in the budget process is very limited in Ethiopia, Kenya and Uganda. This is because of lack of reliable and adequate information. If public participation in the budget process is limited, the general public in Ethiopia, Kenya and Uganda cannot get opportunity to rise what is important for them and the government cannot also know the most and un meet demand of the society.

To sum up, the general public in Ethiopia cannot significantly involve in the country budget process and citizens have no access to monitor and evaluate the budget performance. Factors that limit citizens' participation in the budget process are limited accessibility to budget information; budget language and country population. Lack of involvement of citizens in the budget process would minimize a way of improving budget formulation, efficiency in resources allocation and better oversight of the budget process.

There is a legal stand for transparency such as the constitution however, budget

information is no available for citizens in accessible, timely and clear and easy to use manner. Government has a duty to make an effort to increase budget transparency because; it allows citizens to properly assess government financial position and performance. Scarcity of budget information might decrease the level of public participation in the budget decision process.

5.2 Recommendations

- Great transparency should be initiated for the allocation of resources in the case of cash shortage.
- The technical language used in the budget should be easily understandable by general public.
- The media should play an essential role in disseminating budget information to the general public.
- Specialized budget research office attached to the legislature must establish in Ethiopia in order to improve various opportunities intended at improving the legislative ability in the budget approval process.
- The beginning of the annual budget process prior to the beginning of the relevant fiscal year in Ethiopia is very short in comparison with Kenya and Uganda. Additional time should be allocated because the government sometimes can not spend money as planned in the budget, for instance, if domestic revenue collection is lower than projected or if donor fund come late or are lower than expected there is a provision for significant budget revision to be made.
- Information on budget should publicise on time. Timely accessibility and availability of budget information to the general public has far reaching effect in

promoting participation, monitoring and evaluation.

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UNIVERSITY ADDIS ABABA
SCHOOL OF BUSINESS & PUBLIC ADMINISTRATION
DEPARTMENT OF ACCOUNTING & FINANCE
MSC PROGRAM

Questionnaire

The purpose of this Questionnaire is to gather data relating to budget practices and procedures of Ethiopia. The research will be conducted for the following objectives (1) To assess similarities and differences between Ethiopia and two east Africa countries with respect to budget practices and procedures. (2) To examine the level of involvement of citizens in the budget process of Ethiopia in comparison with east Africa countries. (5) To ensure availability of information on budget policies, expenditure and outcomes to the general public.

Thank you in advance for your voluntary participation. It needs your willingness in contributing your knowledge to improvement and advancement of budget practices in Ethiopia. The information obtained will be used only for academic purpose. Additionally, you are not required to write your name and addresses.

Have a nice time

Thank you

PART I: Personal information

Please choose an option by ticking a box

- 1) Job title
- 2) Gender Male Female
- 3) Age 20-25 26-35 36-45 46-55
- 4) Highest education level obtained
 - High school complete
 - Certificate
 - Diploma
 - Bachelor degree
 - Masters degree
 - PhD
- 5) Years of work experience
 - 0-5 years
 - 6-10 years
 - 11-20 years
 - More than 20 years
- 6) Marital status
 - Single
 - Married

PART II: GENERAL INFORMATION

1) Where is the function of the Central Budget Authority located?

- Ministry of Finance
- Office of the Chief Executive
- President's office
- Prime Minister's office
- Independent Agency

2) What is the legal basis for the following? **(PLEASE CHECK ALL THAT APPLY)**

	Constitution	Legislation	Internal Rules	No formal basis
The form and structure of the annual budget and related legislation	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
The timing of the annual budget process	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Roles and responsibilities of different parts of the Executive in budget formulation and execution	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Roles and responsibilities of the Legislature and the Executive in the budget process	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Provisions on what happens when the budget is not approved by the beginning of the fiscal year	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Requirement for legislative authorization of spending	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Requirement for legislative authorization of taxes	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Rules for the use of contingency or reserve funds	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Requirement for audit of Government accounts by the Supreme Audit Institution	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

PART III Budget participation and Transparency

1. Do you think that citizens have access to influences what goes in the budget?

Yes

No

2. Do citizens have access to monitor and evaluate the budget performance?

Yes

No

3. Is there availability of information on budget policies, expenditures and outcomes in accessible, timely and clear and easy to use manner to the general public?

Yes

No

4. Are there possibilities for citizens to participate in most of budget stages?

Yes

No

5. Is there a legal base for citizens' participation in the budget process?

Yes

No

6. Does the Ethiopia budget process encourage participation of citizens?

Yes

No

7. Does the government support in facilitating the participation of citizens in the budget process?

Yes

No

8. What are the primary factors that limit citizen participation in the budget process?

9. What do you think about the budget transparency in Ethiopian?

10. What do you think about budget professionals' attitude towards citizens' involvement in the budget process?

11. List the major challenges in accessing budget information?