

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

**The move towards program based budgeting system in Ethiopian public agencies
and its implications: The case of Federal Ministries.**

By: Abdurahman Aliyi



June 2011

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

**The move towards program based budgeting system in Ethiopian public agencies
and its implications: The case of Federal Ministries.**

By: Abdurahman Aliyi

**A thesis submitted to the department of Accounting and Finance, school of Business and
Public administration, Addis Ababa University, in partial fulfillment of the requirement of
MSc Degree in Accounting and Finance.**

Advisor: Dr. Degefe Duressa

June 2011


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

The move towards program based budgeting system in Ethiopian public agencies and its
implications: The case of Federal Ministries.

By: Abdurahman Aliyi

Master of Accounting and Finance (Msc. in Accounting and Finance)

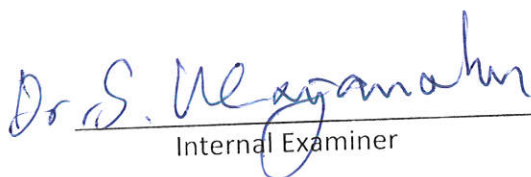
Approved by Examining Board



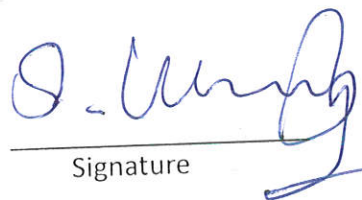
Advisor



Signature



Internal Examiner



Signature

DECLARATIONS

I, the undersigned declare that this Thesis is my original work and is not presented for a degree in any other university and that all sources of material used for this Thesis have been duly acknowledged.

Declared by:

Abdurahman Aliyi

Signature:



Date:

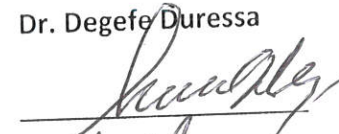
22/06/2011

This thesis has been submitted for examination with my approval as a University advisor:

Confirmed by:

Dr. Degefe Duressa

Signature:



Date:

22/06/2011

Addis Ababa University

June 2011

Abstract

This study analyzes the process of moving towards program budgeting in Ethiopian public agencies and its implication on the budgeting system. The study focuses on identifying reform needed for program budgeting system in Ethiopian public agencies at federal ministries level, analyzing the attitude of employees towards new budgeting system at the federal offices of the ministry. It also focuses on analyzing the challenges and implication of program budgeting system in public agencies at federal office of the ministries.

The study employed the mixed approach that is qualitative and quantitative research design to describe the respondent's responses and to answer the research questions. Specifically, the data was collected through semi-structured questionnaire which contains both open-ended and closed questions. The study descriptively analyzes the data elicited from surveys and documents. The data was presented in the form of table and analyzed using frequency and percentage. Then the data interpreted based on the analysis. Lastly, the findings derived from the interpretations.

The result of this combined research methodology reveal that there is no need of new organizational design for program budgeting. However, the study identified that reform in financial management, linking program structure with the objectives of organizational structure, and new technologies are needed for the implementation of program budgeting. The study also reveals that there is a confusion and challenges in implementing program budgeting. The study also identifies manger's responsibilities in the system and implication of program budgeting on the public expenditure.

The study suggests the effective way which could be taken by the concerned body and Ministry of Finance and Economic Development in particular, to make the transition to program budgeting and implementation of program budgeting. Finally,

the thesis forwarded: How the program based budgeting system will increase the output of the public agency?, Evaluation of program budgeting in relation to strategic policy of the government, analysis and evaluation of analytical part of program budgeting process in public agencies, and the area of incentives and motivation to employees in program budgeting, legislative aspect and administration aspect of program budgeting as the suggestion for further research.

ACKNOWLEDGEMENT

I am heartily thankful to my adviser Dr. Degefe Duressa, for his help by reading each and every item and commenting and advising me still the end in providing constructive knowledge about my titles and generally about research by expending his precious golden time and energy. I am also indebted to my mother Maryen Usman Agibir, for her morale and encouragement in my life, to whom this paper is dedicated, and to all members of my families and friends. Particularly, I would like to extent my gratitude to my sister Rukiya Abdi and Brother Adam haji Sani whose necessary moral supply support has been with me until the completing of the paper.

Table of Contents

Abstract.....	i
Acknowledgement	iii
Table of contents.....	iv
List of table.....	vi
List of figure.....	vii
Acronyms.....	viii
Chapter one	1
1.1.Introduction	1
1.2. Statement of the problem	4
1.3. Objectives of the study	7
1.4. Research questions	8
1.5. Significance of the study	8
1.6. Scope and limitation of the study.....	9
Chapter two	11
2.Literature review	11
2.2. Theoretical overview of budgeting system.....	12
2.2.1. Program based budgeting system	13
2.2.2. Conceptual Dilemmas in Program Budgeting.....	15
2.2.3. Line-item budgeting system	16
2.2.4. Performance budgeting system.....	17
2.2.5. Concept of Budgeting systems in public agency and their applicability in public agency	18
2.3. The Transition to Program Budgeting.....	20
2.3.1. Legislative Considerations	21
2.3.2. Challenges in implementing Program Budgeting	21
2.3.3. Linking Programs to Strategic Planning Processes	22
2.4.Empirical Study to integrate program based system in public agency	23
2.5.Conclusion and knowledge gaps in respect to moving to program based budgeting system in Ethiopian public agency	27
Chapter three.....	29
3.Research methodology	29

3.1. Research design	29
3.2 Data collection methods	30
3.3. Sample size.....	31
3.4. Data analysis procedures	32
Chapter four.....	33
4.Data presentation and analysis	33
4.1. Explanatory Statement	33
4.1.1. Personal profile of sample Respondents.....	33
4.2. The transition to Program based budgeting system in public agencies.....	36
4.2.1. Reform needed in financial management in implementing PBS.....	38
4.2.2. New Technologies or computer software needed for the implementation of PBS.....	40
4.2.3. Human Resources needed for PBS	41
4.2.4. PBS training for employer.....	43
4.3. Implementation of program budgeting system in federal public agencies	45
4.3.3. The understanding of respondents about program budgeting system ...	49
4.3.4. Relationship between program budgeting structure and organizational structure.....	50
4.3.5. The responses for the link between program budgeting and program structures out pul	51
4.3.6. Methods of implementing program Budgeting system	53
4.3.7. Responsibilities of Head of budgetary directorate in federal public agencies.	54
4.3.8. Flow of Information in PBS	55
4.3.9. Does the Ethiopian budget encourage participation?.....	56
4.3.10. Challenges in Implementing PBS.....	57
4.4. Implications of PBS in Ethiopian Public Agencies	61
Chapter five.....	66
5.Finding, conclusions and recommendations	66
5.1. Summary of finding and conclusions	66
5.2. Recommendations	73
Reference.....	76



List of table

Table: 1 Sample size in each federal ministry.....	32
Table: 2 Respondents by Education, Work Experience and Job Description.....	34
Table: 3 Responses of respondents on organizational design for PBS.....	37
Table: 4 Reforms needed in financial management for PBS.....	38
Table: 5 New computer software technology for PBS.....	40
Table: 6 The sufficiency of human resources for the implementation of PBS.....	41
Table: 7 Responses on PBS training for the respondents.....	43
Table: 8 Respondents responses on the adequacy of the training.....	44
Table: 9 Responses of respondents on confusion related to PBS.....	46
Table: 10 Responses on attitude towards Program budgeting system.....	48
Table: 11 Responses on the understanding of program budgeting.....	49
Table: 12 The relation between PBS structure and organizational structure.....	50
Table: 13 Responses for the link between PBS and structure output.....	52
Table: 14 Approaches of implementing PBS.....	53
Table: 15 The responses for the budget participation.....	57
Table: 16 Challenges in implementing PBS.....	58
Table: 17 Responses on what PBS improve in Federal public agencies.....	61

List of figure

Figure 1 Response for the sufficiency of human resources for the implementation of PBS.....43

Figure 2 Respondents responses on the adequacy of the training.....45

Figure 3 Responses of respondents on confusion related to PBS.....47

Figure 4 Responses on attitude towards Program budgeting system.....49

Acronyms

PBS-Program budgeting system

ZBB-Zero based budgeting

PBBS-Performance based budgeting system

PPBS-Planning, Programming Budgeting Systems

GASB-Government accounting standard board

IBEX -Integrated Budget Expenditures

MoFED- Ministry of Finance and Economic Development

MoE-Ministry of Education

MoA- Ministry of Agriculture

MoH-Ministry of Health

Chapter one

1.1. Introduction

This study deals with the move towards program budgeting system in Ethiopian public agencies and its implication on the management of public expenditure. Specifically, the study focuses on the move from the existing budgeting system to the program based budgeting system in the selected federal ministries and the implication of this new budgeting system. The need to have effective budgeting system is just as important for nonprofit organizations, which by their nature are not required to maximize their profits, as it is for businesses, which exist to bring the utmost return on the stockholders' investments.

Mullins and Pagano (2005) stated that the art of budgeting in government is essentially a process of allocating limited financial resources to services and activities in a manner that will most effectively meet the needs of the citizens. Typically, a simplistic and often used approach to budgeting is called line-item budgeting (Boex, et al, 2000). In essence, the line-item budgeting is derived from the current year's budget by adding amounts expected to the required by line items. It also focuses largely on controlling resources inputs and typically uses the line-item budget format in which the focus is on departmental expenditures for specified purposes or objects, such as personnel, supplies, equipment and travel.

On the other hand, Cutt (1974) noted that the program budget differs from the traditional line-item approach to preparing, reviewing, and presenting the budget. Rather than focusing on what a community buys (personnel, commodities, etc.), a program budget focuses on the expected results of services and activities that you carry out. In this case, the emphasis is on the attainment of long-term, community-wide goals. In a program budget, the organization link revenues and expenditures to multiyear programs that meet federal ministries' goals, objectives, and strategies.

Importantly, a program budget identifies the anticipated results and outputs of these investments.

In addition, West, Eric and Lindquist (2009) assert that Program budgeting removes activities from their organizational homes for analytical purposes and evaluates them in terms of their contributions to hierarchically ordered objectives. As such, it is designed to allow managers, budgetary directorate heads and policy makers to plan, to hold implementing officials accountable, to identify redundancies, and to compare the marginal utility of spending on different activities with similar goals.

Studies performed in the area of government budgeting system also suggest that traditional budgeting has come under criticism for being overly time consuming, and rigid. For example, Bagdigen (2001) noted that line-item budgeting system encounters various limitations in budgeting process, like that; it assumes activities and methods of working will continue in the same way, no incentive for developing new ideas, no incentives to reduce costs and encourages spending up to the budget so that the budget is maintained next year.

In contrast, Kluvers (2001) argued that Program budgeting system (PBS) is the planning of public expenditure for the purpose of achieving explicitly defined results, which may be policy objectives or simply outputs of routine public service activities. The ultimate aim of PBS is far from simply being an elaborate way of measuring or recording activities but instead, it is a mechanism that will help government in decision-making depending on whether the objectives are being met or not, and enhancing transparency and accountability.

Moreover, program budgeting as an alternative model of budget management aims at clarifying policy priorities consistent with government's strategic objectives and allocates resources more tightly on strategic priorities (West, Eric and Moshe, 2009). In addition PBS can motivate program-managers and service-providers to have a genuine interest in improving performance. It also identify the causes of good and

bad performance and thereby improving the value for money of public spending by reducing waste and increasing impact and facilitate cross-institutional working.

On the other hand, many studies argued that it makes the service-providers (Ministries, Departments or city administration and any public agency) more results-accountable to beneficiaries of services provided, to government for policy implementation and to taxpayers for good use made for their contribution to the coffers of the government. This ultimately leads to more transparency. Thus, the move is increased to run from traditional budgeting system to the new PBS in the Ethiopian Public sector.

Interestingly, in Ethiopia many studies have recommended that program budgeting system is needed to be applied in Ethiopian public sector to have a better delivery of service to their society. Moreover, Ethiopian ministry of Finance and Economic Development has designed to adopt program based budgeting system in the public sector.

Number of studies also address the question how the government move towards the program based budgeting system and identify the preconditions needed to be taken to apply this new budgeting system in foreign countries. Undoubtedly, having a clear understanding of significant problem of the line-item budgeting system and how to apply the new budgeting system in Ethiopian government sector can be more helpful in designing program based budgeting system for public agency. Accordingly, this research focused on the analyzing move towards program based budgeting system in the context of Ethiopian public agency the case of federal ministries and the implication of this budgeting system on the activities of federal ministries.

This study drew data from the four selected federal ministries of the Ethiopian public agencies. The site provided an in-depth understanding of the overall aspect of program budgeting system in Ethiopian government sector. Accordingly, one of the

main criteria to select these four federal ministries for data collection is that they appear that their program and budgetary directorate, and planning and budget administration offices of the four federal ministries office is going to have program based budgeting system based on the guidance of the Ethiopian Ministry of Finance and Economic Development and to change the line item budgeting system.

So, this study analyzed the move to program based budgeting system by focusing on Ethiopian public agency at the selected four federal offices of the ministries.

1.2. Statement of the problem

Traditionally, government's view of budget management focused primarily on input control and resource allocation, and it was also highly centralized. Central budgeting departments focused exclusively on control in budget management with little or no follow-up in checking the performance of spending departments in terms of achieving planned objectives. It has been argued that previous view of line-item budgeting system focused primarily on resource allocation and input control, and was usually highly centralized (Bellamy, and Kluvers, 1995).

Taken the limitation of incremental budgeting system as a whole, many governments are striving to adopt program based budgeting as an alternative model of budget management that aims at bringing a more direct link between allocating resources with budgets and performance in reaching planned objectives.

The results of research conducted by Kluvers (2001) indicated that Program Budgeting has become an accepted management tool. According to (Bellamy, and Kluvers, 1995) 77 percent of the cities surveyed in the USA reported using program budgeting. The longevity of Program based budgeting in large numbers of jurisdictions, with very few reported instances of jurisdictions having tried and rejected PBS, indicates that PBS has become a staple rather than a fad in public management. The results of a survey conducted by Kluvers (2001) indicate that 74 percent of large cities in the USA use Program budgeting system.

Several recent writings, (Bourdeaux, 2007, Smithies, A 1965; Bellamy, and Kluvers, 1995) in the area of public budgeting system stated that the theory behind program based budgeting is that in return for greater accountability for results, agency managers will be given increased flexibility to manage inputs as necessary in order to produce the desired results. For this reason, many developing countries have been transitioning to PBS in an effort to focus resource allocation decisions on outcomes or results rather than on control over inputs.

Programs based budgeting often provide the platform for a performance based system because of the intuitive idea that a program is the appropriate budgetary unit for assigning managerial flexibility and responsibility for results (Bourdeaux, 2007). In this formulation, programs are the level at which agencies enter into a contract to produce results. Programs are also often linked to result measures and overall agency goals through a strategic planning process. Research like Wildavsky, et al (1966) as well as the general literature suggests building a program structure for program budgeting aligns resources with strategic plans and ties services or products to outcomes, objectives, goals, and mission.

However, implementing program budgeting necessitates a number of changes in traditional budget management. Accordingly, a decision about whether to introduce such a system in any specific country should be based on serious consideration of the governance conditions, government structures and problems in implementing the new budgeting system. For example, Robinson (1992) clearly stated that one of the thorniest problems for program budgeting is the relationship between programs and organizational structure. Similarly, Bourdeaux (2008) noted that there has been a fundamental restructuring of the budget system in many developing countries to move towards new budgeting model that is program based budgeting system.

In addition, Pugh (1984) argues that staff capacity to address the information requirements of program based budgeting is the main institutional pre requisite. He also recommends good accounting and auditing procedures as additional pre

requisites and general recognition of the need for reform and government agencies need greater managerial autonomy and freedom from tight input control.

Moreover, numbers of interviews undertaken in the states of USA by Bourdeaux (2007) showed that in the implementation of program budgeting there are lack of clarity about program definitions and some of the programs, as defined, may lack integrity or it is not entirely clear how different activities and associated expenditures and revenues are assigned to programs. The other difficulties are conflict between the legislative and executive branches over strategic control of agency priorities as well as control over federal and other funds.

In Ethiopia, the civil service reforms went ahead without appropriate improvements in the budgetary process, i.e., ministries were undergoing major changes without any corresponding improvements in the way their budgets were being prepared or executed. In 2005, the ministry of finance and economic development initiated work on introducing program budgeting on a pilot basis in the office of ministries. The design of programs builds on the work already carried out on strategic plans for these ministries, with the intention of aligning resource allocation with the new directions being implemented under those plans.

Following the above issues, introducing new budgeting system in Ethiopian government sector is the current issue to curve the previous budgeting system limitations. In this context, adopting program based budgeting is one issue by which the Ethiopian government at the federal ministries would improve its budgeting system and mitigate the limitation of traditional budgeting system.

Following the above statements, the transition to the program budgeting, the difficulties in the implementation of program based budgeting system at federal ministries level and the implication of this budgeting system on the activities of the agency are worth investigation. In addition, the qualification of the employees, and human resource requirements, facilities, and administration aspect of program budgeting are the area that require concrete study in Ethiopian context.

Organizational design and program structures for program budgeting is one aspect of issues in moving to program budgeting in Ethiopian public agency.

In addition, other areas like: The way to move to program budgeting, the level of participation of employees, lower level management in program budgeting, the confusions and understanding of employees on PBS and implication or consequences of PBS in the implementation of process, reform needed in the ministries and identifying the challenges are the areas that are not yet studied in Ethiopia.

So far, there is no study which deals with the process of implementing this new budgeting system and the reform needed to implement this budgeting system and its implication on the management of the federal ministries. Therefore, this study is an attempt to fill this gap by analyzing the move from the traditional method to program based budgeting in Ethiopian public agencies and its implication on the budget process.

1.3. Objectives of the study

Based on the research problem, the main objectives of this study are:

1. To analyze the reform needed and conducted for program budgeting system in Ethiopian public sector at federal ministries level.
2. To analyze the attitude of employees towards new budgeting system at the federal offices of the ministry.
3. To analyze the challenges and implication of program budgeting system in public agencies at federal office of the ministries.

1.4. Research questions

To achieve these broad objectives, a central research questions and sub-questions are developed in this section. The research questions are presented as; one primary question (PQ) and four secondary questions (SQ) in order to address the main research question of the study.

PQ. What are infrastructures needed to implement program budgeting in the Ethiopian public agencies at federal public agencies and how do programs interact with competing budgetary purposes and agenda and budget structures that might be adjusted to better improving the budgeting process?

In addition to the above the central research question, this study will seek to answer the following secondary research questions.

SQ1. Was there need for change in the organizational design needed to move towards program budgeting?

SQ2. What technologies and human resources were needed to move towards program budgeting system and how well was the new system understood by the employees?

SQ3. Is the new budgeting system participative budgeting system?

SQ4. How do the agencies apply the new budgeting system? And what is implication of program budgeting on the management of the budget?

1.5. Significance of the study

The concept of program budgeting is not entirely new at least in the literature. Its application, however, not yet fully in place even in developed countries. In Ethiopia it is not only a new attempt but also part of the recent wave of reforms related to expenditure management program. There is yet very few study conducted on the subject yet MoFED is pushing its implementation by all government budgetary agencies. As a new system being implemented various issues is expected to come

out of the venture when such huge government bodies move into it all at once. This makes the subject current and relevant both for practical evaluation and theoretical discussion.

1.6. Scope and limitation of the study

Scope of the study

The study highly concentrates on reviewing and assessing the move to program based budgeting system in Ethiopian public sector, the reform needed in Ethiopia to adopt this budgeting system and the way in which this new budgeting system to be adopted. However, assessing how the program based budgeting system will increase the output of the public agencies and evaluation of program budgeting in public agencies is not to be concerned under this study. In addition, the study did not assess the entire public agency in the Ethiopia.

Limitation of the study

Having the above scope, the study is subject to the following limitations.

- ❖ First of all, the study is restricted mainly to the case of four Ministry offices for data collection.
- ❖ It was found that offices of budget directorate and head of planning are not yet well organized to obtain necessary information on PBS.
- ❖ Unavailability of literature and concrete research on the subject made it difficult to better collect information.

Structure of the study

This study focuses on the move towards program budgeting system in Ethiopian public agencies and its implication at federal ministries level. Thus, the study structured as follows. Chapter 1 deals with an introduction of the study including background for the study, statement of problem, and scope and limitation of the research. The discussion of Literature review of study presented in chapter 2. The overview of Research methodology is discussed in chapter 3. Chapter 4 presents data discussion and analysis. Finally, Chapter 5 presents finding, conclusion and recommendations for the study.

Chapter two

2. Literature review

It is difficult to conceive of any public policy, objectives and activities that can be carried out without money and the way money is allocated to those through budgets. Therefore budgeting system is key to the implementation of all policies and objective of the government. From theoretical point of view, these budgeting systems may include traditional budgeting system (incremental budgeting or line item budgeting in other ward), zero based budgeting, program based budgeting system and performance based budgeting.

2.1. Budget concern

A major element of financial data activity rests in the act of budgeting. Budgeting is the process of allocating finite resources to the prioritized needs of an organization. In most cases, for a governmental entity, the budget represents the legal authority to spend money (Hirsch, 1966). Adoption of a budget in the public sector implies that a set of decisions has been made by the governing board and administrators that culminates in matching a government's resources with the entity's needs. As such, the budget is a product of the planning process.

As Jensen (2009) noted the budget also provides an important tool for the control and evaluation of sources and the uses of resources. Using the accounting system to enact the will of the governing body, administrators are able to execute and control activities that have been authorized by the budget and to evaluate financial performance on the basis of comparisons between budgeted and actual operations. Thus, the budget is implicitly linked to financial accountability and relates directly to the financial reporting objectives established by the GASB (Jensen, 2009).

On the other hand, the link between financial planning and budget preparation gives the budget document a unique role in governmental organizations. In this case, the

work of Werner (2001) suggested budgets in the public arena are often considered the definitive policy document because an adopted budget represents the financial plan used by a government to achieve its goals and objectives. Dean (1986) pointed out when a unit of government legally adopts a financial plan; the budget has secured the approval of the majority of the governing board and reflects

- ❖ Public choices about which goods and services the unit of government will or will not provide,
- ❖ The prioritization of activities in which the unit of government will be involved,
- ❖ The relative influence of various participants and interest groups in the budget development process, and
- ❖ The governmental unit's plan for acquiring and using its resources.

2.2. Theoretical overview of budgeting system

Many budget policies, procedures, and technical practices that we currently associate with modern budgeting were developed during the nineteenth century when major changes in budget practices occurred in France (Schaeffer and Yilmaz, 2008). The experiences from USA showed that over the past 30 years, governmental entities in the United States have used a variety of budget approaches and formats. The development of more advanced budget philosophies reflects growth in both the scope and the complexity of governmental operations and the simultaneous need for systems that are capable of translating the variety of policy decisions into financial plans (Carlin, 2004).

To effectively achieve the objective of providing services the public agencies use different budgeting system at federal, State, Local government sector and city administration level. The theoretical conception has already provides various budgeting guidelines for the public agency and these various budgeting models continue to be commonly used and fall predominantly into categories of (1) line-item, or "traditional," budgeting; (2) performance budgeting; (3) program based

budgeting (4) zero-based budgeting (ZBB); and (5) site-based budgeting. In addition, many governments use a variety of hybridized versions to address the specific needs of the organization. Although these approaches are considered distinct in terms of the underlying preparation process, actual formats of the prepared budgets may be quite similar; for example, the format of a site-based budget may be quite similar to the format of a line-item budget (Johnson, 2003). Based on the theoretical overview, types of budgeting system and concept of budgeting system in public agencies and their applicability in public agencies are to be discussed here under.

2.2.1. Program based budgeting system

Program budgeting refers to a variety of different budgeting systems that base expenditures primarily on programs of work and secondarily on objects. It is considered as a transitional form between traditional line-item and performance based budgeting approaches, and it may be called modified program budgeting. In contrast to other approaches, a full program budget bases expenditures solely on programs of work regardless of objects or organizational units (West, Eric and Moshe, 2000). As these two variations attest, program budgeting is flexible enough to be applied in a variety of ways, depending on organizational needs and administrative capabilities.

In addition, Program budgeting differs from approaches previously discussed because it is much less control- and evaluation-oriented. According to Jones and Mccaffery (2005) noted that budget requests and reports are summarized in terms of a few broad programs rather than in the great detail of line-item expenditures or organizational units. PBS systems place a great deal of emphasis on identifying the fundamental objectives of a governmental entity and on relating all program expenditures to these activities. This conceptual framework includes the practices of explicitly projecting long-term costs of programs and the evaluation of different program alternatives that may be used to reach long-term goals and objectives (Jones and Mccaffery, 2005). The focus on long-range planning is the major

advantage of this approach, and advocates believe that organizations are more likely to reach their stated goals and objectives if this approach is used.

On the other hand, PBS is the planning of public expenditure for the purpose of achieving explicitly defined results, which may be policy objectives or simply outputs of routine public service activities (Mosher, 2009). The ultimate aim of PBS is far from simply being an elaborate way of measuring or recording activities but instead, it is a mechanism that will help Government in decision-making depending on whether the objectives are being met or not, and enhancing transparency and accountability. Concerning decision-making, it helps to (Gilmour, J and Lewis et al 2006):

- ❖ Clarify policy priorities consistent with Government's strategic objectives.
- ❖ Allocate resources more tightly on strategic priorities.
- ❖ Motivate program-managers and service-providers to have a genuine interest in improving performance.
- ❖ Identify the causes of good and bad performance and thereby improving the value for money of public spending by reducing waste and increasing impact, and facilitate cross-institutional working.

However, several limitations exist in the actual implementation of this approach, including changes in long-term goals, lack of consensus regarding the fundamental objectives of the organization, lack of adequate program and cost data, and the difficulty of administering programs that involve several organizational units. However, Bagdigen (2001) documented that, yet despite its limitations, program budgeting is often used as a planning device while budget allocations continue to be made in terms of objects and organizational units or structure.

2.2.2. Conceptual Dilemmas in Program Budgeting

Why Use Program Budgeting?

Different literature on program budgeting show that program budgeting is expected to have the following benefits (Spigelman, 1967, Pugh, 1984, et al):

- ❖ Increases transparency by showing the relationship between funding and public purposes.
- ❖ Gives managers freedom from restrictive control over inputs.
- ❖ Provides a platform for attaching outcomes to key public services and for evaluating the relationship between funding and outcomes.

So, most of public organization go to budget reforms. But the move to program budgeting need to ensure that they do not undermine existing systems that provide controls over potential waste, fraud, and abuse (Bourdeaux, 2007).

Unlike the private sector, which can focus heavily on efficiency, public systems generally require a heavier emphasis on control. Public organizations are influenced by public perception about how public resources are being spent, and public organizations do not face competitive pressures to enforce efficiency (Boland and Fowler, 2000).

Program budgeting has its origins in the 1960s with a reform known as Planning, Programming Budgeting Systems (PPBS). As Bourdeaux (2007) coted from (Wildavsky 1969; Schick 1966) PPBS was intended to reorient decision-making towards a planning focus, allowing top managers to evaluate the efficiency of existing strategies in achieving broad based objectives and to assess public expenditures across previous budgetary and organizational silos. This reform wilted in part from the magnitude of its ambition and it required complex analysis and significant institutional change to support it (Schick 1973; Mosher 1969).

Since then, budgeting has been influenced by ideas surrounding performance based budgeting, a reform that focuses both on performance measures or outcomes and

on managerial entrepreneurialism (Bourdeaux, 2007). The theory behind performance based budgeting is that managers should be held accountable for results, but should be allowed to shift inputs as needed in order to achieve these results (Rubin, 1990).

Based on the work of Robinson (1992) performance based budgeting has become interlinked with program budgeting because of the intuitive idea that programs are the level at which managers should be given financial flexibility to achieve results. On this point Bourdeaux (2007) added that some public agencies in USA, For instance, Texas, New Mexico and Florida all developed their program structures, in theory, starting with agency strategic planning and then conceptualizing programs as the activities or strategies through which agencies achieve their goals and objectives.

2.2.3. Line-item budgeting system

From theoretical point of view, line-item budgeting uses a budget prepared using a previous period's budget or actual performance as a base, with incremental amounts added for the new budget period. It assumes activities and methods of working will continue in the same way. There is no incentive for developing new ideas. In this system the budget is stable and change is gradual and Managers can operate their departments on a consistent basis. On the other hand, Bagdigen (2001) identified that, if the budget is prepared regarding the nature of income and expenditure, it is called Traditional budgeting system or Line-Item Budgeting system.

Lee and Wang (2009) noted the line-item budget approach has several advantages that account for its wide use. It offers simplicity and ease of preparation. It is a familiar approach to those involved in the budget development process. This method budgets by organizational unit and object and is consistent with the lines of authority and responsibility in organizational units. As a result, this approach enhances organizational control and allows the accumulation of expenditure data at each functional level. Finally, line-item budgeting allows the accumulation of

expenditure data by organizational unit for use in trend or historical analysis (Robinson, 1992)

2.2.4. Performance budgeting system

A different focus is seen in performance budgeting models. Gilmour and Lewis (2006) affirmed that in a strict performance budgeting environment, budgeted expenditures are based on a standard cost of inputs multiplied by the number of units of an activity to be provided in that time period. The total budget for an organization is the sum of all the standard unit costs multiplied by the units expected to be provided (Bagdigen and Muhlis, 2001). Although this strict approach may be useful for certain types of operations, many organizations require a more flexible performance approach. For example, expenditures may be based simply on the activities or levels of service to be provided and a comparison of budgeted and historical expenditure levels.

Further, Mullins and Pagano (2005) noted that performance budgeting includes narrative descriptions of each program or activity-that is, it organizes the budget into quantitative estimates of costs and accomplishments and focuses on measuring and evaluating outcomes. Finally, the performance approach eases legislative budget revisions because program activities and levels of service may be budgeted on the basis of standard cost inputs (Gilmour and Lewis, 2006).

Generally, the identification of the method of budgeting system depends on its existing characteristics that differs it from others. In other words, Jensen (2009) noted if the budget is prepared regarding the nature of income and expenditure; it is called Traditional budgeting system that is the earliest application in the budgeting systems. As this system mostly depends upon the method of considering materials and line-item, it is also called Line-Item- Budgeting system.

2.2.5. Concept of Budgeting systems in public agency and their applicability in public agency

The definition of budgeting system has a wide understanding in different sector. While different understanding of budgeting exists, in specific sense for the government sector budget is the basic way in which policies are turned into action (Carlin, 2004). In other case, Santiso (2005) noted that the budget sets out the plan for government spending and therefore shows what will be delivered. It also shows the long-term financial plan of the government for the year ahead. In focusing on the aspect of budgeting system in government budgeting system, the concept of budgeting system may serve different functions such as: forcing managers to plan ahead and therewith reducing ad hoc decisions; communicating objectives, perceived problems and opportunities, as well as role that everyone is expected to play; coordinating the separate activities and ensuring that all parts of the organization in mutual harmony. Following the above concept, Jacobs (2006) noted that budget system is a system of rules governing the decision-making that leads to a budget, from its formulation, through its legislative approval, to its execution.

After outlining some aspects of public budgeting system above, this part aims to highlight some budgeting systems and their applicability by the public agency. However, it must be pointed out that a comprehensive review of all the budgeting systems is neither possible, nor convenient regarding the space availability for this paper. Therefore, two budgeting systems are particularly reviewed. Although there are plenty of budgeting system in public sector, Bagdigen (2001) wrote that there are two important types of budgeting system that is incremental budgeting system or Traditional Budgeting System (TBS) and program based Budgeting System (PBBS).

Because the Line-Item-Budgeting System pays most of its attention on the level of spending, it is mostly preferred by those who are seeking to control the amount of expenditure. Therefore, as Schick (2010) refers, the importance of line itemizations and the level of expenditure, that play crucial role in the line item budgeting in order for resources to be estimated, are distributed and completed on 'objects of

expenditure'. Furthermore, as the system ignores the evaluation of outputs, there is no requirement within the process to address why and for what purposes the inputs are going to be used in the budget. This means that the system does not only fail to give information about the outputs, but also increases the cost of every single objective.

On the other case, Caiden (2010) noted that Because of taking last year budget as base, application of the system is seen as simply preparing of next year's budget. The procedure does not require a great deal of work to compute next year's spending by orienting it simply from previous year's budget items, i.e. TBS allows participants to accept estimations without making any argument or disagreement. It would be enough for decision-makers just to focus on that of last year's budget items in order to decide on the level of spending of next year's budget. Budgetary decision-makers do not tend to analysis appropriateness of the objects of expenditure on the objectives.

On the other hand, program budgets use statements of missions, goals and objectives to explain why the resource is being spent. It is a way to allocate resources to achieve specific objectives based on program goals and measured results. Similarly, Cutt (1974) stated that program based budgeting aims to improve the efficiency and effectiveness of public expenditure by linking the funding of public sector organizations to the results they deliver, making systematic use of performance information. Jensen (2003) define the program budgeting as budget preparation and adoption process that emphasizes performance management, allowing allocation decisions to be made in part on the efficiency and effectiveness of service delivery. This broader concept of the two budgeting system signify that incremental and program based budgeting systems can help to determine the benefits of the two systems in using for implementation in the government.

Hence, the move to apply the new budgeting system not the matter of choice rather it needs a critical consideration of different factors about the budgeting system that

going to apply (Diamond and Jack, 2003). These compromises imply that the need to budgeting approach is not simply driven by compliance with management attitude or values, but with a set identifying of fundamental factors that provide the limitations and merits of each budgeting approach in government activity and objectives. Diamond and Jack (2003) noted that the need to move from the traditional budgeting to new budgeting is about the integrity of the program based budgeting system in the government of financial plan to achieve their activity through which deficiencies of the previous budgeting system are resolved or mitigated and identifying the process to integrate the new budgeting effort to be used in public sector. Thus, identifying the limitation of old budgeting system and understanding the way to devise the new budgeting system in every policy and objectives implementation will enables government sectors institutions to achieve their goals.

2.3. The Transition to Program Budgeting

The most recent effort to transition to program budgeting was initiated to link public agencies resources to result oriented. As Robinson (1992) noted the initial transition to program budgeting was intended to help the new executive staff handle the shortfall through a better understanding of the purposes for which state funds were being spent. Program budgeting with a performance orientation was also viewed as a best practice and one that would presumably reorient managers away from inputs towards results.

The new budget instructions of program budgeting required agencies to prepare a strategic plan with performance measures linked to countrywide priorities, as well as to develop a budget based on programs. According to the Wildvasky (1983) stated that each public agency had to identify its core businesses with associated performance measures and indicators. A subset of these core businesses would be programs which would be identified in the agency annual business plan. Each of these programs was expected to be attached to a set of results measures and

agencies were required to rank the importance of these programs in a prioritization process.

2.3.1. Legislative Considerations

Concerning legislative for program budgeting Caiden (2010) totally stated the following statements: "Presumably program based budgeting alone could occur at an agency rather than program level in conjunction with lump sum budgets. In return for maximum flexibility, agency heads agree to produce certain results and achieve a certain level of savings. The legislators and legislative staff appear to be also interested in using program designations to clarify actual levels of spending on state services, evaluate at this level, and to strengthen the legislative ability to set strategic priorities."

2.3.2. Challenges in implementing Program Budgeting

Although seemingly a simple shift, the actual designation of a program structure for the state lies at the cross section of several competing agendas as well as a series of technical and organizational challenges for agency staff (Rubin, 1990). One of the challenges associated with program budgeting is defining a program for budgetary purposes is conceptually more complex than most people realize. According to Bourdeaux (2007), although significant attention has been given to policy criteria linked to strategic planning, program definitions in actuality also need to accommodate:

- ❖ Varying levels of control and accountability.
- ❖ Demand for transparency and links to evaluation.
- ❖ Technical and managerial concerns.

2.3.3. Linking Programs to Strategic Planning Processes

What is a Program?

Most states begin their program based performance oriented budgeting process by attempting to define programs in relations to a strategic plan. Program should be designed in such away that it provides to identify mission, goals, objectives and outcomes and then the strategies or programs that would be associated with attainment of those outcomes and objectives (Smithies, 1965).

In addition, Smithies (1965) stated that programs should be customer and outcome focused and should result in a positive change for the programs' customers. Programs should address key policy and service areas, and decision makers must be able to link budget requests, funding, and expenditures to individual programs (Pugh, 1984). Other literatures like Kluyers et al (1999) define programs as follows:

- ❖ A method to achieve goals and objectives. Formulated from goals and objectives- a program is a means of transforming inputs into outputs and ultimately outcomes with the best use of resources.
- ❖ Programs are products or items produced by the agency or services (an action that the agency takes to fulfill its mission).
- ❖ A set of activities undertaken in accordance with a plan of action organized to realize identifiable goals and objectives based on legislative authorization.

These definitions of a program provide a basic framework. The linkage to products, services, or outcomes is particularly important. Different functional categories listed in the public agencies particularly executive operations, administration, and human resources, probably would not count as programs under the definitions above because they are not directly associated with a distinct end product, service, or outcome. Similarly, such criteria suggest identifying activities that produce similar products, services, or outcomes and combining them into a single program.

2.4. Empirical Study to integrate program based system in public agency

There are different ideas regarding the need to adopt program budgeting system in public agency. At the first glance, the idea take place the position of simply moving from old budgeting system to the program budgeting system in government sector or integrating program budgeting system by considering different requirement. As per Diamond (2003), since the incremental budgeting system primarily focus on resource allocation and input control and highly centralized, it is needed to flow from the incremental budgeting to program budgeting. On this point this approach to budget management accepted a set of policy objectives usually poorly articulated with little attempt at quantification and allocated inputs to reach these objective (Diamond, 2003). At the same, central budgeting agencies focused almost exclusively on control and compliance as the primary modus operand in budget management. There was often little follow up in examining the subsequent program structure and performance of spending department.

In addition, various writers argued that it is important for government to shift from the traditional budgeting system to program based budgeting system Carlin (2004). According to the Bagdigen (2001), in incremental budgeting or line item budgeting, it seems rather necessary to use public resources in a way that makes sure inputs are being used as sanctioned. If it did not so, there would be tight control by the appropriation Body, which is in the charge of the operating the budget. It also, seems as a good monitor to control whether the level of accepted spending has done according to the initial approval. Accordingly, efficiency, accountability and control are seen as primary objectives of the administration unit in incremental budgeting system rather than focusing on the linking the budget with program structure output. This implied that, the reforming is needed to apply the new budgeting system in government public agency. In addition, the study of Carlin (2004) also indicated that the major criticism of the traditional annual budgeting approach is that the process is incapable of meeting the demands of the competitive

environment in the information age. According to the finding of Carlin, et al (2004) , the specific criticism points are: encouraging rigid planning and incremental thinking being time-consuming producing inadequate variance reports leaving the 'how' and 'why' questions unanswered ignoring key drivers of shareholder value by focusing too much attention on short-term financial numbers being a yearly rigid ritual. Incremental budgeting system could indeed have a resource allocation and input control without considering the performance of the government organization and need to be replaced by the performance budgeting system(without precondition).

In contrast to the above argument, Bourdeaux (2008) emphasizes that disagreements on TBS would be unnecessary. He indicates to the reason of unnoticeable of disagreements. According to him, any possible disagreement between and amongst participants would likely be upon the level of spending rather than programs. In order to solve the matter, it seems most applicable way for them to make some increase or decrease in the objects of expenditure. Policies and programs and their possible results may not need to be considered at all. It is one of the fundamental aspects of TBS that final approval body of the budget takes into account only list of categories included in the budget and their level of spending. Then the approval body decides whether it is appropriate to accept or need some increase or decrease at the level of spending regarding previous year's results as measurement (Bourdeaux, 2008).

Other arguments have stated that before integrating program budgeting system in the budgeting system of the public sector, it needs to understand a precondition to move towards the new system. As per Kluvers (2009) program based budgeting aims to improve the efficiency and effectiveness of public expenditure by linking the funding of public sector organizations to the programed activities, functions to be performed and objectives results they information. In doing so, they conclude that program based budgeting should not be seen as an isolated initiative rather It should be viewed, as part of a set of broader reforms of the program structure of

the public agency that is designing to focus public management more on results delivered and less on internal processes. These broader reforms include civil service reforms designed to increase the motivation and incentives of public employees; organizational restructuring to increase the focus on service delivery and improve coordination. For example, creation of agencies and reduction of the number deliver, making systematic use of performance of public agency; and institutional and oversight changes to strengthen public accountability for performance.

Bourdeaux (2008) added that this form of budgeting was intended to reorient decision making toward a planning focus, allowing top managers to evaluate the efficiency of existing strategies in achieving broad-based objectives and to assess public expenditures across previous budgetary and organizational silos. The conclusion of Bourdeaux's (2008) argument is that a decision about whether to introduce such a system in any specific municipal or local government agency should be based on sober consideration of the governance conditions, the state of the basic public financial management systems, and the available human and financial resources.

In other case, Bellamy and Kluvers (1995) indicated that the implementation of program budgeting also requires that the government becomes more transparent and accountable to its citizens on how allocated resources were used to achieve planned policy objectives. So, the government should consider the way to apply the program based budgeting system. Accordingly, Santiso (2005) stated that experience shows that, in order for program based budgeting to work, reconsideration of spending priorities and program performance need to be formally integrated into the budget process. These routines need to be designed so as to make maximum use of available information on program performance. The precise form should be country-specific, depending in part on national specifics such as the characteristics of the political and administrative systems. However, some key common elements are a strategic phase early on in the budget cycle, which incorporates a preliminary consideration of the government's broad expenditure priorities (Santiso, 2005).

In addition to the above viewpoints, Bourdeaux (2008) added that in order to adopt the new budgeting system there must be a general recognition of the need for reform of government structure. When introducing program budgeting model, which promotes managerial freedom, it became evident that greater managerial flexibility could be viewed not only as a tool to improve efficiency but also to achieve expenditure targets that had been set (West, Eric and Moshe, 2009). Typically, program managers are in the best position to make decisions on the most appropriate mix of inputs to be used to produce outputs for their programs. Others also support to integrate program budgeting into the system through defining programs of the government, outputs, outcomes, and the links between inputs and outputs and outputs and outcomes, together with the selection of performance indicators.

Moreover, Diamond (2003) noted that budget reform has been an evolutionary not discrete process. This idea is supported by the work of Bourdeaux (2008), accordingly, before introducing the new budgeting: reform strategy must form part of the government overall policy as well as part of municipal and local public agency specific policy, there must be assurance of adequate levels of fiscal control, a solid foundation of cost accounting in government, a clearly defined and well-organized budgeting structure, Organizational capacity to handle program evaluation and cultural shift to results-orientated management It is always as well to recognize that budget systems moving through distinct stages (Santiso, 2005).

It is generally agreed that a modern budget system should be able to meet three main requirements: first, to ensure control over expenditures and program performance so that they are consistent with budget law, second, to stabilize the economy through time by timely and efficient adjustment mechanisms for the fiscal aggregates, and third, to promote allocate and technical efficiency in service delivery through procedures that provide incentives for greater productivity and satisfied services delivery to the societies.

2.5. Conclusion and knowledge gaps in respect to moving to program based budgeting system in Ethiopian public agency

In line with the above discussions of the literature on line item budgeting system and the increased demand towards program budgeting system in public agency, there had not been evidence or studies available regarding to why the Ethiopian public agency could not apply program budgeting system, challenges to move from the old budgeting system to program based budgeting system and the impact or implication of this budgeting system if it applied in Ethiopian case.

Although most of the researches related to the deficiencies of line-item budgeting and the need to accept the program budgeting system in the public sector's budgeting system undertaken in foreign countries, in Ethiopia, it can be said that there is little scholarly literature on the information to indicate the concrete deficiency of the existing budgeting system on public agency activities particularly at federal ministries, how to move towards the program based budgeting system, the procedure used to adopt the new budgeting system, the challenges to accept this new system and to what extent this new system is to be used.

In addition, while a substantial body of literature is available to assist public agency in developing performance measures, program development for program budgeting has received little recent attention in the scholarly literature. So, the process of moving towards program budgeting and its implication, the challenges that might encounter the offices of Ethiopian federal ministries and the reform needed for program budgeting by Ethiopian federal ministries provides the gap that the literatures did not provide any information.

Therefore, it is imperative to study this move from line-item budgeting system to program based budgeting system in Ethiopian public agencies. Thus, based on the gaps in literature about the Ethiopian case of needs to move towards the new

budgeting system in Ethiopian public agency, the following main research question raised:

What are infrastructures needed to implement program budgeting in the Ethiopian public agencies at federal public agencies and how programs interact with competing budgetary purposes and agendas and budget structures might be adjusted to better improving the budgeting process?

So, to answer this research gap questions and other specific questions, this study drew and collect data from the case of offices of federal ministries through semi-structured questionnaire for primary data and document for secondary information to assess the transition to program budgeting, and its implementation process and implication of program budgeting system.

Chapter three

3. Research methodology

3.1. Research design

In order to achieve the main research objectives a mixed method that is qualitative and quantitative approach is adopted. The purpose of using such a mixed methods approach is to gather data that will not be obtained by adopting a single method and for triangulation so that the findings with a single approach could be substantiated with others wherever possible.

According to Creswell (2009) qualitative research is a means for exploring and understanding the meaning of phenomenon from the view of participants. In other case, Dawson (2002) explained that qualitative research approach enables inquirer to inductively develop a theory or meaning of phenomenon being studied. In other case, qualitative research is not intended to test a predetermined theory or hypothesis; instead, it is exploratory in nature and through induction it builds meanings, theories or hypotheses (Greener, 2008).

In addition, Qualitative research tries to assess experiences and events contextually and within their natural setting and attempts to analyze them holistically Louis (2000). This implies that qualitative research examines events or circumstances without much disruption in their natural environment and it focuses on understanding a phenomenon in its entirety instead of detaching a constituent and assessing it separately from its whole part. This shows that qualitative research is concerned with, among others, developing a comprehensive understanding of a phenomenon under investigation.

On the other hand, Creswell (2009) noted that a quantitative research approach employs strategies of inquiry such as experiments and surveys, and collects information using preset standardized instruments that can generate relevant

statistical data. So, quantitative research design uses statistical methods in describing patterns of behavior and generalizing findings from samples to populations of interest.

Based on these, the purpose of employing both qualitative and quantitative research method or mixed is to find and analyse the transition to program based budgeting system and its implication, challenges in implementing the federal ministries and explain the relationship of applying program based budgeting system with results that will be obtained from this system through qualitative elements in research and supporting this data with quantitative approach. Therefore, adopting this approach with case study of the federal strategy inquiry will be to gain wide exploration about the phenomenon being studied.

3.2 Data collection methods

Data was collected from four federal offices of the ministries. One of the main criteria to select site is that it appears that these ministerial offices are in the process of implementing of program based budgeting system. Data was gathered through semi-structured questionnaire that is both closed and open ended questions for primary data, and documents of the offices for secondary data from the budgetary director and planning offices of the four federal ministries.

According to Dawson (2002), semi structured questionnaires are used both in qualitative research design and quantitative research design. It contains both closed ended questions and open-ended questions. Louis (2000) also noted that stated that Open-ended questions in semi-structured might be used to find out what participants think about the issues to be studied. But closed questions in semi-structured questionnaire are used to enable the respondents to choose among the alternative or to tick the boxes.

To focus on the primary and secondary research questions, both open-ended questions and closed ended questions in semi structured questionnaires used to

collect data from the staff in the budgetary directorate and planning of the four ministries those who are in connection with budget administration. Respondent to respond in her/his own terms, the semi-structured questionnaire sets the agenda but does not presuppose the nature of the response.

So, semi-structured questionnaire used to collect the variables like the reform needed or infrastructure required in the implementation of PBS, the attitude of employees towards program budgeting, confusions among the employees on the program budgeting, adequacy of training for employees, participation level of the concerned parties in program budgeting, the understanding level of employees about program budgeting, the way to implement PBS and others.

For further information the study used secondary data that support the primary information for exploring information, identifying data, comparing them, weighing their relevance and significance with information gathered through primary data. The variables like the use of program budgeting in public agencies and further information to be collected through secondary data that is document of the offices of the ministries.

3.3. Sample size

Having the above methods of data collection, purposeful Sample size was taken from four federal ministries. Out of twenty-one ministries four ministries were selected, that is, 15 percent of the total ministries. These four ministries have 60 employees in their program and budgetary directorate and planning and budget administration offices of the four federal ministers. From the total of 60 employees in the selected federal ministries, the researcher selected 30 employees as a sample which is around 50% of the total population. Based on this, the following table shows sample size of the respondents from four respondents.

Table 1: Sample size in each federal ministry.

Offices of the federal ministries	No of employees	Sample size
Ministry of finance and economic development	30	10
Ministry of education	20	6
Ministry of agriculture	15	6
Ministry of health	15	8
Total	80	30

3.4.Data analysis procedures

Since this study is the descriptive type of research, the collected data was analysed by using frequency and percentage of the respondents. To show and rank the respondent's responses table and graph are used. As, Greener (2008) stated that in most types of research studies, the process of data analysis involves the following three steps: first preparing the data for analysis, then analyzing the data and finally, interpreting the data. Based on these steps, Content analysis of data involved presenting data or respondent's responses in table form or graph form then data was analyzed using frequency percentage and the information from secondary data supports the analyses. Then the data from open-ended questions were analyzed. Finally, the analyzed data were interpreted into results. Lastly, the results obtained from the analysis were presented as a finding in chapter five of this paper.

Chapter four

4. Data presentation and analysis

4.1. Explanatory Statement

This chapter deals with data presentation, analysis and interpretation. These data are presented and analyzed based on data collected through structured and open ended questions in semi-structured questionnaires, and secondary data or documents from four offices of the federal ministers. For this purpose, questionnaires have been distributed to 30 staff members of program and budgetary directorate and planning and budget administration offices of the four federal ministers, which are, ministry of finance and economic development (MoFED), Ministry of Education (MoE), Ministry of Agriculture and Rural Development (MoA) and Ministry of Health (MoH). Out of 30 staff members program and budgetary directorate and planning and budget administration offices, 18 of them are budget experts, 4 are planning officers, 5 are groups head in the budget office and 3 are budget directorates. All the questionnaires that were fielded are returned. These questionnaires are related to program budgeting system in Ethiopian federal public agencies and its implication.

In addition to the questionnaires, secondary data or documents that are related to program based budgeting system were used in the presentation and analysis.

4.1.1. Personal profile of sample Respondents

In the following table, demographic information of sample respondents were presented and analyzed. These include educational back ground, and work experience, position of the respondents and Educational qualification of sample respondents. To get information on these issues the respondents were asked structured questions and their responses are presented and analyzed here under.

Table:2 Respondents by Education, Work Experience and Job description (position)

S.N	Items	Respondents	
		Frequency	Percent
1	Position		
	Budget expert	19	63.33
	Planning officer	3	10
	budget directorates	4	13.33
	Group head	4	13.33
	Total	30	100
2	Qualifications		
	Masters Degree	10	33.33
	BA/Bsc Degree	18	60
	Diploma	2	6.67
	Total	30	100
3	Experience		
	years 1-2	6	20
	Years 2-4	9	30
	Years 4-6	8	26.67
	Years 6-8	2	6.67
	Above 8	5	16.66
	Total	30	100
4	Field of study (specialization)		
	Accounting	5	16.67
	Economics	12	40
	Management	8	26.67
	Others	5	16.66
	Total	30	100

Source: Field survey 2011

As it can be seen from table 2, out of 30 sample respondents, 18 (63.33%) are budget experts, 3 (10%) are planning officers, budget directorates 4 (13.33%) and the remaining 4 (13.33%) are group heads in the ministries budgetary control and planning offices. When we see the work experience of the respondents, out of 30 respondents 6 (20%) of them have 1-2 years of work experience in the current position and 9 (30%) are under category of 2-4 years of work experience. However, 33.34% of the total respondents in the four federal ministries have 4-8 years work experience in the current position. The remaining 5 (16.66%) are the respondents who have above 8 years of work experience.

Table 2 also shows qualification of the sample respondents. Accordingly, out of 30 respondents, 10 (33.33%) have Masters Degree and 18 (60%) of the respondents have BA or BSc degree in different educational qualifications. The remaining 2 (6.67) have diploma. From the table 2, majority of the respondents are specialized in field of Economics which accounts for 40% of the total sample respondents. This followed by 26.67% and 16.67 of the management and accounting field of study respectively. The other 16.66% of the respondents are specialized in other field of education.

As it is discussed on the above two paragraphs, the majority of the respondents are budget experts and followed by group heads and budgetary directorate of the budgeting controlling and planning offices of the four federal ministers. This indicate that the collected data enables us to have a clue idea of the program budgeting system (PBS) in Ethiopian federal public agencies since budget experts in the budget and planning offices, group head of the offices and budgetary directorate of the offices are closely related to program budgeting system in the federal ministers and have a clear idea of what is going on about the PBS.

In terms of educational qualification and field of study, majority of the respondents have a good level of educational qualification that is BA or BSc degree and Masters Degree which enables the respondents to have a clue idea of the PBS and trainable on the subject. Moreover, majority of the respondents studied the field related to

business which enables them to understand the implementation of PBS in the ministries. As indicated on the above discussion, most of the respondents are economists. This shows us majority of the respondents have an idea about planning and programing which more important for the implementation of PBS.

In case of working experience, most of the respondents have relatively good work experience in their current position that is from 2-6 (56.66%) years of work experience which enables them to work effectively in the of implementing of PBS in the federal ministers. This data shows that experts in the offices of the budgetary of the ministries are young energetic and smoothly trainable about program budgeting. Generally, the respondents work experience shows that majority of the respondents a mix of young energetic and senior workers in the offices.

4.2. The transition to Program based budgeting system in public agencies

The essence of program budgeting in federal public agencies is to allocate resources to outputs in a program structure and allocating budgetary resources according to government policy objectives and priorities. To make PBS in line with program structure of the agencies, different reform processes have been designed for the implementation of PBS. Accordingly, the transition to program budgeting system in Ethiopian public agencies required different prerequisite reform for the implementation process. So, to get information on this issues the respondents were asked different questions such as: responses for questions related to organizational design needed to program budgeting, reform in financial management, and training received by employees.

Table: 3 Responses of respondents on organizational design for PBS

Respondents	Responses				Total
	1	2	3	4	
MoFED	-	9	1	-	10
MoE	-	6	-	-	6
MoA	-	5	1	-	6
MoH	-	7		1	8
Frequency	-	27	2	1	30
Percent	-	90	6.67	3.33	100

Source: Field Survey 2011 1=yes 2=no 3=somewhat 4= No opinion

As it can be seen from the table 3, the respondents were asked whether the PBS require new organizational design in the ministries. Accordingly, 27 of the respondents which constitutes 90 percent supports that there is no need of new organizational design for PBS in the Ethiopian public agencies whereas 6.67% of the respondents from all four federal ministries responded that at some level reform is needed in organizational design for PBS in the federal ministries. The remaining 3.33 percent of the sample respondents have no opinion on the organizational design for PBS.

Data obtained from the open ended questions revealed that there is no need for restructuring of organizational design that is there is no reshelf of employees, no restructuring of information flow in the organizational design, restructuring organizational authority and others instead the PBS require adjusting the new budgeting structure with existing organizational design of the federal ministers. In addition, the information from the document of the budgeting office in four ministries identified that program budgeting system focusing on the already designed of organizational objectives and it keeps programs within the existing organizational structure that is clarifying lines of accountability and program management. In this regard, Bourdeaux (2008) finalized that it is only by basing

programs on product lines of the organizational structure of ministries that programs become a useful tool for expenditure prioritization and a good means of increasing pressure upon ministries to deliver better results to the community.

From the majority of the sample respondents, information obtained from the budgeting offices of the four ministries, and the idea disclosed from the literature, it is possible to conclude that there is no new organizational design for program budgeting system. So, program budget keeps programs within the existing organizational structure and combine all activities according to program objective with the existing organizational design.

4.2.1. Reform needed in financial management in implementing PBS

The other reform which is to be concerned in PBS is financial management of the federal public agencies. To get more information on this issue the respondents were asked whether the federal ministries were concerned with reform in financial management for the implementation of PBS or not.

Table: 4 Responses of respondents for reforms needed in financial management for PBS

Respondents	Responses				Total
	1	2	3	4	
MoFED	8	2	-	-	10
MoE	5				6
MoA	4	2			6
MoH	6	1	1	1	8
Frequency	23	5	1	1	30
Percent	76.67	16.67	3.33	3.33	100

Source: Field survey 2011 1=yes 2=no 3=somewhat 4=I do not know

The above table 4 shows the response of respondents for the questions related to the reform needed in federal ministries. According to the responses from all four

ministries, 25 (76.67%) said that reform in financial management for the management of public expenditure is the main requirement for the implementation of PBS. While other 16.67 percent of respondents stated that the existing financial management system enables the new implementation of PBS in Ethiopian federal public agencies and the remaining 10 percent of the samples respondents of four ministers at some level reform is needed in financial management for the implementation of PBS in the public agencies. This analysis shows that majority of the respondents support that the reform in financial management is the requirement of the PBS in the federal public agencies.

This means in order to implement PBS, planning of financial resources needed, and controlling or control price, cash management and feedback system in the public agencies' expenditures need to be reformed from expense oriented to result based system. In addition, from respondent's point of view most of the respondents showed that prior to the implementation of program budgeting system financial management of the ministries focus on input based that is expenditure based for the budgeting system. However, financial management of the ministries under PBS mainly focuses on output or the objective of the ministries. This means financial management of the public expenditure is needed to be reformed in terms of in coordination of resources, cash management and auditing and accounting structure of the public expenditure.

The information obtained from the budgeting offices of the four ministries and the idea pointed out from the literature, it is possible to conclude that PBS requires the reform in financial management for the public expenditure in planning, controlling, coordinating and feedback of the budgeting system of the federal ministries. So, program budget system requires reform of financial management from expenditure oriented to output or objective based of the ministries or public agencies.

4.2.2. New technologies or computer software needed for the implementation of PBS.

The other Questions raised for the respondents were related to whether the new technologies or computer software are needed for the implementation of PBS in public agencies. The following table shows the responses of the respondents computer software required to process PBS.

Table: 5 Responses of respondents on new computer software technology for PBS

Respondents	Responses				Total
	1	2	3	4	
MoFED	8	-	-	2	10
MoE	5	-	-	1	6
MoA	4	1		1	6
MoH	7	-	-	1	8
Frequency	24	1	-	5	30
Percentage	80	3.33		16.67	100

Source: Field Survey 2011 1=yes 2=no 3=somewhat 4=I do not know

As indicated on the above table 5, 80% of the respondents from all ministers showed that PBS requires additional computer software technologies to run PBS. But, 3.33% of the sample respondents indicate that the existing software can run the PBS. The Remaining five respondents (16.67 %,) stated that they have no idea about requirement of new software for the program budgeting system.

From the majority of respondents' point of view and documents of the federal ministries showed that in addition to the existing excel system, the program system that is IBEX (Integrated Budget Expenditure) system is required for effective implementation of PBS in the federal ministries' budgeting offices. According to the information from offices document IBEX will offer many benefits. IBEX has been

designed to be flexible and extensible meaning that additional functionality such as new reports can be added quickly and on the fly.

A further advantage that IBEX offers is that budget and expenditure data will be real-time, meaning that budgets can be promptly prepared and accounts kept current. IBEX represents a truly integrated financial management system that addresses the core functions of financial management (Budgeting, Accounting and Disbursements) in the short term, and is flexible enough to allow for the inclusion of non-core. In addition, new submission format is prepared with IBEX. Accordingly, the idea of introducing computers software for PBS and new format for the PBS is one reform in the budgeting control and planning offices of the federal ministries.

4.2.3. Human Resources needed for PBS

In addition to the above infrastructures needed for the implementation of PBS, human resources that used to run PBS is also one aspect of the requirement of PBS in the public agencies. To analyze this issue, the respondents were asked whether the existing human resources are sufficient to run PBS or not. Based on this, the following table shows the responses for this question.

Table: 6 Responses for the sufficiency of human resources for the implementation of PBS

Respondents	Responses				Total
	1	2	3	4	
MoFED	6	2	2		10
MoE	3	2	1		6
MoA	4	1	-	1	6
MoH	5	1	2		8
Frequency	18	6	5	1	30
Percentage	60	20	16.67	3.33	100

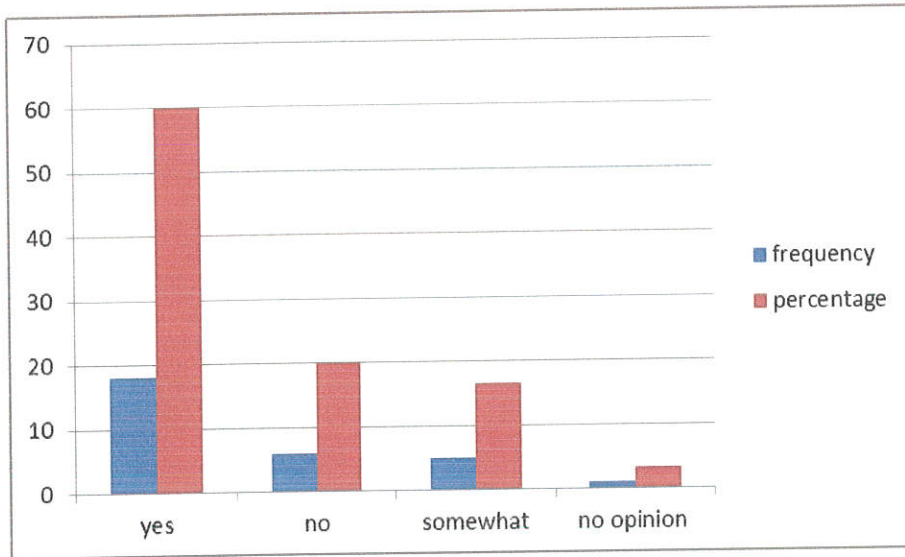
Source: Survey 2011 1=yes 2=no 3=somewhat 4= No opinion

About 60% of the respondents agreed that additional human resources are not that much needed for the implementation of PBS and they support that increasing the quality of the existing human resources are sufficient to run PBS. However, 20% of the sample respondents from all ministries agreed that there should be additional human resources in order to effectively implement PBS in the federal public agencies. The remaining 3.33% of the respondents identified that they have no opinion about the level human resources is needed to implement PBS.

The majority agreed that existing human resource is sufficient to run the system. Further discussion with respondents during open ended questions revealed that they suggest improvement of skills or knowledge of existing employees is preferable rather than additional personnel. The open ended questions also showed that the quality of the personnel in terms of level of academic qualification, experience and trained with specific skills in budgeting system is needed to effectively move to program budgeting.

So, it can be concluded from the majority of the respondents point of view and literature evidences that the requirements of experts for the implementation of PBS is not mostly determined by the number of human resources but the quality of the experts and increasing the understanding of experts about program budgeting system.

Figure 1 Response for the sufficiency of human resources for the implementation of PBS



The above graph depicts the respondents’ responses about the sufficiency of human resources for program budgeting system in terms of respondents’ frequency and percentages.

4.2.4. PBS training for employer

In the transition to PBS in Ethiopian federal public agencies, the respondents were asked whether the training has been provided or not.

Table: 7 Responses on PBS training for the respondents

Respondents	Responses		
	1	2	Total
MoFED	10	0	10
MoE	5	1	6
MoA	4	2	6
MoH	7	1	8
Frequency	26	4	30

Percentage	86.67	13.33	100
------------	-------	-------	-----

Source: Field survey 2011

1= yes 2= No

According to the table, 86.67% of the respondents affirmed being trained for the transitioning to PBS, the remaining clients that they were not trained. This information shows us that even though the majority of the respondents have received PBS training, still there is a need for PBS training in the federal public agencies.

The information from the budget controlling and planning offices also showed training on the PBS had been provided for the most of the budget department staff in each ministers and training is also annually scheduled on the continuous bases for the remaining staff in each ministers. Moreover, the information from the documents of the ministry of Finance and Economic development indicated that training manual has been prepared and provided for the trainees in each federal ministry. The information also identified that the training was given in careful manner and helpful in enabling the employees to have a clue idea of program budgeting.

Table: 8 Respondents responses on the satisfactory of the training

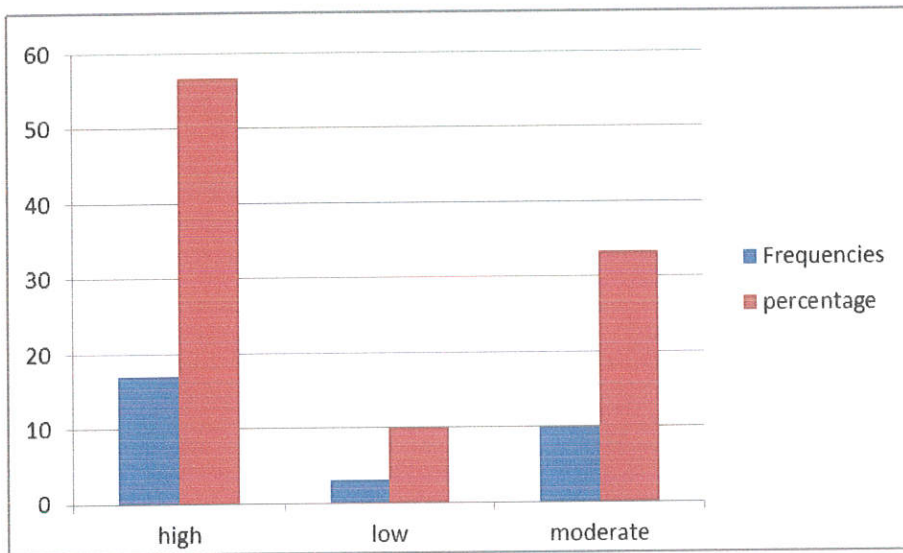
Level of satisfactory	Respondents					Percent
	MOED	MOE	MOA	MOH	Frequencies	
High	5	3	4	5	17	56.67
Low	2	1	0	0	3	10
Moderate	3	2	2	3	10	33.33
Total	10	6	6	8	30	100

Source: Field Survey 2011

In terms of the satisfactory of the training, 56.67% respondents from four federal ministries said that the given training was enough and highly satisfied. They also pointed out that the given training enables them to implement PBS. While 10% of

the respondents identified training and need additional training in order to understand the implementation of PBA. But out of total 33.33% respondents indicated that moderately understood the training. Most of the respondents pointed out that there should be continuous training on PBS. So, from the majority of the respondents, it is possible to say there is still a need for sufficient training for the effective implantation.

Figure 2 Respondents responses on the adequacy of the training



This graph also shows the PBS training satisfactory level of the respondents. The graph uses to show frequencies and percentages of the respondents to indicate the adequacy of PBS training for employees.

4.3. Implementation of program budgeting system in federal public agencies

This section of the paper discusses issues related to the process of implementing PBS in federal public agencies. For this purpose, the respondents were asked the confusions related to PBS among the participants, the attitude of respondents towards PBS whether program budgeting structure and organizational structure have a relation, whether the PBS used to link the budget with program structure

output of the organization responsibility of budgetary directorate in PB, approaches in PBS in Ethiopian federal ministers and about flow of information in PBS.

4.3.1. Confusion related to PBS

During the transition from line item budgeting system to PBS, some confusions were encountered the respondents from all four federal ministries. The following table shows the respondents' responses for the question related to whether confusion is occurred at the time of transition to PBS or not.

Table: 9 Responses of respondents on confusion related to PBS.

Level of confusion	Respondents				Frequencies	Percent
	MOED	MOE	MOA	MOH		
High	4	3	3	4	14	46.67
Low	3	2	2	2	9	30
Moderate	3	1	1	2	7	23.33
Total	10	6	6	8	30	100

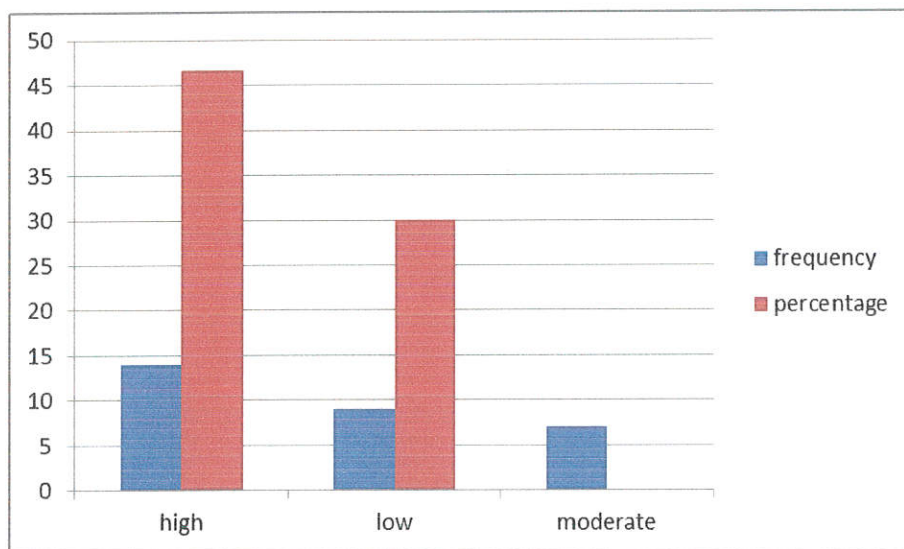
Source: Field survey 2011

According to the responses obtained from the question about confusions in PBS during the transition in to PBS Showed that 23.33 percent of the sample respondents said that they moderately confused about program budgeting system. While 30 percent of respondents from all four federal ministries stated that there is no that much confusion during the transition to program budgeting system. The remaining fourteen (46.67%) agreed that there is high confusion in the implementation to PBS.

The respondent's point of view for open ended questions revealed that the confusions have been derived from lack of well under standing of PBS and problems in differentiating between PBS and line-item budgeting system, not all people in concerned with budgeting system fully trained and the main confusion is related to synchronizing or linking the program structure with existing accounting structures

and organizational arrangements of the federal ministers. In additions, the discussions of open ended questions indicated that since there is no cost center in program budgeting system, some institutions were confused how to operate it. The information also affirmed that the attempts were taken to reduce confusion by exposing employees in different workshop regarding program budgeting and increasing the understanding level of the employees about PBS.

Figure 3 Responses of respondents on confusion related to PBS.



The same as the above table 9, this graph shows the confusion level of the respondents about program budgeting in four federal ministries by using the percentage of the respondents.

4.3.2. The attitude of respondents towards Program budgeting system

During the implementation of PBS there is different attitude towards the system. To analyze this, respondents were asked their attitude about the PBS. The following table shows these issues.

Table: 10 Responses on attitude towards Program budgeting system

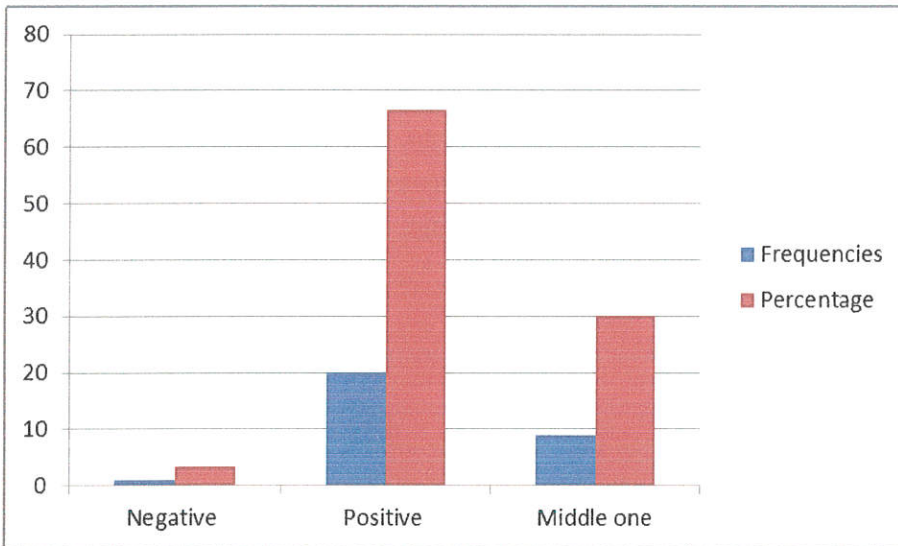
Attitude of the respondents	Respondents					Frequencies	Percent
	MOFED	MOE	MOA	MOH			
Negative	-	1	-	-	1	1	3.33
Positive	7	3	4	6	20	20	66.67
Middle one	3	2	2	2	9	9	30
Total	10	6	6	8	30	30	100

Source: Field survey 2011

Table 10 identified the respondent's attitude towards PBS in Ethiopian federal public agencies. The respondents from all ministries have their own attitude towards this budgeting system. Accordingly, out of 30 respondents 20 (66.67%) have positive attitude towards program budgeting whereas 30% of the sample respondents are in the middle one between the positive and negative attitude towards PB system. This indicates that majority of the respondents support the implementation of the PBS in Ethiopian public agencies.

Besides, open ended questions for the respondents pointed out the reasons for positive attitudes towards program budgeting are: PBS has clearer objectives, it provides more effective control of inputs, it provides more effective control of outputs, it has better reporting than line item budgets and budget decisions. This indicates that majority of the respondents support the implementation of the PBS in Ethiopian public agencies.

Figure 4 Responses on attitude towards Program budgeting system



The same as the above table 10, this graph shows the confusion the attitudes of the respondents towards program budgeting in four federal ministries by using the percentage of the respondents.

4.3.3. The understanding of respondents about program budgeting system

The understanding of PBS among the employees in the budgetary controlling and planning office of the ministries are different. Accordingly, the respondents were asked their understanding level of the PBS. The suggested variable for the level of understanding are high level, low and moderate level of understanding.

Table: 11 Responses on the understanding of program budgeting

Understanding level of PBS	Respondents					Frequencies	Percent
	MOFED	MOE	MOA	MOH			
High	4	2	2	3	11	36.67	
Low	-	-	2	1	3	10	
Moderate	6	4	2	4	16	53.33	
Total	10	6	6	8	30	100	

The above table 11 shows the questions rose for the respondents about their understanding level about PBS. From this table, one can understand that PBS was not well understood by the respondents. In this case, 53.33% of the respondents from all federal ministries disclosed that the moderately understood the implementation of PBS while 36% of the respondents said that fully understood the process and implementation of PB in federal public agencies. Moreover, 10% of the respondents still have low understanding of the implementation of PBS. The responses for open ended questions showed the reasons for middle level understanding on program budgeting: PBS provides the information for each program structure, simply link the budgeting with outputs of organization.

These information shows that there should be continuous training on PBS for employees in order to enable the employees to understand PBS. So the understanding of respondents' enables us to say the transition to program budgeting could be smooth in the federal public agencies.

4.3.4. Relationship between program budgeting structure and organizational structure

One of the main aspects of program budgeting system in federal public agencies is the relation between program budgeting and organizational structure. Accordingly, the respondents were asked whether the relation between program budgeting and organization of the federal ministries.

Table: 12 Responses for the relation between PBS structure and organizational structure

Respondents	Responses				
	1	2	3	4	Total
MoFED	8	1	1	-	10
MoE	5		1	-	6
MoA	5	1		-	6
MoH	7		1	-	8

Frequency	25	2	3	-	30
Percent	83.33	6.67	10	-	100

Source: Field survey 2011 1=yes 2=no 3=at some level 4=no opinion

From the above table, it can be identified that most of the respondents which constitutes 83.33% the total sample stated that there is strong organizational structure of the federal ministries office and PBS structure of the organization. On the other hand, 6.67% of the respondent indicated that there is no relationship between organizational structure and PB structure of the institutions. The remaining 10% of the responses showed that at some level the organizational structure and PB structure have a relation.

In addition, the responses from open ended questions also support that there is relationship between PBS structure and organizational structures, program budgeting relies upon a structured program budget and established organizational structure that it allows the activities of several agencies or departments to be assembled. This indicates that the program structure for PBS is more or less assigned with organizational structures. Moreover, data obtained from document indicates that the establishment of programs in federal public agencies should fit the organizational structures for the implementation of PBS.

For these reasons, strong pressures arise to force programs to conform to organizational structure. So, from the above information, one can say that PB structure should concurrently fit the existing organizational structure of the federal public agencies.

4.3.5. The responses for the link between program budgeting and program structures out put

The chief feature of PBS is its output orientation; that is, it allows the activities of several agencies or departments to be assembled in terms of specific output packages. Accordingly, the respondents were asked whether there is a link between

budget and objective or output. So, the following table shows the responses for this issue.

Table: 13 Responses for the link between PBS and structure output

Response	Responses				Total
	1	2	3	4	
MoFED	9	-	1	-	10
MoE	4	-	1	1	6
MoA	5	-	1	-	6
MoH	6	-	2	-	8
Frequency	24	-	5	1	30
Percent	80	-	16.67	3.33	100

Source: Field survey 2011 1=yes 2=no 3=somewhat 4= No opinion

According to the above table, out of 30 respondents 24 that is 80% of revealed that program budget has strong link with the out put or objective of program structure of the organizations and 5 respondents which constitutes 16.67% of the sample respondents had an idea that at some level program budget and objective of the organization structure have a relation. However, the remaining 3.33% of the sample have no opinion on this issue.

In addition, the information obtained from the ministries shows that most of the time PBS is designed according the expected output or objective of that organization and it is stated that basic idea of program budgeting is very simple: budget information and decisions should be structured according to the objectives of government. Moreover, it has been added that from a pure results-based orientation, program definitions originate with the identification of outcomes desired in program structure and then an assessment of the clusters of activities or strategies being used to achieve these outcomes. This shows that in PBS the resources are allocated according to the objective of the structure of that organization.

From these information it can be said that program budgeting has to conform with program structure of the federal ministries to enables the ministries deliver the services to the communities.

4.3.6. Methods of implementing program Budgeting system

In addition to the above aspects of PBS, how to implement PBS in Ethiopian federal public agencies is one issue. Accordingly, the respondents were asked the ways or methods implementing PBS in their organization. The suggested variables to this question are whether the program budgeting system is implemented with line item budgeting system or stand alone approaches. Based on this, the following table depicts methods to implement PBS in public agencies.

Table: 14 Approaches of implementing PBS

Approaches for implementing PBS	Respondents					
	MOED	MOE	MOA	MOH	Frequencies	Percent
Parallel to line item budgeting system	7	4	2	3	16	53.33
Stand alone PBS	3	2	4	5	14	46.67
Total	10	6	6	8	30	100

Source: Field survey 2011

From the table, we can understand that there is a difference among the methods of implementing PBS in the four federal ministries. Accordingly, among 10 respondents of MOFED, 7 of them which constitutes 43.75% of total 16 respondents support the implementation is undertaking through parallel to line- item budgeting system in the ministry and 3 respondents of the MOFED which constitute 21.43% out of 14 respondents the total who support stand- alone PBS. In all four ministries 53.33% and 46.67% revealed that PBS is implementing in line or parallel with line item system and stand alone approaches respectively.

In MOE, 25% of its respondents revealed that the implementation of PBS is undertaken through parallel with line item budgeting system and 14.29% of MOE support that PBS is running in through stand –alone. The other respondents from MOA identified that 12.50% of the respondents showed that PBS is implementing parallel with line- item budgeting system and 28.57% of the respondents stated that PB is undertaking without the traditional budgeting system. The remaining respondents from MOH also disclosed that PBS is implementing parallel to line- item budgeting system by 18.75% and 35.71% of the MOH also support the implementation is undertaking without PBS.

When we see the over all four federal ministries majority of the respondents indicated that PBS is implementing through parallel to the line item budgeting system. This indicated by 532.33% of the total respondents support that PBS is implemented through two way approach that is parallel to line- item budgeting system. Whereas 46.67% the respondents from all ministries support that PBS is implementing in stand alone approaches.

The above information shows that there is vary among the federal ministries in the way to implement PBS. The other information from the organizations shows PBS is implementing through parallel to line item budgeting system to support the new budgeting system and to avoid the confusion. On the other hand, the information from the offices indicated that PBS is implementing without the help of line item budgeting system to save time and money.

4.3.7. Responsibilities of Head of budgetary directorate in federal public agencies.

The other issues related to PBS in the federal public agencies are what responsibilities would Head or manager of budgetary directorate have. Accordingly, the respondents were asked about the responsibilities of the Head of budgeting offices.

Based on this, the Data obtained from open ended questions showed that majority of the respondents stated that head of the budgetary directorate was different responsibilities regarding the implementation of PBS in federal public budgeting system from the point of view, the managers or head of the budgetary directorate in PBS the implementation of PBS as follows.

- ❖ Deciding the smart objectives of the office.
- ❖ Deciding outputs or objectives and activities of the structure.
- ❖ Deciding the budgets because they are accountable to the PBS.
- ❖ Directing the implementation of PBS.
- ❖ Constructing program budgeting with the concerned parties.
- ❖ Controlling and following up the activities of program structures.

From the above issues raised by respondents, it is possible to say that the head of budgetary department in all four federal ministries are responsible for the above responsibilities in the implementation of PBS.

4.3.8. Flow of Information in PBS

In addition to the above aspects of PBS, how budget information flow in Ethiopian federal public agencies is one issue. Accordingly, the respondents were asked the how information that required to set the budget and control budget flow. Based on this, the variables for this question is whether information flows from bottom to top or from top to bottom of the ministries. The following table shows the responses of the respondents.

Table 14: Responses on Flow of information for program budgeting system

How information	Respondents					
	MOED	MOE	MOA	MOH	Frequency	Percent
From bottom to top	9	5	4	6	24	80
From top to	1	-	1	2	4	13.33

bottom						
No opinion	-	1	1	0	2	6.67
Total	10	6	6	8	30	100

Source: Field survey 2011

The results indicate that most of the times the information flow come from the bottom or lower level of the federal ministries budgeting and planning offices from program department of the ministries. On this point, 80% of the respondents from all sample ministries budgeting and planning offices identified that the information needed to prepare budget at ministry level is come from the lower level of the each program in the organization. However, 13.33% of the respondents from all ministries disclosed that sometimes the information come from the top level of the organization. The remaining 6.67% of the sample respondents showed that they have no opinion about the flow of information in PBS. This leads to say the flow of stated that the information in program budget information could flow in both way.

4.3.9. Does the Ethiopian budget encourage participation?

One aspect of program budgeting is whether the program budget is transparent and encourages the participation of civil society in the government's budget decision-making. The suggested variable for this purpose is fully participative, semi participative and centralized to encourage the participation of the parties. Based on this, the following table shows the responses of the respondents on these issues.

Table: 15 The responses for the budget participation

Responses	Respondents					
	MoFED	MoE	MoA	MoH	Frequencies	Percent
Fully participative	2	1	2	2	7	23.33
Semi participative	8	5	4	6	23	76.67
Centralized	-	-	-	-	-	-
Total	10	6	6	6	30	100

Source: Field survey 2011

Based on table 15, 23.33% of the respondents from all federal public agencies indicated that PBS is fully participative. However, 76.67 of the sample respondents said that PBS is not fully participative rather it is semi participative.

This shows that majority of the sample respondents disclosed that program budgeting is semi participative in process of the budget. From the open ended question, the reasons for semi participative is that the budgeting system of Ethiopian Public agency is not mostly open and the planning and budgeting process of the federal public agencies are almost closed.

4.3.10. Challenges in Implementing PBS

The other aspects of program budgeting system in federal public agencies is what challenges conformation on this issues, the respondents were asked to have their opinion on the factors that contribute for the challenges of implementing PBS. Accordingly, the following table depicts the respondent's responses for challenges that confront the implementation of PBS.

Table: 16 Challenges in implement PBS

No	Suggested challenges for program budgeting	Strongly agree		Agree		Strongly disagreed		Disagreed		Total	
		F	%	F	%	F	%	F	%	F	%
1	Lack of trained personnel needed to carry out the requisite analysis	1	40	2	33.33	3	10	5	16.67	5	16.67
2	Lack of stability necessary to enable the implementation of PBS.	9	30	10	33.33	5	16.67	6	20	6	20
3	Lack of consistent	3	10	4	13.33	12	40	11	36.67	11	36.67

	political commitment necessary to allow the reform to be fully implement								
4	Lack of adequate information used to run PBS	5	16. 67	8	26.67	7	23.33	10	33.33
5	Low standing of employees about PBS	1 2	40	8	26.67	4	13.33	6	20
6	Lack clear program structure used to implement	3	10	5	16.67	8	26.67	14	46.66

Source: Field survey 2011

As it depicted in table 16 out of the 30 respondents in all four ministries respondents which constitutes 40% of the total respondents agreed that lack of qualified trained personnel to carry out the PBS in Ethiopian federal public agencies is one challenge that slightly affect the implementation of program budgeting system. Moreover, 33.33% of the respondents strongly agreed on that the lack of highly trained personnel for the implementation of PBS is a challenge. However, 10% of the respondents in all the federal ministries were strongly disagreed that the lack of trained personnel is not the challenges for the proper implementation of PBS. In addition, 16.67% of the respondents also slightly agreed that the lack of trained personnel is not the challenges that confront the implementation process of PBS in the organizations.

As stated on the above, it can be understood that the majority of the respondents support that the lack of trained personnel are the challenges for the implementation

of PBS. So, it could be possible to say that PBS system could be confronted by the lack of the trained personnel.

The table also depicts 30% of the sample respondents strongly agreed that lack of stability of the program structure could challenge the implementation of program budgeting system 33.33% of the respondents also agreed that stability in program structure is necessary to properly run PBS. On the other hand, 16.67% of respondents in all four federal ministries strongly disagreed lack of stability could not affect the program budgeting system and 20% also agreed that stability is not that much affect PBS. From the majority of the respondents support lack of the program structure stability necessary to properly implement the PBS is one factor that challenges the implementation of PBS.

Table 16 also shows that out of 30 respondents 12 respondents that is 40% of the total sample respondents strongly disagreed that lack of political commitment necessary to allow the reform needed to implement PBS is not challenge the effective implementation of PBS. Moreover, 36.67% of the respondents also agreed that lack of political commitment could affect PBS. As Kluyers (2001) noted that a program budget cannot be initiated without sufficient political support and guidance from the mayor, the finance director, and budget committee of the local government. This leads to say the champions of program budgeting would depend on the political commitment of the government.

However, 10% of the participants strongly agreed that lack of political commitment which necessary for the reform needed could affect the implementation of PBS. The remaining 13.33% of the respondents agreed that lack of political commitment could affect the implementation of PBS.

The above table 16 also showed that 33.33 of the respondents strongly disagreed about in adequate information used to run PBS is not that much the challenge in the implementation of PBS where as 16.67% strongly disagree lack of the adequate information is challenges that confront the implementation of PBS. However,

26.67% of the respondents agreed that inadequate information for PBS is one factor that challenges the implementation of the PBS in the federal public agencies. Whereas 33.33% disagreed that lack of adequate information used to run PBS is not that much a challenge in implementation of PBS.

Table 16 also identified that 40% the respondents strongly agreed that low understanding of employees about PBS is one factor which challenges the implementation of PBS in federal public agencies. While other 13.33% of the respondents strongly disagreed that low understanding of PBS was not main factor that challenges the implementation of PBS. The other 26.67% of the respondents agreed that low understanding of employees about PBS is one factor which affects the implementation of PBS and 20% of the respondents disagreed that low understanding of employees about PBS could affect the implementation process.

Lack of clear program structure used to implement PBS is one factor that affects the implementation process. Accordingly, table 16 showed that 46.67% the respondents disagree that lack of clear program structure is not the factor which confront the implementation of PBS whereas 16.67% of the respondents strongly agreed that lack of clear program structure is one challenge which confront PBS.

The remaining 26.67 of the respondents strongly disagreed that lack of clear program structure did not challenge the implementation process of the PBS. While 10% strongly agreed lack of clear program structure affect the process to implement PBS.

4.4. Implications of PBS in Ethiopian Public Agencies

This section discusses about the consequences of the implementation of PB in federal public agencies. In this case, different questions have been raised to the respondents to in all four ministries.

Table: 17 The respondents' responses on what PBS improve in Federal public agencies

No	Does program budgeting improve	Yes		No		Some what		No opinion	
		F	%	F	%	F	%	F	%
1	Service delivery of the ministries	12	40	2	6.67	15	50	1	3.33
2	Information gathering of the ministries	15	50	3	10	10	33.33	2	6.67
3	Reducing waste of Public money	16	53.33	-		13	43.33	1	3.33
4	Financial management	11	36.67	5	16.67	10	33.33	4	13.33
5	Increase transparency and accountability in the office	13	43.33	6	20	11	36.67		
6	Setting and follow up of budgets	18	60	3	10	9	30		

Source: Field survey 2011

AS table 17 shows PBS improves service delivery of the ministries, improves follow up of budgeting and increases transparency and accountability. It also improve

information gathering of the ministries. Based on this, majority of the respondents which constitutes 40% of the total sample support that program budgeting improve service delivery of the ministries. Moreover, 50% of the respondents agreed that the implementation of PBS enables the organization to deliver service effectively. However, 6.67% said that PBS not that much improves the delivery of the ministries and the remaining 3.33% of the respondents stated that they have no opinion on PBS. So, from the majority of the respondents' point of view and the related literature, it is possible to say PBS improves service delivery of the federal public agencies.

In table 17, 50% of the respondents agreed that PBS improves information gathering of the ministries regarding the budget system in the offices. The other 33.33% revealed that at some level PBS increases the ability to gather information regarding the budget system of the offices where as 10% of the respondents responded that PBS does not improve information gathering system of the organization. The remaining 6.67% of the sample respondents have no opinion on this idea.

According to the above table, 16 (53.33%) respondents replied that PBS reduces waste of public money when comparing with line- item budgeting system while 43.33% respondents support that PBS relatively reduces the waste of public money. The remaining 3.35% replied that they do not have on opinion on this idea. This shows that the system can reduces the waste of public resources by linking every resource with the structured program of the public agencies.

In terms of the financial management implication of PBS, table 17 depicts that 36.67% of the total sample respondent identified that financial management of the federal ministries are improved through the implementation of PBS. Moreover, 33.33% the respondents from all four ministries also support that PBS relatively improve financial management of the federal ministries. On the other hand, the above table highlights 4 respondents which constitute 13.33 of the total

respondents replied that they do not have any information on the improvement financial management.

The other implications of PBS in Ethiopian federal public agencies are the issues related to transparency and accountability in the office. For this purpose, the respondents were asked whether the implementation of PBS increases transparency and accountability of the ministries regarding budget control or not.

Based on this, table 17 shows 13 respondents from all four ministry offices which constitute 43.33% the total respondents agreed that the implementation of PBS increases the transparency and accountability in the budgeting system of the ministries. This idea is supported by the responses of 36.67% respondents those who said that PBS relatively increases the transparency and accountability in budgeting of the federal public agencies. But, the remaining 20% of the respondents said that PBS does not that much improves the transparency and accountability of the ministries in budgeting process.

The above information shows us that the implementation of PBS is likely to improve the budgeting process of the offices in terms of transparency and accountability in the budgeting system.

The final points of the implications of PBS are the improvement in the setting up of budgeting and follow up of the budgeting process of the federal ministries. In this regard, the respondents were asked whether PBS improve budgeting process and follow up of the budget. Based on this, Table 17 shows that majority of the respondents replied that the implementation of PBS improves the setting up of budgeting and follow up or controlling of budget in the offices of federal ministries are improved. In addition, 9 respondents who constitute 30% of the total sample in all four federal ministries office support that PBS relatively enables the budgeting directorate to effectively set the budgeting process and follow up the budget.

From the above information, it is possible to conclude that majority of the respondents are agreed that PBS improve the follow up of the budgeting activities with program structure of the ministries budget offices.

In addition to respondents opinion, document information from the offices identifies different uses of program budgeting. On the basis of practices in the federal ministries, identified that four different uses of a program budget: (1) as a tool of policy analysis, program budgeting facilitates comparison and evaluation of the cost-effectiveness of alternative spending options that have the same objectives. (2) As a means of improving government performance by giving managers operating discretion. (3) It facilitates accounting for the full cost of government activities. (4) It enables the government to plan ahead and set spending priorities. The four approaches are not mutually exclusive; all can be served by the same budget system.



Chapter five

5. Finding, conclusions and recommendations

5.1. Summary of finding and conclusions

The main objective of this paper is to analyze the move to program budgeting system in Ethiopian public agencies the case of Ethiopian federal ministries and its implications in enhancing of service delivery, analyzing the process of moving towards PBS and implementation process, analyzing attitudes of the employees towards PBS and challenges in implementing PBS. The qualitative and quantitative of research approaches have been used, and the data has been collected through semi structured questionnaires and office document information.

As it was presented in the previous chapter, findings and conclusions are made from the responses sample respondents, information from budgeting controlling and planning offices in the ministries and literature review relating to the process of moving towards program budgeting and its implications in public agencies. The findings and conclusions are summarized for the issues of the transition to program budgeting, implementation of program budgeting and implication of the program budgeting.

The transition to Program based budgeting system (PBS) in public agencies

- ❖ The surveys result showed that there is no new organizational design for program budgeting system in the selected four ministries and the program budgeting need to conform to organizational design of the public agencies. This idea is also supported by statements of Marc Robinson et al (1992) that stated program budgeting should ideally be based on output groups but not restructuring of the organizational design of the public agencies because not all organizational structures are defined in program terms. In addition, Bourdeaux (2008) disclosed that the program budgeting ideal is that programs

should be based on groups of services delivered to external parties (outputs) which have common outcomes in the organizational design. So, if this is the case in actual way of the federal ministries, it is possible to conclude there was no need for new organizational design for the purpose of implementing program budgeting in the case of the federal public agencies. It is also possible to conclude that program budgeting system can keep programs within the existing organizational structure and instead of designing new organizational structure for program budgeting, combine all activities according to program structure objective with the existing organizational design.

- ❖ From theoretical point of view, one part of public financial management is managing public expenditure. In this regard, public agencies with line item budgeting system more focus on the expenditure that is expenditure for authorized (budget) item only. But government's financial management under program budget focuses on the expected results of services performed by the government rather than on what a ministry buys, resources went to deliver defined services and task. Accordingly, from the majority of the sample respondents, and information obtained from the budgeting offices of the four ministries and the related literature indicated that reform in financial management for public expenditure is required for the implementation of program budgeting system. Accordingly, financial management for expenditure and accounting structure of the federal public agencies need to shift from expenditure oriented to output or objective based of the ministries or public agencies. Moreover, Bagdigen, Muhlis, et al (2001) also showed that Prior to program budgeting, most public agencies accounted for expenditures based on object class, cost center (organizational unit), and typically some mix of functional classifications which varied widely. But government financial management for expenditure under program budget focuses on the expected results of services performed by the government rather than on what a

ministries buys (for example, human services or commodities). As a result of this, it can be concluded that for the implementation of PBS reform in financial management is one requirement for program budgeting system.

- ❖ In the aspect of processing program budgeting, the surveys and documents of the budgeting and planning offices indicates that program budgeting required new technology. This result shows that in addition to the existing excel system, the new software system that is IBEX (Integrated Budget Expenditure) System is required for effective implementation of PBS in the federal ministries' budgeting offices. Accordingly, it is possible to conclude that the idea of introducing or applying computers software for PBS is one reform in the budgeting control and planning offices of the federal ministries.
- ❖ In terms of human resources for program budgeting system, the majority of the responses from the respondents and the related literature noted that the transition to program budgeting is not determined by increasing number of human resources in the budgeting offices rather it require high quality and experienced budget experts. In addition, the evidence from literature showed that when introducing program budgeting model, which promotes managerial freedom, it became evident that greater managerial flexibility and trained personnel could be viewed not only as a tool to improve efficiency but also to achieve expenditure targets that had been set (West, Eric and Moshe, 2009). So it is possible to say in the moving to program budgeting system increasing the understanding of experts about program budgeting system through continuous training on program budgeting is one factor that the new budgeting system requires in the Ethiopian public agencies.
- ❖ When we look at PBS training and it's satisfactory, responses from majority of the respondents supports that most of the budgeting control and planning offices of the ministries received the training on budgeting system and satisfied with the training. But the survey also shows that there is sill a need for sufficient and quality of training on program budgeting. Besides this, the

information from ministries budgeting offices indicates that continuous training would be provided to the budgeting experts annually. If this is the case, the trained of budget expert in program budgeting system will increase and the understanding of the employees will develop. So, it can be said the sufficiency and quality of training on program budgeting for all budgeting experts in all federal ministries is required for the effective of implementation of PBS.

Implementation of program budgeting system in federal public agencies

- ❖ Survey results showed that the implementation of program budgeting in federal public agencies face high level of confusion even though minority of the respondents found themselves at lower confusion. In this case, as the respondents and supported literature indicate, high confusions have been derived from lack of well understanding of PBS and problems in differentiating between PBS and line-item budgeting system, and the main confusion is related to synchronizing or linking the program structure with existing accounting structures and organizational arrangements of the federal ministries. Moreover, Jones and McCaffery (2005) noted also the main confusions during the transition to program budgeting are fundamentally related to synchronizing the program structure with existing accounting structures and organizational arrangements. Generally, from the majority of the respondent's view and the supported literature, it can be understood that there is some confusion in the implementation of PBS. This leads to conclude that there is a confusion among the employees on the implementation of the program budgeting.
- ❖ As observed from the responses of the respondents, majority of them indicate that they have positive attitudes towards the program budgeting system whereas some of them have negative attitudes. Besides, open ended question for the respondents pointed out the reasons for positive attitudes towards program budgeting are: PBS has clearer objectives, it provides more

effective control of inputs, it provides more effective control of outputs, it has better reporting than line item budgets and budget decisions. These enables to conclude that the even though some of the respondents have negative attitude towards program budgeting, majority of the respondents support the implementation of PBS in the Ethiopian public agencies at federal ministries level.

- ❖ Majority of the respondents revealed that their understanding level of program budgeting is moderate one and some of the findings also shows the respondents have high and low level of understanding. In that PBS provides the information for each program structure, simply link the budgeting with outputs of organization and others. So the understanding of respondent's enables us to say the transition to program budgeting moderately understood. However, since there is low understanding of PBS among the employees the continuous training needs to be provided for the employees.
- ❖ As indicated by majority of the respondents, the information from the offices and the supported literature, there is strong relationship between PBS structure and organizational structures. Moreover, Carlin (2004) noted that one of the thorniest concept for program budgeting is the relationship between programs and organizational structure. In addition, Carlin (2004) stated that if ministries have major organizational units which straddle several programs, significant practical problems arise in linking organizational unit budgets in the organization structure and program budgets. These shows program budgeting relies upon a structured program budget and established organizational structure that it allows the activities of several agencies or departments to be assembled in the organizational structure of the ministries. For these reasons, it is possible to conclude the implementation of the program budgeting need to combine with the department and services under organizational structure of the Ethiopian federal public agencies.

information from ministries budgeting offices indicates that continuous training would be provided to the budgeting experts annually. If this is the case, the trained of budget expert in program budgeting system will increase and the understanding of the employees will develop. So, it can be said the sufficiency and quality of training on program budgeting for all budgeting experts in all federal ministries is required for the effective of implementation of PBS.

Implementation of program budgeting system in federal public agencies

- ❖ Survey results showed that the implementation of program budgeting in federal public agencies face high level of confusion even though minority of the respondents found themselves at lower confusion. In this case, as the respondents and supported literature indicate, high confusions have been derived from lack of well understanding of PBS and problems in differentiating between PBS and line-item budgeting system, and the main confusion is related to synchronizing or linking the program structure with existing accounting structures and organizational arrangements of the federal ministries. Moreover, Jones and McCaffery (2005) noted also the main confusions during the transition to program budgeting are fundamentally related to synchronizing the program structure with existing accounting structures and organizational arrangements. Generally, from the majority of the respondent's view and the supported literature, it can be understood that there is some confusion in the implementation of PBS. This leads to conclude that there is a confusion among the employees on the implementation of the program budgeting.
- ❖ As observed from the responses of the respondents, majority of them indicate that they have positive attitudes towards the program budgeting system whereas some of them have negative attitudes. Besides, open ended question for the respondents pointed out the reasons for positive attitudes towards program budgeting are: PBS has clearer objectives, it provides more

effective control of inputs, it provides more effective control of outputs, it has better reporting than line item budgets and budget decisions. These enables to conclude that the even though some of the respondents have negative attitude towards program budgeting, majority of the respondents support the implementation of PBS in the Ethiopian public agencies at federal ministries level.

- ❖ Majority of the respondents revealed that their understanding level of program budgeting is moderate one and some of the findings also shows the respondents have high and low level of understanding. In that PBS provides the information for each program structure, simply link the budgeting with outputs of organization and others. So the understanding of respondent's enables us to say the transition to program budgeting moderately understood. However, since there is low understanding of PBS among the employees the continuous training needs to be provided for the employees.
- ❖ As indicated by majority of the respondents, the information from the offices and the supported literature, there is strong relationship between PBS structure and organizational structures. Moreover, Carlin (2004) noted that one of the thorniest concept for program budgeting is the relationship between programs and organizational structure. In addition, Carlin (2004) stated that if ministries have major organizational units which straddle several programs, significant practical problems arise in linking organizational unit budgets in the organization structure and program budgets. These shows program budgeting relies upon a structured program budget and established organizational structure that it allows the activities of several agencies or departments to be assembled in the organizational structure of the ministries. For these reasons, it is possible to conclude the implementation of the program budgeting need to combine with the department and services under organizational structure of the Ethiopian federal public agencies.

- ❖ In the case of the link between program budgeting and program structure objectives, most of the respondents stated that PBS is designed according to the expected output or objective of that organization. This shows program structure should be linked with each program structure of the ministries. Moreover, Smithies (1965) noted that one idea of program budgeting making programs conform to organizational structure and program structure output. This means whatever the existing organizational structures are; one simply defines programs in terms of them. As a result, it is possible to say in implementing program budgeting, program budgeting structure need to be designed in terms of project to be accomplished by the ministries.
- ❖ From the survey results it can be understood that there is a difference among the methods of implementing PBS in the four federal ministries. But the information from the document of the ministry of finance and economic development indicates that the program budgeting is implemented through stand alone approaches and as a whole from the four ministries the result shows moving towards program budgeting is through stand-alone approaches.
- ❖ The analysis disclosed that majority of the sample respondents stated that program budgeting is semi participative in the process of budgeting. As information shows the budget planning and process is a closed process with no participation and the media have limited access to information about upcoming budget discussions. This enables to conclude that Ethiopian budgeting system is semi participative and does not that much encourage the participation of the concerned parties.
- ❖ In terms of the challenges that confront transition to program budgeting, most of the suggested factors have been supported by the majority of the respondents that those factors affect PBS implementation. Accordingly, lack of trained personnel needed to carry out the requisite analysis of program budgeting, lack of stability necessary to enable the implementation of PBS,

lack of consistent political commitment necessary to allow the reform to be fully implementing, lack of adequate information used to run PBS, low standing of employees about PBS and lack clear program structure used to implement are the challenges that mostly indicated by majority of the respondents in the implementation of the PBS.

Implication of PBS in Ethiopian Public Agencies

- ❖ As implied in survey results, in most cases the respondents agreed that PBS improve the service delivery of the federal ministries by enabling the public agencies linking the resources to the output or objective of the ministries. As Werner (1966) noted that in program budgeting, if benefits and costs were exhaustive, certain, and commensurable, efficient resource allocation would result from a policy calculated to yield the greatest present value of net benefits to communities and enables the public agencies to deliver services to community. So, it is possible to say that PBS can improve the delivery service of the public agencies.
- ❖ In the case of reducing the waste public agencies, the survey result shows that almost all respondents revealed that PBS can improve the waste of public resources through making resources to have a link with each objective of the public agencies. Based on this, it is possible to conclude that PBS could improve the management of the public resources.
- ❖ According to the survey results, it is clear that PBS could enable federal ministries to increase transparency and accountability in their budgeting system and providing services to the community. Also, majority of the respondents agreed that PBS has an ability to improve the transparency and accountability of the federal ministries for the community.

5.2. Recommendations

To improve the move to program based budgeting system and its consequences in Ethiopian public agencies the case of federal ministries, the challenges in the transition to program budgeting, inadequacy of training and the confusions on the program budgeting that observed in the findings should be looked carefully. Thus, some recommendations are forwarded to modify or alleviate them here below:-

- ❖ It could be suggested that program budgeting of the ministries need to be specifically separated according to the strategic plan of the ministries in its organizational structure. In addition, each and every resources allocation in PBS has to be result oriented and link with structural output of the ministries strategic objectives. In this case, every public agencies first need to state its mission, vision and objectives. Then prioritize or rank its strategic objectives. Then, describe smart objectives in terms of program description. Finally, construct or develop full program for that objective and allocate resources for that structured program.
- ❖ The training for the experts on program budgeting should be continued in order to maintain and increase the understanding of the employees on program budgeting system. The training should be provided for all employees in all ministries. In addition, it is advisable to facilitate workshop for the experts in each ministries to share experience among the federal budgeting and planning directory of each ministries. Since program budgeting requires highly trained personnel to process it, it is advisable to the ministries to provide them high quality training on PBS.
- ❖ To make the implementation process smooth, the challenges that confront the PBS should be carefully identified and corrective action need to be taken. To make this possible it is advisable that Ministry of finance and economic development to establish a group that follow up the smoothness of implementation process and take to correct the actions.

- ❖ To make PBS more effective in increasing transparency and accountability of the ministries, it is advisable to the ministries to measure the performances and follow up of the whether the resources allocated to the strategic objectives results the expected outputs of the described program or not. In every program designing for PBS, it is advisable for the concerned bodies to make the program structure fit with strategic objectives of the agencies. This may results accountability and transparency in PBS.
- ❖ It could be effective way for the Ethiopian public agencies to follow stand alone implementation process of PBS. This could reduce the complication of the budgeting system, work load in the budgeting offices, reduces costs need to be incurred if the public agencies use parallel with line item budgeting system to implement PBS, it is simple to the employees and it saves time to implement PBS.
- ❖ It is advisable to the concerned bodies increasing civil societies or the representative participation in budget hearing and budget planning to make PBS more effective. It also advisable to growth up the degree and nature of participation by civil society during budget hearings to say their opinion on budget planning and budget hearings. So this may leads to have a fully participative PBS.
- ❖ To increase the effectiveness of program budgeting, it is recommendable that the concerned bodies should increase incentives and motivation to employees, make legislative aspect favorable and increase the quality of human resources, increases facilities, and promote administration aspect of program budgeting.
- ❖ The existence of adequate staff capacity to address the informational requirements program based budgeting is the main institutional prerequisite. So, it is advisable to have good accounting and auditing procedures and it is recommended that there must be a general recognition

of the need for reform and government agencies need greater managerial autonomy and freedom from tight input controls

❖ Finally, it is recommended that further research is required by using the outcomes of this research as inputs. Based on this, the study has raised the new questions. Few of areas that this thesis could provide information and which could be of interest for further research are presented here below.

- ↓ How the program based budgeting system will increase the output of the public agency?
- ↓ Evaluation of program budgeting in relation to strategic policy of the government.
- ↓ Analysis and evaluation of analytical part of program budgeting process in public agencies.
- ↓ The area of incentives and motivation to employees in program budgeting, legislative aspect and administration aspect of program budgeting require further study.

Reference

- Bagdigen & Muhlis 2001a, 'Budgeting Systems and Their Applicability in Public Sector', EU IIBF Dergisi, pp.17-36, viewed April 2011, <<http://ssrn.com/abstract=1429403>
- Bagdigen & Muhlis 2004b, 'Local Budgeting in Turkey: Local government finance in Turkey', pp. 69-79, *Istanbul Metropolitan Municipality Press*, Istanbul, viewed April 2011, <http://ssrn.com/abstract=1430869>
- Bellamy, S. and Kluvers, R 1995, 'Program Budgeting in Australian Local Government: A study of implementation and outcomes', *Financial Accountability & Management*, pp. 39-56, viewed April 2011, <http://onlinelibrary.wiley.com/doi/10.1111/j.14680408.1995.tb00395.x/abstract>
- Boex, L, Martinez-Vazquez, J and McNab, R 2000, 'Multi-Year Budgeting: A Review of International Practices and Lessons for Developing and Transitional Economies', *Public Budgeting & Finance*, pp. 91-112, viewed May 2011, <http://onlinelibrary.wiley.com/doi/10.1111/0275-1100.00013/abstract>
- Bourdeaux, C 2008, 'The Problem with Programs: Multiple Perspectives on Program Structures in Program-Based Performance-Oriented Budgets', *Public Budgeting & Finance*, pp.20-47, viewed May 2011, <http://onlinelibrary.wiley.com/doi/10.1111/j.1540-5850.2008.00904.x/abstract>
- Burns, R and Lee, R 2004, 'The Ups and Downs of State Budget Process Reform: Experience of Three Decades', *Public Budgeting & Finance*, pp. 1-19, viewed April 2011, <http://onlinelibrary.wiley.com/doi/10.1111/j.02751100.2004.02403001.x/abstract>
- Caiden, N 2010, 'Challenges Confronting Contemporary Public Budgeting: Retrospectives/Prospective from Allen Schick', *Public Administration Review*, pp.

- 203–210, viewed April 2011, <http://onlinelibrary.wiley.com/doi/10.1111/j.1540-6210.2010.02148.x/abstract>
- Carljn 2004, 'Output Based Budgeting & The Management of Performance', *European financial management*, Vol.9, No.3, 2003, 379-406, viewed April 2011, http://papers.ssrn.com/sol3delivery.cfm/SSRn_ID536462_code340230.pdf?abstractid=5364
- Cutt. J 1974, Program Budgeting-panacea or mirage? *Australian journal of public administration*, pp. 24-35, <http://onlinelibrary.wiley.com/doi/10.1111/j.1467-8500.1974.tb00801.x/abstract>
- Dawson 2002, 'Practical Research Methods: A user-friendly guided to mastering research', *How to books Ltd., Newtec Place*, <http://www.amazon.co.uk/Practical-Research-methods-User-friendly-Techniques/dp/1857038290>
- Dean, P 1986, 'Assessing the Performance Budgeting Experiment in Four Developing countries: Financial accountability & management', pp. 1–24, viewed April 2011, <http://onlinelibrary.wiley.com/doi/10.1111/j.14680408.1986.tb00253.x/abstract>
- Diamond, Jack 2003, 'From Program to Performance Budgeting: The Challenge for Emerging Market Economies', IMF Working Paper, pp. 1-28, <http://ssrn.com/abstract=880208>
- Gilmour, J and Lewis, D 2006, 'Does Performance Budgeting Work? An Examination of the Office of Management and Budget's PART Scores', *Public Administration Review*, pp. 742–752, viewed April 2011, <http://onlinelibrary.wiley.com/doi/10.1111/j.1540-6210.2006.00639.x/abstract>
- Greener 2008, 'Business Research Method', Ventus publishing APS, viewed July 2010, <http://bookboon.com/count/35359>
- Jensen 2009, 'Financial Accounting for Local and State School Systems', 2009 Edition, available at, <<http://nces.ed.gov/pubsearch>>

- John W. Creswell 2009, '*Research Design: qualitative, quantitative and mixed methods approach*', 3rd edition, university of Nebraska- Lincoln.
- Jones, L & McCaffery, J 2005, 'Reform of the Planning, Programming, Budgeting System, and Management Control in the U.S. Department of Defense: Insights from Budget Theory', *Public Budgeting & Finance*, pp. 1–19, <http://onlinelibrary.wiley.com/doi/10.1111/j.1540-5850.2005.00364.x/abstract>
- Kluvers, R 1999a, 'To PPB or Not PPB – Budgeting in Victorian Local Government', *Australian Journal of Public Administration*, pp. 68–77, <http://onlinelibrary.wiley.com/doi/10.1111/1467-8500.00128/abstract>
- Kluvers, R 2001b, 'Program Budgeting and Accountability in Local Government', *Australian Journal of Public Administration*, pp. 35–43, <http://onlinelibrary.wiley.com/doi/10.1111/1467-8500.00207/abstract>
- Lee, J & Wang 2009, 'Assessing the Impact of Performance-Based Budgeting: A Comparative Analysis across the United States', Taiwan, and China, *Public Administration Review*, pp. 60–66, viewed, <http://onlinelibrary.wiley.com/doi/10.1111/j.1540-6210.2009.02090.x/abstract>
- Louis, C 2000, 'Research Methods in Education, 5th edition, Publishing Taylor and Francis group', The Taylor and Francis e-library, [http://www.amazon.co.uk/Research-Methods-Education-Professor louis/dp/041595411](http://www.amazon.co.uk/Research-Methods-Education-Professor-louis/dp/041595411)
- Marc R 1992, 'Program Budgeting: Costs and Benefits', *Australian journal of public administration*, 51(1), March, pp. 17-26.
- Mullins, D and Pagano, M 2005, 'Local Budgeting and Finance: 25 Years of Developments', *Public Budgeting & Finance*, pp. 3–45, <http://onlinelibrary.wiley.com/doi/10.1111/j.15405850.2005.00002.x/abstrac>

Pugh, C 1984, 'Program Budgeting Reforms in South Australia', *Australian Journal of Public Administration*, pp. 77–95, viewed April 2011,
<http://onlinelibrary.wiley.com/doi/10.1111/j.14678500.1984.tb00996.x/abstract>

Santiso 2005, 'Budget institutions and fiscal Responsibility: Parliaments and the political economic of the budget process in Latin America', *World Bank Institute Washington*, viewed March 2011,
<http://siteresources.worldbank.org/PSGLP/Resources/Carlossantos.pdf>

Spigelman, J 1967, 'Program Budgeting For New South Wales', *Australian Journal of Public Administration* May 2011,
<http://onlinelibrary.wiley.com/doi/10.1111/j.14678500.1967.tb00163.x/abstract>

Schaeffer, Michael & Yilmaz 2008, 'Serdar, Strengthening Local Government Budgeting and Accountability', *World Bank Policy Research Working Paper Series*,
<http://ssrn.com/abstract=1297806>

Smithies, A. 1965, '*Conceptual Framework for the Program Budget: Program Budgeting, Program Analysis, and the Federal Budget*', David Norvick, Harvard University Press, Cambridge.

William M, Capron 1969, 'PPB and State Budgeting', *Public Administration Review*, Vol. 29, No. 2, pp. 155-159, Published by: Blackwell Publishing on behalf of the American Society for Public, viewed 02/04/2011 02:37
<http://www.jstor.org/stable/973696>

Werner Z. Hirsch 1966, 'Toward Federal Program Budgeting', *Public Administration Review*, Vol. 26, No. 4, pp. 259-269, Blackwell Publishing on behalf of the American Society for Public, viewed 22/03/2011 01:40
<http://www.jstor.org/stable/973297>

West, W, Lindquist, E and Mosher-Howe, K 2009, 'NOAA's Resurrection of Program Budgeting: All Over Again?' *Public Administration Review*, pp.435–447, <http://onlinelibrary.wiley.com/doi/10.1111/j.1540-6210.2009.01990.x/abstract>

Appendix

Addis Ababa University

School of Business and Public Administration

Program MSc in Accounting and Finance

(To be filled by employees)

This questionnaire is designed to collect information about the move to program budgeting system in Ethiopian public agencies the case of federal ministries. The data or information collected in such a way shall be used as primary data in my thesis, which I am conducting as a partial fulfillment for the requirement of my study in **MSc in accounting and finance at Addis Ababa University, School of Business and Public Administration.**

It is hoped that this research will contribute towards understanding of the move to program budgeting and its implications in the public agencies. Therefore, I will be pleased to submit a copy of my final report to your office at the completion.

Your prompt and reliable responses will be much appreciated as it will enable the timely completion of this project and enhance the benefits of the paper in terms of its relevance.

Note:

- No need of writing your names.
- You may choose more than one answers.
- Where answer options are available please tick in the appropriate box & for open ended questions, please provide your response on the space provided. If it is not sufficient, you can use the back of each sheet by identifying the question number.

Thank you for commitment in advance.

Part one: Personal Information

1. Position: Head of department manager budget directory Planning officer budget expert group head

2. Experience or number of years you work in current position.

1-2 2-4 4-6 6-8 above 8

Educational background: Certificate Diploma BA/BSc Degree masters degree

What is your qualification?

A) Accounting b) Management c) Economics d) Other

Part two: Questions related to the transition to program budgeting system in offices of federal ministries. The following are questions that analyze program budgeting and its implication.

1. Does program budgeting system require any change in organizational design?

Yes No somewhat No opinion

If yes, is there any change in

- a) Structure reform
- b) Assignment or reshelf of employees
- c) Information flow
- d) Others

2. Does program budgeting system require reform in financial management?

Yes No somewhat I do not know No opinion

3. Does program budgeting system require new technological or computer software?

Yes No somewhat I do not know No opinion

If yes, what types of technology?

4. Is the existing human resource sufficient to run program budgeting?

Yes No somewhat No opinion

If yes, state number of human resources needed and quality

5. Have you received any training concerning about program budgeting system

Yes No

6. If yes, what is your level of satisfaction?

High Low Moderate

Part three: questions related the implementation process of program budgeting system in federal public agencies

1. Is there any confusion during transition to program budgeting

Yes No

If yes, what is that confusion?

2. What is your attitude towards the program budgeting system

Negative attitude Positive attitude Middle one

Please write the reasons for choosing such alternative _____

3. How much is the new system understood by employees?

High

Low

Moderate

Write reasons for level of understanding _____

4. Is there any relation between program budgeting structure and organizational structure?

Yes

No

somewhat

No opinion

If yes, state their relation

5. How the agency framed program budgeting system

a) Parallel to line-item budgeting system

b) Stand-alone program budgeting system

6. What is the responsibility of managers or budgetary director in program budgeting system?

7. The flow of information in program budget is?

From bottom to top

From top to bottom

8. Is program budgeting system

- a. Fully participative
- b. Semi participative
- c. Centralized

State your reasons for choice _____

Make (x) under your choice that you think as challenge for program the implementation of program budgeting system.

Suggested challenges for program budgeting	Strongly agree	agree	Strongly disagree	Disagree
Lack of trained personnel needed to carry out the requisite analysis				
Lack of stability necessary to enable the implementation of PBS.				
Lack of consistent political commitment necessary to allow the reform to be fully implement				
Lack of adequate information used to run PBS				
Low standing of employees about PBS				
Lack clear program structure used to implement				

9. Make (x) in the following table under your choice that you think as implication of program budgeting system.

Implications of program budgeting system	yes	No	somewhat	No opinion
improving service delivery of the ministries				
Improving Information gathering of the ministries				
Reducing waste of Public money				
Improving Financial management				
Increase transparency and accountability in the office				
Improving Setting and follow up of budgets				

10. Is your office ready to apply program budgeting system?

Yes No

12. Does program budgeting used to illustrate

- a) Goals of the office
- b) Strategies of your organization
- c) Results expected from your office

11. Is this budgeting system reducing west of public money?

Yes No

12. Could program budgeting increases transparency?

Yes No I don't know

13. Does really program budgeting system link the budget with program structure output? Yes No I Don't know