The role of Medium Term Expenditure Framework on the service delivery of housing and water services: The Case of Addis Ababa City

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ABSTRACT

The role of Medium Term Expenditure Framework on the service delivery of housing and water services: The Case of Addis Ababa City

Menelik Tesfaye
Addis Ababa University, 2014

In the developing world the level of development remained unsatisfactory partly due to insufficient access to financial resources, poor utilization and management of the resources in the public sector. To contribute its part the general objective of this study is to examine The role of Medium Term Expenditure Framework on the service delivery of housing and water services: The Case of Addis Ababa City. The thesis is designed to follow descriptive and exploratory type of research method. Data have been collected from both primary and secondary sources in order to generate relevant and valid result. Accordingly both structured and semi-structured questionnaires and interviews were implemented to access primary data.

The statistical data's indicate that the city because of the implementation of MTEF observed enhancement in its fiscal performance, brought reprioritization in budget allocation and allocated more funds for water, and houses capitals expenditure. On the other hand, the city with the adaptation of MTEF could not maintain fiscal stability and a substantial amount of budgets are commonly transferred from their intended purposes during the budget year after budget approval. Besides, the city did not put into place a system for monitoring and evaluating the performance of MTEF and lacks two major steps in preparing the MTEF, which are critical in providing autonomous and predictability to sector bureaus and sub cities. All these facts are to some extent in contradiction with what was actually perceived by city managements as a result only partially the city MTEF is delivering its perceived roles and benefits.

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Last but not least, I would like to dedicate this paper to my family my mom Azeb H/selase and my dad Tesfaye Tadesse. My special thanks goes to my sister Hiwot Tesfaye and her beautiful family this would have not been achieved if it was not for her .

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List of Acronyms and Abbreviations

AARSP	Addis Ababa City Revised Strategic Plan
BoFED	Bureau of Finance and Economic Development
CSRP	Civil Service Reform Program
DFID	Department for International Development
DFID	Department for International Development
DSA	Decentralization Support Activities
EMCP	Expenditure Management and Control Program
FTA	Financial Transparency and Accountability
GDP	Gross Domestic Product
IMF	International Monetary Fund
IBEX	Integrated Budget and Expenditure System
MEDaC	Ministry of Economic Development and Cooperation
MEFF	Macroeconomic and Fiscal Framework
MoF	Ministry of Finance
MoFED	Ministry of Finance and Economic Development
MTEF	Medium Term Expenditure Framework
OECD	Organization for Economic Cooperation and Development
PEM	Public Expenditure Management
PFM	Public Financial Management
PIP	Public Investment Program
PRS(P)	Poverty Reduction Strategy (Paper)
SNNPRS	Southern Nations, Nationalities and Peoples Regional State

1. Introduction

1.1 Background

Medium Term Expenditure Framework (MTEF) is a planning tool which creates integration between policy and strategies, development plan, program and budgeting to hasten and strengthen development activities. The main objective of MTEF is to introduce and develop an appropriate policy framework for strategic planning of public expenditure so as to establish strong link between policy framework, planning and budget process.(BOFED 2008)

The main components of MTEF are: Economic growth and the growth of GDP, improve resource allocation among competing and prioritized sectors, give policy directives to executive bodies to plan and prepare their programs and improve delegation of budget.

This planning tool, like in other developing countries, is serving in public expenditure management in reform in the city administration. The Medium Term Expenditure Framework was implemented by Addis Ababa city since the last six years devolved from MoFED through the fiscal decentralization process.

Housing and water sectors are the major focus of this research. The shortage of housing is among the most visible problems of poverty in Addis Ababa. Out of the total population of 4 million, 3 million are living in overcrowded housing of dilapidated structure under unhygienic conditions lacking basic urban services like safe drinking water and sewage and in sprawling informal settlements with a growing number of shacks. 85% of the housing structure in Addis Ababa are dilapidated and would have to be demolished or rehabilitated. They are in their majority without the minimum basic infrastructure such as flushing toilets and connection to the sewer system. In the last 15 years, little capital investments were made in urban water supply, As a result, water demand in Addis has remained suppressed, with a current supply demand gap of about 40- 50% (world bank 2010). Plans exist to start withdrawing water from the neighboring Abbay Basin by constructing two dams, namely Sibilu and Gerbi Dam (30km North of Addis) . If planned infrastructural works and water supply increment would be realised, water supply would increase fourfold from a current 0.2 MCM day 1 to 0.8 MCM day 1 by the year 2016. (AAWSA 2010)

1.2 Statement of the Problem

One of the major strategies to promote development is the establishment of realistic and well-prepared expenditure planning and annual budgeting. This involves the process of effective resource mobilization, proper allocation of resource among competing investments and an efficient utilization of the available scarce resources. The main objectives of these processes are to introduce aggregate fiscal discipline, establish resource allocation in accordance with government priorities and objectives, and to bring about operational efficiency.

The Addis Ababa city Bureau of Finance and Economic Development is the responsible body to prepare the annual budget and submit the budget proposal to the cabinet for approval after it was discussed with responsible bodies. The city used to prepare budgets on annual basis. But the Addis Ababa City administration with the objective of addressing problems associated with annual budgeting such as poor linkage between policy making, planning and budgeting has changed its budgeting into a multiyear budget framework since 2008/9 (Addis Ababa City Medium Term Expenditure Framework, 2008). However the practice of the Addis Ababa City Administration indicates that the city uses the multiyear budgeting tool without putting those pre-conditions, which are important for the successful implementation of the Medium Term Expenditure Framework. These are according to Houerou and Taliercio (2008): a good macro-fiscal model and a solid budgetary management foundation together with stable macro economic situation; budget discipline, which requires consistence between the budget and its execution; linking the Medium Term Expenditure Frameworks with reforms of budget execution and reporting and budget comprehensiveness, which means the scope of Medium Term Expenditure Frameworks should be large enough to take into account all public expenditures including donor funds, off-budget accounts.

According to the Addis Ababa City Administration Five-Year Strategic Plan (2008) the city could not provide major public services in par with the growing demand and also the city has been performing very poor in terms of revenue and expenditure. Though budget constraint is a major challenge to alleviate these infrastructural problems but due to poor planning, the city sometimes transfer surplus budget to the next year, without utilizing it in the respective budget year. (AASPM 2008)

The provision of public infrastructure and services has lagged far behind the growing demand and also the standard and availability of urban services and infrastructural facilities in the city is below standard. Addressing these service demands would entails a huge sum of financial requirement and according to the city Medium Term Expenditure Framework study conducted in 2008, the city has about 10 billion Birr fiscal gaps each year over 2008/9 to 2010/11 periods between the city expenditure requirement and financial resource available. This situation has caused the city administration to assume the multiyear framework in order to allocate efficiently the available scarce financial resources. (Yetmgeta 2012)

On the basis of the empirical finding, the linkage between medium term fiscal framework, poverty reduction program and sector development program is inadequate. The data used in preparing public investment program is unreliable and unrealistic. Capital budget request is greater than planned expenditure by more than 100 percent for the period 2001/02 - 2004/05. The recurrent budget allocation is based on inadequate information and without sufficient knowledge about government programs. The linkage between government budget and macroeconomic policy is also inadequate. Therefore, in order to improve budget allocation in the public sector, it calls further reform, which considers policy review process, development priority, performance based activities and efficient resource allocation at all levels of public expenditure management. (GETACHEW 2005)

Addis Ababa city is selected for the research because it is the capital city of Africa Ethiopia, and the site of many embassies but it is associated with the high rate of population and uncontrolled horizontal expansion, is suffering from acute shortage of basic infrastructural facilities. According to the City Five-Year Strategic Plan (2011/12), the daily water supply for the city stands at less than 70 percent from the actual demand and The construction of additional 300,000 units is required to satisfy current housing demand. (Socio-Economic Profile of Addis Ababa 2011/12)

1.3 Objectives of the Study

1.3.1 General Objective

The general objective of the study is to review and assess the process of medium term expenditure framework (MTEF) and its role on enhancing service delivery of housing and water projects.

1.3.2 Specific Objectives

The research paper will meet the following specific objectives:-

- To evaluate the extent of the progress made by the city in implementing the MTEF and its integration with water and housing projects.
- To analyze the Addis Ababa City Administration revenue and expenditure performances before and after implementation of MTEF (1996e.-2005e.c).
- To measure the enhancement in the service delivery particularly in the provision of water and housing delivery since the implementation of MTEF(1991-1996).
- To analyze the integration of medium term expenditure framework and budget allocation for housing and water projects.

1.3.3 Research Questions

The research paper will attempt to answer the following research questions:-

- What are the major constraints which hinder the smooth implementation of MTEF for housing and water projects by the Addis Ababa City Administration?

- What are the major processes involved in the preparation of MTEF, organizational structure and level of stake holder participation related to the Addis Ababa City Administration MTEF application?
- What are the growth trends of Addis Ababa City Administration revenue and expenditure performances in the last five years (pre and post MTEF implementation)?
- To what extent the MTEF is integrated to budget allocation, enhancement of service delivery with a special attention on housing and water projects?

1.3.4 Organization of the Study

Including the introductory part of the study, this research will be organized into five chapters. The introductory part presents background and objectives of the study. Chapter two analyses and reviews a wide range of literature that is related to planning and resource allocation, medium term expenditure planning, budget process. Chapter three presents the detail research methodology of the study. Chapter four deals with the analysis of empirical finding related to expenditure planning and capital budget allocation. Finally, the paper presents conclusion and possible recommendation in chapter five.

1.3.5 Significance of the Study

This study is hoped to contribute to deeper understanding of the problem and possible outcome of the current medium term expenditure frame work on housing and water services delivery in Addis Ababa. In this respect, the finding of the study is hoped to give policy makers and considered officials to reconsider the current assignment of budget. The above mentioned services of housing and water sector in Addis Ababa city. Furthermore, practitioners and academicians will get some information from the finding of the study.

2 Chapter Two

2.1 Review of Related Literature

Definition

Recent literature on MTEF is characterized by several features and definitions. In this study the concept of MTEF is defined as a multi-year rolling budget process that integrates budgets with government planning and policies and also serves as a means for translating government poverty reduction strategy into public expenditure programs (Swaroop cited in World Bank, 2000; and World Bank, 1998). Accordingly, it implies that the practice of compiling MTEF rolls over multi-year to reflect shift in policy and consists of a top-down resource envelope, a bottom-up estimation of the current and medium-term costs of existing policies and the matching of expenditure needs to comply with available resource in the periods.

The MTEF features, according to Le Houerou and Talierci (2002) include the general, technical and organizational features. The general feature includes the detail classification of sectors and types of expenditure to be allocated in the MTEF, the format by which budget is allocated and the period it covers. The technical feature refers whether a simple excel or other sophisticated model is applied for the purpose of forecasting resource envelope as well as compiling the expenditure requirements. The general features indicate the status, management team, and level of stakeholder's participations in the process of design and implementation. In terms of the application of MTEFs across countries, there is a high degree of diversity in terms of its features and dimension. Min (2006) distinguishes MTEF features as a budget instrument fully integrated into annual budget process with periods ranging from 2 to 5 years, based on the experience of the country either all or only some spending are included and in terms of general feature, in some countries the MTEF is subject to cabinet approval but in others does not require cabinet approval and used as a finance technical document.

Other studies also show the MTEF features as a process covers 3 years, employs simple excel projection model for projection, only some sectors and capital expenditures are included, and compiled by drawing a committee from different line ministries (Alantar, 2009; Tibi, 2006). However these studies differ in terms of the targets and output set to be achieved with the implementation of MTEF. These differences in targets and output may be attributed to the differences in the experience and capacity of countries in planning (Le Houerou and Talierci, 2002).

The traditional approach in budgeting was annual and the budget spent on activities repeated yearly that departs marginally from those of the preceding year. It was conducted on cash basis and its content was in the form of line items such as personnel, operational, maintenance, and others. The traditional approach through allocating budgets on line item basis focuses on controlling aspects, deals with inputs instead of outputs, fragmented and short sighted, that is, cover only one year (Wildovsky, 1992). However, in recent times in addition decisions related to allocation and controlling aspect of budget, the public sector is supposed to work for efficiency and effectiveness. The multi-year budgeting has long been proposed as a reform to enhance rational choice by reviewing resource allocation in a long-term perspective. By so doing it would enable long-range planning to surpass short-term reaction and substitute the mere aspect of financial control of budgeting by broader concept that includes efficiency and effectiveness (Wildovsky, 1992; World Bank, 2000).

Literature indicates that developing countries in the objective of integrating budgeting with the government policies and planning, and for using budgets as the logical mechanism to better the alignment and harmonization of donors programs, have been replacing annual budgeting by multi-year budgeting, that is, MTEF since mid-1990's (Le Houerou and Talierci, 2002; World Bank, 1998).

Table 1 : Operationalizing MTEF: Key Design Dimensions, Features, and Elements

Dimensions	Design Feature	Key Elements
General	Scope	• Sectors included • Type of expenditure included (recurrent and/or capital)
	Format	• Expenditures presented by classification (economic, functional, organizational, geographical, program-based)
	Government Levels	• Level of government encompassed (central, regional, and/or local)
	Length of Period	• Number of years (including budget year)
Technical	Macro/Fiscal Framework (MFF)	• Basis for framework (type of quantitative model) • Content of framework (projections, targets, aggregate and sectoral ceilings, etc.)
	Sector Expenditure Framework (SEF)	• Inclusion of policy framework and strategy • Type of costings of existing and proposed programs (level of detail)
Organizational	Status in Budget Process	• Fit in budget process (form and date of inclusion in annual process) • Approval/authorization process
	Management Structure	• Central and sectoral agencies' roles • Organizational location of MTEF management • Introduction of reform • Civil society input into process
	Dissemination	• Method and form of dissemination internally and externally (formality)
	Oversight and Support	• Oversight of sectors by central ministries (intra-sectoral allocations) • Level of sectoral autonomy • Oversight of central ministries by sectors (sectoral allocations, disbursements, etc.) • Training support

Source: Taken From Concept to Practice, Preliminary Lessons from Africa, Le Houerou and Talierci (2002).

2.1.1 Historical Background of MTEF

According to Meldova`s Ministry of Finance (2002) the concept of MTEF was derived from (in 1980s and 1990s) public finance management reforms that were undertaken in European Union and other Western countries. The study further states that New Zealand, the United Kingdom and Australia were among the leading countries in introducing these reforms. On other hand, Tibi (2006) explains that MTEF was a budget tool that was started in 1960s in U.S.A, UK, and France and it borrowed ideas from the Logical Framework Approach (LFA).

Developing countries, according to World Bank (1998), are related to the annual budgets and hand-to-mouth adjustments during the budget year which led them to witness accumulated over commitments and inefficiencies at operational level. Annual budgeting in these countries has been undermined by the demand rather than depends on reliable resource projection and this caused in a negative-sum budget process that challenges macroeconomic stability, and program and project effectiveness. These situations have led to the proliferation of MTEF as an important budget tool in these countries since 1990's with support of the World Bank (World Bank, 1998).

During the 1990s around 25 countries in Africa, Asia, Latin America, and Eastern Europe adopted the tool and other ten were considering to implement (Le Houerou and Taliercio, 2002). These countries adopted over a relatively short time period, that is, of the twenty-five countries about 90 percent adopted the framework over the 1997-2001 periods. According to Le Houerou and Taliercio (2002), Africa is regarded as the regional leader in MTEF implementation and about half of the African MTEFs were adopted over the 1992-1997 period, which is prior to the adoption by other regions. Nowadays, the international aid community fuels the enthusiasm for MTEFs and besides donors and lender countries including the World Bank supported MTEF as the logical mechanism to structure the design of government-wide instruments of budget support (World Bank, 1998).

In Ethiopia, the federal government has been using the MTEF since 1996/7 in order to set budgets ceiling for regions and federal bureaus (BoFED, 2008). Among regional governments only Southern Nation and Nationalities, and People Regional States (SNNPRS) and Addis Ababa City Administration implemented the MTEF which are now at their infant age.

2.1.2 The Role and Process of MTEF

The World Bank (1998) states that the implementation of MTEF is increasingly being accepted as an appropriate response to the poor annual budgeting in developing countries, it is noticed that in these countries annual budgeting failed to link budgeting with policy and planning. In many respects the World Bank recommends MTEF as the new panacea of public expenditure management and proposes as a cure not only for the inadequacies of planning and budgeting systems but also for the broader performance problems of government (Oxford Policy Management/OPM, 2000). As a result, the MTEFs have been serving as a key tool in supporting the implementation of budget reform agendas in a number of transition economies since late 1990s (World Bank, 1998).

Le Houerou and Taliercio (2002) explain that the implementation of MTEFs have the role of improving macroeconomic stability, leading to a better inter and intra-sectoral resource allocation through effective prioritization of expenditure on the basis of government policy, and greater budgetary predictability by commitment to more credible sectoral budget ceilings. They further indicate that the MTEF is an important budget instrument that transforms countries into more efficient use of public financial resources, gives greater flexibility for line ministries together with greater accountability in managing their budgets. This is a basis for greater political accountability for public expenditure outcomes through more legitimate decision-making, and greater credibility of budgetary decision-making through political restraint. On the other hand, Koh (2009) claims that MTEF has the role of a medium for dialogue between government and the public on medium to long-term policy issues and also to inform the public of government's fiscal strategy.

Based on the study of Tibi (2006) in Lao PDR, the MTEF was designed with the objective of assessing the resources needed to implement the National Poverty Eradication Program (NPEP) and covers a five-year period and targeted only four sectors namely agriculture, education, health and infrastructure.

Based on the practical experiences of some African countries there are some criticism against the MTEF, these criticisms are: failure to improve macroeconomic stability and to reallocate resources between sectors; failure to deliver predictability, introduction of activity based budgeting is too laborious due to limited resources; the activity based budget is too rigid and inflexible, and pre-conditions such as inclusion of all donors funds, availability of sufficiently clear policies, sufficient capacity to implement the new system and others need to be in place before the full implementation of MTEF. Muggeridge (2010) argues that these problems are attributed to the failure to distinguish between the MTEF as a budget preparation process and the implementation of the budget, the unrealistic resource projections made in these countries, the failure to implement MTEF in phases, and failure to set realistic targets to be achieved through implementation of MTEF.

On the other hand, on the basis of the preliminary review of MTEF experience in Africa Le Houerou, and Taliercio (2002) and Odi (2005) indicate that the design and implementation of MTEF vary quite significantly from one country to another. Thus, South Africa and Uganda are found at high level of development; Tanzania, Kenya, and Ghana at intermediate level and countries like Guinea, Malawi, Mozambique, and Rwanda are still found at basic level. Based on their findings most developed MTEFs are found in countries where capacity is high or has been introduced over a decade ago, by South Africa and Uganda, respectively. The study indicates that the experience in the implementation of MTEF in these countries does not provide support to the link between the MTEF and reduced fiscal deficits, but provided some limited support for the hypothesis that MTEFs are associated with reallocation of resources to government priorities. It does not lead to budget predictability, that is, deviation exists between budget execution results and approved budgets.

In Nepal, according to the Nepal Development Forum (2002), MTEF was prepared in response to the problems of past plans and to ensure that the outcomes envisaged in the tenth plan, which is a comprehensive poverty reduction strategy paper, will be delivered. The MTEF was designed for a 3 year period and included only five-core line ministries as follows: agriculture and co-operatives; education sector and health sector, water resource, and roads; drinking water and urban development; housing and building. The study further indicates that the Nepal government initiatives however have coincided with unfavorable international and domestic developments, which have seriously eroded government revenues and created unprecedented new expenditure demands for security needs, putting severe pressure on public resource management.

Kim (2004) indicates that Korea introduced MTEF in 2004 associated with future fiscal risks and problems related with annual budgeting, which was characterized by short term perspectives with bottom-up approach, and the existence of inefficiency from managerial inflexibility. According to his study, the Korean MTEF covered three years and was developed on the basis of long-term perspective, top-down approach, strategic decision mechanism and decentralization.

Based on reviewed literatures the role of MTEF can be expressed in more precise terms, that is, MTEF has the role of designing a policy driven budget process, better align and harmonize donors programs, prioritize expenditures within hard budget constraint and improve predictability of funding by the line ministries.

The experiences of different countries indicated in different literature put different stages in order to compile a complete MTEF, which ranges from 3 to 6 years. Therefore, the analysis in this study was carried out on the basis of the World Bank (1998) comprehensive six stages of preparing MTEF, which are;

Stage I) Development of Macroeconomic/Fiscal Framework- concerned with developing macroeconomic model for projections of revenue and expenditures in the medium term.

Stage II) Development of sectoral programs- involves a sector review process and agreement on sector objectives, outputs and activities. It also carries out cost estimation of programs.

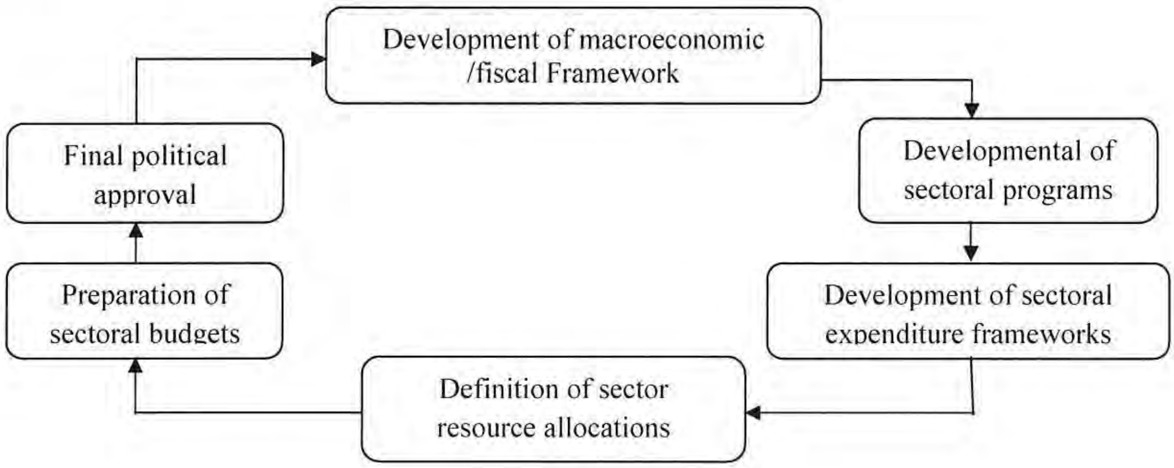
Stage III) Development of sectoral expenditure frameworks- it involves the analysis of the trade-offs between and within sectors of certain funding decisions and consensus reached on strategic resource allocation.

Stage IV) Definition of sector resource allocations- the cabinet approves the medium term sector budget ceilings on the basis of affordability and inter-sectoral priorities.

Stage V) Preparation of sectoral budgets- at this stage budget revisions will be made and prepare the medium term sectoral programs based on budget ceilings.

Stage VI) Final Political Approval- the revised budget estimates are presented to cabinet and parliament for approval.

Figure 1: Graphic Presentation of MTEF Process



Source: Adopted from the World Bank (1998)

2.1.3 Pre-Conditions for the Effective Implementation of MTEF

Studies in the area confirm that for the MTEF to be successfully implemented and bring its perceived benefits there are certain requirements which need to be fulfilled. These are:-putting trust on MTEF, considering MTEF as a means to an end, designing MTEF as a policy driven budget process, providing high level political support to drive through necessary changes, and developing a means to adopt a new approach and way of working perceived benefits (European Commission Delegation to Ukraine, 2009). Le Houerou and Taliercio (2002) explains a good macro-fiscal model and a solid budgetary management foundation together with stable macro- economic situation, budget discipline, linking the MTEFs with reforms of budget execution and reporting, and budget comprehensiveness are important factors for successfully implementing MTEF.

The practical experiences of African countries indicates that strong leadership from the government, concurrent development of a basic but integrated financial management system and strong stakeholders participation in Tanzania, South Africa and Uganda facilitated the implementation of MTEF in these countries (Odi, 2005). Based on the experiences of OECD countries clarity of policy objectives, reducing the gap between policies and actual resource available, predictability in budget allocations, comprehensiveness of coverage and transparency in resource utilization are important pre-requisite for the MTEFs to help improve budget processes and outcomes (World Bank, 1998).

In general, the following were considered as major requirements for the comprehensive implementation of MTEF:- Good macro-economic policies, Adaptable fiscal policy and instruments, Reprioritization and reallocation, Budgetary discipline, Institutional conformity and absence of bias, Appropriate parameters, Fiscal and policy transparency, Integrating MTEF with key policy and planning process, and Sustainable capacity building program and creating awareness on MTEF concept and process, policies, and planning (World Bank, 1998; MoF, 2000; Le Houerou and Taliercio, 2002; Odi, 2005).

The study carried out in Nepal (2000) by OPM indicates that the Nepal Government's implementation of MTEF in the country maintained fiscal discipline and controlled debt. The study argued that such result was attained due to an intentional exaggerated revenue forecasts and compensatory actions to delay release of funds and control expenditure, which undermined the usefulness of MTEF as a budget tool of expenditure planning. Kim (2004) indicates that the Korea MTEF has enabled the country to successfully link the national policy with resource allocation on the basis of identified priorities, which in-turn links planning with budgeting and also established well-trained technocracy separated from political pressure. He further indicates that the Korean MTEF has successfully linked yearly budgets with long-term national vision and changed the country's budget structure based on the strategic allocation of resources.

2.2 Empirical Evidences on the Benefit of the Implementation of MTEF

Uganda introduced MTEF in a simple form in 1996 and has enabled the country to use it as a key instrument of economic management, maintain the confidence of aid donors in the country, while at the same time retaining control over its own priorities. In South Africa MTEFs were introduced in 1997/98 and have stabilized the fiscal situation and reduced the country's debt but in Ghana though the country introduced MTEF as a sub-program in the Public Financial Management Reform Program (PUFMARP) in 1998, due to the combined pressure of terms of trade shocks and excessive pre-election spending together with the sophisticated implementation and shallower institutional roots, the country faltered MTEF implementation in 2001 and as a result collapsed back into short term incremental budgeting (Stevens, 2004).

2.2.1 Empirical Literature on Ethiopia

Abebe (2002) points out that the country's MTEF is contained in the country's Poverty Reduction Strategy Paper that describes poverty profile, outline overall macroeconomic as well as key sectoral development objectives and strategies, and a framework for monitoring and evaluation of its implementation. According to Abebe (2002), the MTEF of the country presents revenue estimates and the allocation of these resources within a three-year macroeconomic framework as well as financing plan, and expenditure management and control aspects.

The multi-year framework covers both recurrent and capital budgets and allows a greater flexibility in reallocation of resources to changing circumstances. In the capital budget sectors such as agriculture and water resources, health, education and road network infrastructure, which have the most direct impact on poverty reduction, are included in the MTEF. The Federal Government designed the MTEF in a way that reflects the political and fiscal decentralizations process of the country. It incorporates donor funding, user fees, and also sectoral strategy, objectives, activities and output. The process starts by estimation of resource potential, then cost estimation of government policy and matching of the resource with the cost estimation. The MTEF is designed as a rolling plan subject to revision each year, which the first outward year's estimates become the basis for the subsequent year's budget after taking into account changes in economic conditions and policies (Abebe, 2002).

On other hand, a study carried out by Getachew in 2005 indicates that because the country Public Investment Programs (PIP) document prepared using unreliable data, the linkage maintained between MTEF, poverty reduction program and sector development program is inadequate. This could be further pronounced by looking at the budget performance of recurrent and capital expenditure, for example, the capital expenditure during 2001/02 to 2004/05 periods attained above 100 percent performance. In general the study concluded though the country implemented MTEF, the linkage maintained between government budget and macroeconomic policy as inadequate. Similarly based on Swaroop (2000) evaluation of Ethiopia's MTEF implementation, the MTEF has brought some improvement in budgetary planning particularly in the area of the capital budget, but little work has been done to get a medium-term perspective for recurrent spending.

The experiences of the regions indicate that there are practices of preparing and implementing a strategic plan ranging from three to five-years, but with regard to budgeting with the exception of SNNPRS and Addis Ababa City Administration are limited into one year (BoFED, 2008). In both these regions the frameworks covers three years period. Addis Ababa City Administration

MTEF covers the recurrent and only major capital expenditure items which have strong influence on poverty reductions such as housing, road, water, education and health, Micro and Small-scale Enterprise (MSE), and others. But the framework in the city does not fully incorporate sectoral strategy, objectives, activities and output.

2.2.2 Definition and Process of Budget

A budget is a document that translates plans into activities through spending the money at hand. To be budget functional it needs to be ensured by income that will need to be generated to cover the costs of getting the work done. More comprehensively, the term budget is used to mean a plan for financing an enterprise or government during a definite period, which is prepared and submitted by a responsible executive to a representative body whose approval and authorization are necessary before the plan may be executed (Hyde,1992). A public budget represents a plan/forecast by the government about its expenditures and revenues for a specified period. Budgeting could be conceived as a process for systematically relating expenditure of funds to accomplish planned objectives (Schick, 1992). In other words, a budget consists of a comprehensive listing of anticipated revenues and proposed expenditures for each organ of government for a future time period, or fiscal year. Ideally, the budget represents a comprehensive allocation of limited resources among potential users.

2.2.3 Budgeting process and Stakeholders involvement

Understanding the way budgets are put together is a crucial and first step in influencing decision making. Budget is a result of process. The priorities and choices it embodies reflect the power of various actors in this process. Budgeting is a set of procedures by which governments ration resources among claimants and control the amount each claimant spends (World Bank, 1998). While the details will differ from country to country, there are important similarities across most public budgeting systems. The budget process, particularly in MTEF implementing countries, regularly looking at the stakeholders in the budget process, stages of the budget process, and how annual budgeting can be guided is vital. According to Kim, there are three main actors involving in the process; executive, legislative and general auditor. The *executive* discharges, in one hand, the responsibility to coordinate and drive the budget process in accordance with a schedule. The finance ministry plays the leading role in this regard to prepare macroeconomic projections which serves to assess the amount of money that will be available for spending which in turn plays as a crucial role in formulating fiscal policy, guide the drafting of the budget, and later in monitoring budget implementation. On the other hand, various spending departments are ultimately responsible for expenditures within their jurisdiction, such as health, education, municipalities, agriculture, and so on. In governments where executive budget making is not well developed, legislative organ review dominates the whole of the budget cycle.

In democratic constitutions, taxation and public spending are supposed to be approved by parliament- *legislative* body. The legislative plays the role to scrutinize and authorize revenues and expenditures, and to ensure whether the budget is properly implemented but the legislative's role, still, significantly varies across countries due to power and roles they are vested. For example, if the legislature's role is inadequate, then executive preparation dominates all phases (Bland and Rubin, 1997). Independent supreme audit institutions such as auditor general or audit courts carryout audit tasks of government accounts in order to determine whether government did in fact implement that budget as passed by the legislature. Some of them also consider whether this was done efficiently and effectively. While this basic job is similar across different systems, slight differences are noticed in the institutional design of supreme audit institutions. Furthermore, the potential contribution to the budget process of civil society organizations, covering the full spectrum from think tanks to community-based organizations, is increasingly appreciated.

The budget process shapes the decision reached by these stakeholders through the budget cycle. The budget cycle has four main stages: preparation of budget request, legislative approval, executive budget implementation, and summary of reporting on actual budget transaction (Ibid.). Bland and Rubin have further substantiated the end product of each phase of budget cycle (see Table 2.2).

Table 2: Budget Cycle

Phases of the budget cycle	End product of each phase
Preparation of request	Proposed budget
Legislative adoption	Appropriation
Implementation	Disbursement of funds
Summary of transaction	Audited financial report

Source: Bland and Rubin, 1997:p.23

During the budget cycle they explains that the executive preparation stage starts with the call for estimates by ministry of finance or/and plan minister. These institutions give instruction and make supervision to public bodies in order to prepare their requests. The call for estimates notifies government priority areas, critical problems, and date for submission and supportive documents.

The public bodies or agencies conduct careful examination of their budget in line with ceilings, policy directives and sector priorities. After the public bodies or agencies have prepared their estimates, they will submit to the respective institutions. These institutions review, consolidate, recommend and if necessary modify formal national budget and submitted it to the cabinet. After review and adoption by the cabinet, it will be passed to parliaments for final approval. The parliament's approval of the national budget is based on specific government goals, policies, priorities, and resource generating capacity and over all socio-economic development. In the budget process, one of the principal issues is the degree of participation by interested parties. The chief executive bodies, policy-makers, budget analyst, department heads, citizens, and interested group representatives should all participate in the budget decision-making process (Bhatta, 1996).

Once the budget has been approved and the new fiscal year begins, spending agencies and the Ministry of Finance embark on its implementation. They use the resources allocated to them on various items of expenditure such as salaries, running costs for their offices, purchase equipment and maintenance and others. The Ministry of Finance manages the flow of funds and monitors, and makes in-year adjustments to ensure in compliance with plan deviations, Public Financial Management (PFM) rules and directives. Throughout the fiscal year, each spending public body records its expenditures (accounts), and ministry of finance consolidate these accounts centrally, at the end of the fiscal year, to issue a report that demonstrates how budget was implemented (Getachew, 2005).This report is then subjected to external scrutiny the Supreme Auditing Institution, an independent government body, which reviews the government's revenue collection and spending. This body issues its own statement on the execution of the budget and strengthens of the PFM systems. In many countries, this audit report is presented to the legislature for further scrutiny and follow-up.

2.2.4 Budget Systems and Reform Initiatives

Budget systems evolved when government involvement in the economy was relatively limited and skilled manpower was scarce. It was natural then that these systems were designed to achieve control over inputs in a simple manner (Kiringai et al. 2002). The broad functions of budgeting that are contending for attention are: control of public resources, planning for the future allocation of resources and management of resources. On the modern view, the relative strength of each depends not only on the function of budgeting and budgeting tool and techniques, but also on the strength of particular organizations and/or institutional arrangements to support these functions. They have usually been supported by institutional arrangements whereby all revenues have to be paid into a central fund and only are drawn on by authority of the legislature (World Bank, 1998). Central budget agencies have to take the lead in focusing attention on these three dimensions.

Literatures on the same topic put budgets from various views based on the techniques and tools, and designs used to control and manage. Gianakis and McCue (1999) have classified budget types into four parts. They are line item budgeting, performance budgeting, program budgeting and zero-base budgeting. These four basic types of budgets have evolved from controlling expenditure to improving financial management.

Line item budgeting is input- oriented budget system that optimizes the control function. In this type of budget system, expenditures for the coming year are listed according to objects of expenditure, or "line items." These line items are often detailed in depth, specifying how much money a particular agency or sub unit will be permitted to spend on personnel, fringe benefits, travel, equipment, and the like. The most important focus of this budget system is to specify the line item ceilings in the budget allocation process and to ensure that agencies do not spend in excess of their allocations.

Its function is expenditure control and safeguarding of funds based on assigned budgets and the focus is on the attainment of balanced budget (Bhatta, 1996). The strength of such a system is in its relative simplicity, lack of ambiguity, and potential for control of overspending through easy comparison with precedent years and through the detailed listing of inputs. However it has own drawbacks more critically, the system does not provide information about why money was spent and no attention is given to the efficiency and effectiveness of the program (World Bank, 1998 b). Furthermore, these line-item systems were almost all associated with a short time horizon, leading to failure to take longer-term costs into account. These deficiencies encouraged governments to develop and implement the performance budgeting that focuses on enhancing efficiency and output.

Performance budgeting is basically based on defined programs, goals and objectives. It measures the amount of work to be accomplished, the efficiency with which the works will be completed and the effectiveness of the program (Bland and Rubin, 1997). A performance budget usually breakdown proposed expenditures into activities within each organization and a set of workload measures that relate the activity performed to cost. It allows the budget to be built, not incrementally (as in traditional line item budgeting), but on the basis of anticipated workload. In other words, clear and measurable objectives, pre-determined standards or performance measurement in comparison with similar other organization, decentralization of responsibilities and accountabilities, and institutional financial autonomy is required.

Nevertheless, Bland and Rubin have argued that performance budgeting does not address the fundamental questions; such as whether a program is necessary at all, or how best to allocate limited resources among competing needs. It gives more emphasis to efficiency and effectiveness of resources rather than resource allocations among competing policies. What was considered necessary, according to these reformers, was a method of budgeting that would also considers whether the planned activity/project was necessary or not in the long run beyond the annual budget cycle. These considerations led to program budgeting. The predominant early reform of this type, program budgeting, is most closely associated with the efforts to institute a planning-programming-budgeting system (PPBS) during the administration of U.S. President Lyndon Johnson which is correspondently called program budgeting (World Bank, 1998). In contrast to performance budgeting, program budgeting was explicitly focused on budgetary choices among competing policies.

As Bhatta (1996) explained, program budgeting organizes government activities into program, identifies alternative for achieving each goal, determines the costs and benefit of each alternative, and selects the alternative that maximizes net benefit. Program budgeting attempted to link program costs with the results of public programs. Currently, public sector resource allocation needs such effective synchronization of budget process with planning. In contrast to the performance budgeting, program budgeting requires that program objectives stretch beyond a single fiscal year. Program budgeting is the principal budget reform in the contemporary arena that has been exported to developing countries. But it requires sustainable political commitment, sound budgetary and accounting systems, skilled and knowledgeable personnel, sufficient and flexible resource allocations (Caiden, 1996). However, in practice, program budgeting has not been very successful in both developing and developed nations (World Bank, 1998 b). According to the Bank this is due to:

1) The attempt to create program that is independent of organization affiliation proved impossible;
2) It is difficult to compare on the basis of effectiveness and choose among them, since there is no common index of worth for public program;
3) Adequate information about program is not available in many countries; and
4) Lack of stability and political commitment to fully implement the program.

The other alternative approach to budget is zero- base budgeting. In this approach, decision-makers conduct annual evaluation of each program and give priority against available resources. Instead of concentrating on budgetary changes at the margin, all programs are evaluated each year. The process of arriving at a budget is literally to start from scratch (World Bank, 1998). The budget is entirely remade every year; there are no commitments that are carried forward to the next fiscal year. The operationalization of this budget system is highly limited in developing countries. This is because, in reality, some of the budget items such as contractual and legal payments of loans interest payments; contractual payments for salaries are carried forward to the next fiscal year.

Generally, budget reform is undertaken in order to design the best system of budgeting that will ensure: efficient allocation of resources, better estimation of budgets and effective attainment of objectives. Budget reforms have often focused on changing roles between the executive and legislative branch of governments, or shifting the location of decision making power and on budget formats and the kind of information needed for decision making (Rubin, 2000). Often, the reforms tend to bring those changes by tilting the balance between the central components of budgeting process, i.e., planning, management and control, and emphasize one or another of those components (Schick, 1969). This is almost always accompanied by a change in the form of budget expenditure classification for the purpose of expenditure control, budget allocation and expenditure appraisal (Robinson, 1992).

2.2.5 Linking PEM, Poverty Reduction Strategy (PRS) and MTEF

In response to the PRS, many developing countries were confronted with growing resource shortfalls which force them prepare resources envelop so as to realize the targets planned to be achieved. Governments introduced a medium-term expenditure framework (MTEF) as part of their budgetary reform process initiated to strengthen implementation of PRS. The reform process objectives include: developing a consistent and realistic resources framework for sustaining macroeconomic stability; improving budget allocations to support PRS priorities in various sectors; increasing incentives for the efficient and effective use of resources by government agencies; and adopting a result-oriented focus (Nepal, 2010). Le Houerou and Taliercio (2002) also explains that MTEFs are receiving renewed attention in the context of the formulation of Poverty Reduction Strategy Papers (PRSPs), which have in the MTEF an ideal vehicle for actually incorporating them into public expenditure programs within a coherent macroeconomic, fiscal, and sectoral framework. MTEFs are considered as an essential condition of good PEM since it is a reform in its own. But Le Houerou and Taliercio concludes that MTEFs alone cannot deliver improved PEM in countries in which other key aspects of budget management, notably budget execution and reporting, remain weak. In countries with weak capacity, in which a full-fledged MTEF, which should be seen as a package of bundled reforms, cannot be introduced all at once, sequential PEM reform program in is required. Therefore, one can understood from this PRSP to be implemented successfully both MTEF and PEM should be practiced harmoniously and complementarily.

2.2.6 Planning and budgeting

The corresponding availability of resource is vital to realize countries' development policies and plans which usually needed to coexist. The challenge is to manage the tension between "needs" and "availabilities" more effectively. After government policies and targets plans are formulated, the resource allocation is made through budget process. Planning chiefly contains components which enable to determine development priorities and government objectives in terms of sectoral policies and resource constraints. The main arguments for planning or government intervention are failure of competition, the existence of public goods and externalities, incomplete market, information failure, unemployment, inflation and poverty (Stiglitz, 1998; and Todaro, 2009). In fact, some economists argued that in perfect market; the forces of supply and demand would achieve an efficient resource allocation through price mechanism without the need of public intervention. But in the real world, there are cases where economic activity is highly dominated by monopoly and/or limited firm/s and this firm/s controls the whole market operation. This argument suggests that the deficiency of perfect market competition which call for public intervention. As Stiglitz (1998) further noted, public intervention is very important for some goods that are not supplied by market or if supplied by the market, they may be in insufficiently supplied.

Primarily plans in developing world were formulated to set out government priorities, objectives, and target of development and help for the guidance of long-term public expenditure programs. However, after more than three decades, the result of development planning in these countries has been generally disappointing (Todaro, 2009). But latter a medium-term approach provides such a linking framework and facilitates the management of the tension between policy and budget realities to reduce pressure throughout the whole budget cycle.

In the city administration, the adoption of development planning to guide resource allocation has undergone remarkable changes in the area of government policies and development priorities with respective varying regimes and political system in the country (AARSP, 2010/11). For several reasons, recently implemented planning and budgeting practices mostly influenced by the process and systems of the federal government. The city BoFED is mandated to prepare and coordinate sectors and stakeholders to produce city's final development and annual leading plan documents. Currently, city level Medium term strategic type of planning document has been implemented from 2006/2007 to recent.

The recently implemented city level strategic plan was continued and revised form of the five year strategic plan prepared in 2007/08; when EPRDF won the city level political election held in 2007/08. As an input to the strategic plan several documents such as the federal government GTP, MDGs, reform documents (BPR and BSC) and relevant federal documents were used (AAMTEF, 2010/11). In addition it is guided by city's policy priority areas and political restraint to achieve vision and development targets to be reached in 2020. The city's MTEF is witnessed to be significant in integrating the existing city's limited budget with strategically identified problems (ibid.).

2.2.7 Expenditure Management and Control Program

The city administration has embarked on a comprehensive Civil Service Reform Program (CSRP) drawn from the federal government in 1996. The program sought to build a fair, transparent, efficient, effective and ethical civil service primarily focusing on strengthening core technocratic systems within the public sector. The reform will make a qualitative change in governance, transparency and accountability within the public sector (MoFED, 2002).

Five sub-programs components are identified to form CSRP, namely: Expenditure Management and Control, Human Resource Management, Service Delivery Reform, Ethics and Top Management System Development. The logic behind the introduction of Expenditure Management and Control program

(EMCP) is the existed poor functioning of the public expenditure management system.

The City BoFED supervises and supports for effective implementation this sub-program. Though the bureau takes the lead to undertake various actions according to financial administration legal framework, respective lower line offices and supportive task process at other public bodies also involve in managing and controlling the city's resource.

The study, plan and budget core process is one the three core process under bureaus organizational structure where overall budget process (formulation through execution) is implemented, consolidated and submitted for approval and appropriation specifically by Plan, Budget, Monitoring and Evaluation sub process. Throughout the execution process responsibilities of the sub process majorly include to control, supervise and monitor city's budget, and fiscal and financial plan of sector bureaus creating smooth interfaces with other core and support task process. City's MTEF and other research works are undertaken by study and analysis sub process which is another structural constituent of this core process. In general it can be understood that BoFED is a responsible organ to entire activities of the city finance, procurement and property administration (from budget formulation to auditing and supervision) with collaborative effort of other public institutions. Therefore, good working environment, strong and smooth relationships created within and outside bureau's organizational structure is inevitable and very vital to achieve the goal and vision, and short term and long term objectives of BoFED and the city as well.

2.2.8 Expenditure Planning and Budget Reform Projects

Recently, like other regions the city administration provided with the authority to manage and control its resource through decentralization process. In the past times the city administration paid little attention to the budget systems although it is generally recognized as the main instrument for resource allocation to address recurrent and development activities. In recent years, particularly after 1991, budget is increasingly considered as the key tool for economic management and development. This recognition has led to the launching of the expenditure planning and budget reform projects in 1990s as a part of public expenditure management reform extended from the federal government.

More recently, it is also learned that the importance of the medium term expenditure planning and budgeting in the resource allocation urged the fulfillment of the Budget Reform Project under CSRP. The newly adopted budget system by the federal government reviewed existing budgeting system of the city and recommended wide-ranging reforms in the expenditure and budget process as well. The recommendation comprises of the link of capital and recurrent expenditure with common activity codes, introduced cost center budgeting, rationalize planning and budgeting role, use of public investment program to develop a list of projects (MEDaC, MoF and DSA, 2000).

The budget reform has produced different design manuals. The first one describes process of capital and recurrent budgeting at Federal and Regional levels (MoF and MEDaC, 1998). The second budget reform design manual (Version 2.1) introduces changes in the structure of the budget in five areas: classification, expenditure codes, revenue codes, financial calendar and budget formats (MoF, MEDaC and DSA, 2000). The main technical achievement of the budget reform project is the establishment of new design and implementation of a completely new Chart of Accounts. It permits accounting (the management and recording of financial transactions) and allocation decisions (where should public money be spent on?) to be integrated and related to government priorities.

The development of a new computerized Integrated Budget and Expenditure System (IBEX) was the other achievement of budget reforms. The IBEX has been developed at federal as well as the city government, and is continuously being improved in order to generate consolidate budget and expenditure data of the city. It helps to produce aggregate budget and expenditure for macroeconomic management and other data manipulation purposes. IBEX is user friendly and has several features: it enables to operate in multiple regional languages (Amharic, Oromiffaa, Tigrigna and Somaligna); it facilitates the preparation and generation of the annual budget documents and notifications.

Although there have been several attempts to address the weaknesses of the Ethiopian budgetary system and try to reconcile conflict between annual budget perspectives with medium term planning horizons, successful modern budgeting system remains a continuous problems of the city. Modern allocation requires budget system to include a wide range of components including policy review processes, which are up-dated regularly; development priorities, output based budgeting, standardization of activities and unit cost, accounting and reporting systems. Therefore, the prevalence of sustainable modern budgeting systems couldn't happen overnight. It requires continuous effort for proper function of these components, unless otherwise, the budget system is unlikely to perform appropriately.

In Addis Ababa, there are outstanding problems in the current budget allocation and budget process. Budget process has little credibility and that systematic public sector program review and performance evaluation was not addressed. As a result, the budget allocation and process is only input oriented. It did not take into account longer and medium term planning as well as cost estimation of future recurrent budget comprehensively. Resources are poorly utilized and their contribution to achieve city development objectives and performance of economic activities were not critically evaluated by city administration.

2.2.9 Fiscal Decentralization, and Financial Transparency and Accountability

Literally, decentralization (political, administrative, and fiscal) ensures the transfer of decision making power from the center to lower tiers (i.e., sub-national) of government, and the private sectors and/or to the non- government organizations (NGO), community based organizations (CBOs) and to other else.

According to Conforti et al. (1998) as cited by Derrese (2003), the reason for fiscal decentralization is that local governments often loose some degree of resources and are frustrated if they are not given command over some degree of resources and are frustrated if their role is limited to approving policies that are decided elsewhere. This newly emerging phenomena of decentralization envisaged regional and local regional development in the political, social and economic of developing countries.

However, much of the literature on decentralization focuses on the fiscal dimensions of it since intergovernmental fiscal relations is behind much of the rationale for decentralization in general (Derrese, 2003). Fiscal decentralization is one among the several powers devolved to local and regional entities. While there are various rationales behind, its ultimate goal is to strengthen existing local government units achieve their assignment effectively. According to the World Bank staff (2000: P.6) as cited by Tegegne (2009), 'countries everywhere are devolving political, fiscal and administrative powers to sub-national units of government. Tegegne (2009) further explains: fiscal decentralization, that is, the proper location by level of government of various taxes, spending programs, grants and regulations is becoming an important issue not only in the literature but also in the real world.

Almost all literature emphasizes that the motive for the need of decentralization in Ethiopia is political pressure. Measures are currently under way to pave the ground to render *woredas* as the center of socio-economic development (Derrese, 2003). If sub national governments do not carefully balance their annual expenditures with revenues and transfers, this will result in sub national defects and the occurrence of debt. For instance, the Ethiopian constitution recognizes the significance of service delivery at each level. Regions and woredas need to have adequate finance in order to execute their service delivery responsibility (Tegegne, 2009). Proclamation no. 33/1992 is the most important legal instrument in fiscal decentralization of Ethiopia (Ibid.). After the fall of the Derg regime in 1991, the Government of Ethiopia initiated a broad spectrum of economic reforms. The reform programs among others include reorienting the economy from command to market economy, creating policy environment to promote private sector investment, reallocation of expenditure towards to poverty oriented sectors, process of structural adjustment, introduction of Civil service reform, and policy of fiscal decentralization (MoFED, 2002). As a result, the constitution recognized the right of regions and two city administrations to formulate and executes their economic and social development policies and strategies, and administers their expenditure planning and limited types of taxes.

As adopted in the 1994 Ethiopian constitution, it established decentralized regional states and two city administrations. Addis Ababa city is one the two city administrations, Dire Dawa being the other. EPRDF delegated Addis Ababa City Administration based on reformed city's charter and other proclamations the power to administer itself politically and economically (AACMTEF, 2010). And hence, dividing the city based on the three tiers of administration (city, sub-city and woreda level); the fiscal decentralization ensured the power sub-cities to plan, allocate and manage the budget approved by the city council between sub-city's sectors through their own respective councils. The sub-city's manager office has the power to collect annual report, evaluate and to pass decision.

Based on this the city undertakes budget allocation between sub-city's to enable them achieve their targets, development projects and service delivery properly. Among the budget allocated by the city administration to sub-cities include *specific purpose grant* which aims at costing specifically isolated activities which in turn ensure competitiveness and efficiency between sub cities. To establish a base for meaningful participation of the people at woreda level, the government is planning to effect block grants directly to woredas by ensuring the woredas autonomy on resources (Derrese, 2003). In addition, the city council may subsidizes, based on computed cost-formula, woredas of sub-cities for special projects that the council needs to be given due attention in the form specific grant. However, sub-city's do not have the power to assign revenue (planning revenue collection and decision where to spend) rather it is at the hands of the city administration; even though they are granted the power to allocate and manage their budget the charter does not clearly specify the area where sub-cities were privileged limiting the fiscal decentralization process (AACMTEF, 2010). The reason behind, among others, include limited capacity of sub-cities and difficulty to manage various kinds of revenue from various exposed to embezzlement.

Another important agenda which can be seen as extended part of fiscal decentralization is financial transparency and accountability (FTA). FTA is an environment in which the objectives of policy, its legal, institutional, and economic framework, policy decisions and their rationale, data and information related to monetary and financial policies, and the terms of agencies' accountability, are provided to the public on an understandable, accessible, and timely basis (Elzabeth, 2005). As civil society organizations increasingly began to engage in budget analysis they will have superior power over their representatives and closely supervise nearby development activities with full sense of worth. On the other hand, the absence of timely and accurate information and the closed process of budget planning and implementation have presented major challenges.

The Ethiopian Constitution grants access to public information, more apparently, including budget. However, the implementation of this right is limited. Information held by public authorities is not easily accessible to the public and comprehensive guidance on how to obtain such information is limited (Ibid.). The effort of government in collaboration with donor countries has been instrumental in helping to enhance transparency and accountability in Ethiopia. For instance, DSA supports the Ethiopian government Expenditure Management and Control (EMC) sub-program of the Civil Service Reform, which is managed by Ministry of Finance and Economic Development (MoFED). FTA is incorporated as part of the fiscal decentralization process in Addis Ababa like some pilot regional states.

As discussed in the previous chapter active involvement of stakeholders determines the successful implementation of budget cycle. Various levels of administrative organ in the city employ various ways methods to reach the public on issues of budgeting. To progress FTA activities undertaken include; media disclosures (TV, radios), on board postings, brochures and face to face conference and gatherings are held to announce budget allocations and priorities of development. In addition access to directives of property purchase and finance administration to the public serve to supervise efficient the utilization of public resources and withhold anti-corruption activities.

CHAPTER 3

3 Research Method

3.1 Introduction

Research method is the general road map that helps to systematically solve the research problem and also allows the researcher to develop the steps in carrying out the study along with the logic of the study. The research method is unique for each research problem and enables other researchers to understand and replicate research work (Cooper and Schindler 2001). This chapter discusses the research design, the types and sources of data, sampling design that defines the different methods of sample selection and determining sample size, the data collection methods and the data analysis the data encoded. Besides, at each discussion point the study defines the researcher position and justifies why some method is selected over others.

3.2 Research Design

In this paper, longitudinal method research design is used to assess the existing medium term expenditure framework and its role on the service delivery of housing and water services in Addis Ababa. This method was mainly used to analyze the medium term expenditure frame work and its role on housing and clean water service delivery in Addis Ababa. This method is mainly used to analyze pattern of budget and expenditure for housing and water sectors for consecutive year under study.

(Cooper and Schindler 2001) define research design as a plan specifying the sources and types of information needed to address the research questions and defines the data collecting and sampling techniques. The research design is a master plan that specifies the methods and procedures for collecting, processing and analyzing the required data and also ensures the research work to become efficient, that is, yields maximum result in a given time and budget (Cooper and Schindler 2001; Moti 2005).

A longitudinal study is observational research performed over a period of years or even decades, and allows social scientists and economists to study long-term effects in a human population. A cohort study is a subset of the longitudinal study because it observes the effect on a specific group of people over time. There are two main sub-types of cohort study, the retrospective and the prospective cohort study. The major difference between the two is that the retrospective looks at phenomena that have already happened, whilst the prospective type starts from the present.

3.3 Data Type and Collection Instrument

In this study both quantitative and qualitative data are collected through primary and secondary data collection techniques. Detail of primary and secondary data collection techniques are explained as follows.

Secondary Data

According to O'Sullivan (2010) secondary data are existing data's and collected for other purpose of study. In secondary data the task of data collection is merely that of compilation and this reduces significantly the research costs. Secondary data in most cases have already passed through the necessary statistical procedures. Books, annual fiscal reports, statistical bulletins, and publications are common sources of secondary data.

In order to situate the study theoretically and generate the conceptual framework with which to work on the primary sources, secondary data was consulted and analyzed to provide the initial data for the study. Secondary evidence included written sources such as books, publications, government reports, MA thesis and others were accessed and internet materials were also consulted.

Primary Data Sources

Primary data where collected through questionnaire and interviews. The questionnaire includes both closed and open ended type of question designed to collect quantitative and qualitative type of data from the above mentioned sector bureaus. This data collection method is selected to get information on medium term expenditure frame work and its effect on the service delivery of housing and clean water in Addis Ababa,

A. **Questionnaire:** - The questionnaire was distributed and collected from the Addis Ababa city housing development project office that is located around Sarebate area, Addis Ababa city water and sewerage authority located at megenana area and finance and economic development office that located at piazza area. Questioners are distributed for the managers and employees(plan budget monitoring and evaluation officers) of Addis Ababa Bureau of Finance and Economic Development (AABoFED), Addis Ababa water and sewage authority and Addis Ababa housing development project office to get in depth information on the issues. The questionnaire will be distributed and collected by the researcher himself since the offices are located near to each other. The respondents will be given from 3 to 4 days so that they could fill in the questionnaire very carefully. Lastly, the researcher will gather the filled in questionnaires.

B. **Interview:** - The check-list prepared for interview has contained open ended questions that are directly raised by the researcher to be answered by the respondents. The managers and division managers from the Addis Ababa city housing development project office, Addis Ababa city water and sewerage authority and finance and economic development office will be selected in order to conduct the interview. The data generated through this technique is mainly used in getting general information on the performance and problem of the medium term expenditure frame work on the service delivery of housing and water services in Addis Ababa.

C. **Focus group discussion** ; the research has not used focus group discussions for the reasons that all data can be collected through questioners and interviews and most employees may not have the time and may be unwilling for a group discussion .

Secondary Data Sources

The secondary data is collected from relevant books, annual/ periodic reports, budget documents, research papers, and World Bank documents and internet sources. Particularly, MoFED and BoFED yearly budget and MTEF documents, and other unpublished materials will be extensively used.

3.4 Sampling and Sample Design

A sample design is a plan for obtaining a sample from the universe and refers to the procedures applied by the researcher in order to select a sample form the population, that is, it is concerned with determination of sample size and selecting the sample from the population. In any research selecting a particular sampling design is determined on the basis of quality of the study required, objective of the study, the time and budget resources available, practicability, scope and others. Besides, for the research design to produce acceptable results, it needs to be accurate and precise. Sampling design could be classified based on representation, that is, members of samples are selected either on a probability or by non probability basis or elements are selected individually and directly from the population or additional controls are placed on element selection (Cooper and Schindler 2001).

In probability sampling all elements of the population have an equal chance of being selected in the sample and minimize researcher bias. Probability sampling includes simple random sampling, systematic sampling, stratified sampling, cluster sampling and multiphase sampling. Non probability sampling is selection of an element from the population based on subjective evaluation of the researcher and related to this approach there is a greater opportunity of bias on the part of the researcher. Non probability sampling is classified into judgmental, convenient, purposive and snow ball (Cooper and Schindler 2001).

3.5 Sampling Frame

The total population of the study is 3507 employees and managers that currently work in the Addis Ababa city administration water and sewerage authority, finance and economic development office and housing development project office. Of these, using purposive sampling technique, from the three sector offices : 142 employees and managers will be selected because of their role in the allocation and management of the city's budget . Hence, the total number population under study from the three sectors and brunch offices are 142 employees. Again using purposive sampling technique the researcher selected 116 experts and 26 managers from each selected sectors bureau.

3.6 Selection of Respondents

The researcher used purposive sampling method in selecting respondents from their respective sector offices. Purposive sampling is used in order to access 'knowledgeable people' i.e. those who have in depth knowledge about particular issues, may be by virtue of their professional role, power and expertise or expcriences (Ball, 1990). Respondents for questionnaire were selected purposely due to responsibility and involvement in executing the responsibilities of budget allocation, project monitoring and evaluation in their office. Accordingly, respondents were selected from 31 sector and branch bureaus to fill up the questionnaire.

Accordingly, respondents were selected from 3 sector bureaus to fill up the questionnaire. A total of 20 employees 3 managers and 17 experts from finance and economic development office are selected because of the role they play in budget allocated for the city administration. Additionally, water and sewerage authority is selected from the project unit and management sector a total of 43 employees 37 experts and 6 managers for the great role it plays in executing expenditure and allocation of budget of clean water delivery. From housing development project office a total of 79 employees 62 experts and 17 managers that are assigned to the responsibilities of planning and budgeting, project monitoring and evaluation, auditing, and inspection will be selected.

3.7 Data Analysis

Data analysis is the computation of certain measures that help the study to establish the pattern of relationship exists among data groups. In the study, descriptive statistical techniques are employed for the analysis of data obtained from both primary and secondary sources. Simple statistical tools like percentage and average were used in the analysis and presentation of quantitative data. The pattern of expenditure in the Addis Ababa City and selected sector bureaus will be displayed by using tables, and pie and line charts. On the other hand, the qualitative data will be narrated.

3.8 Limitation of the study

Analysis of the expenditure planning and budget allocation in Addis Ababa city is very difficult. There is no well-established public expenditure management. The existing documents are mainly empirical, disorganized and unreliable. In addition, some respondents were not willing to give relevant information related to the study.

CHAPTER 4

4. Result and Discussion

4.1 Introduction

This chapter deals with the empirical findings and discusses the results obtained. The chapter explains the response rate, general characteristics of the respondents, and on the basis of the objectives of the study reviewed the degree to which the city implemented the MTEF and identified factors that deter the smooth implementation of MTEF. It also explains the basic characteristics of the city MTEF and evaluates the enhancement in infrastructural service delivery by focusing on the provision of water and housing units. Besides, it portrays the role of policy makers in the formulation, execution, and follow-up of city policies.

4.2 Response Rate Analysis

The field survey result indicates that from 116 questionnaires distributed to respondents 105 returned representing 90.5 percent.

Table 3: Summary of the Response Rate by Categories.

No	Categories	Number of questionnaires	Response rate	Response rate in %	Usable rate
1	Experts	116	105	90.5	90.5
2	Managers	26	22	84.6	95
	Total	142	127	87.55	93

Source: Field survey data 2014.

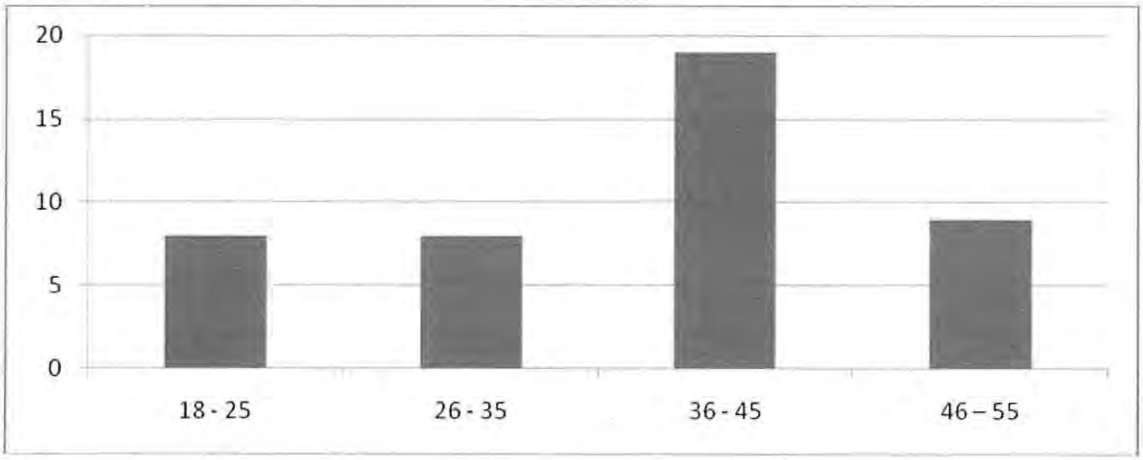
The highest response rate is accounted by the managers, which accounted for 95 percent and the lowest rate is accounted by the officers, which accounted for 90.5 percent. Of these total questionnaires filled, 93 percent were found to be usable, the highest usable rate was accounted by managers, who attained 95 percent and the least was accounted by the experts at 90.5 percent.

4.3 Presentation of Data and Discussion of Findings

4.3.1 Characteristics of City Managers

The city managers which comprised of office heads, branch managers process owners and officers are the responsible bodies for preparing and implementing the city MTEF. The analysis in this section reveals the age, service in years, and educational distribution of city managers and officers.

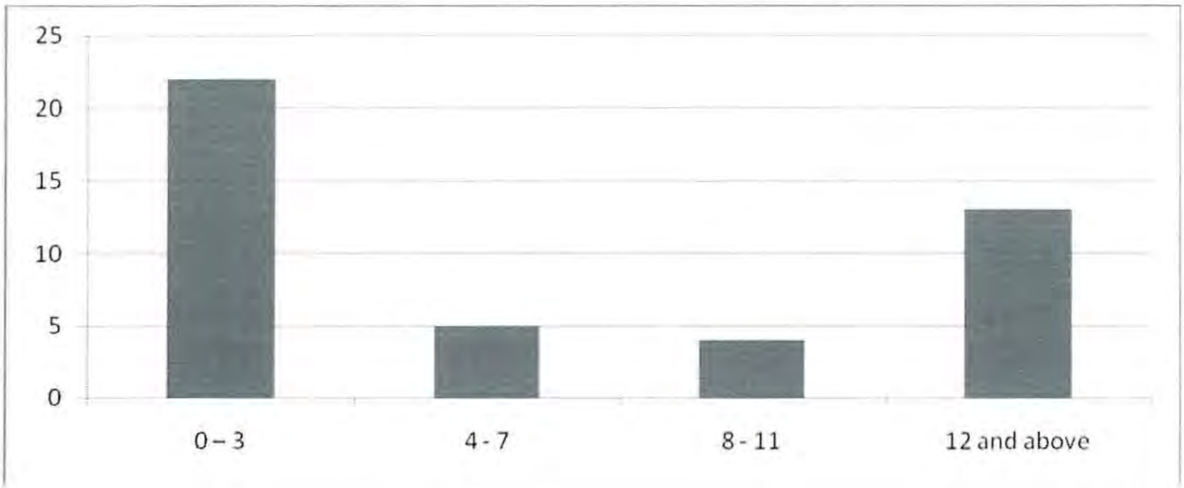
Figure 2: Age Distribution of Management in Percent



Source: Field survey result 2014.

As indicated above in the figure, the age of the respondents ranges from 18 to 55 years and among the different age groups relatively the highest share accounted by managers within age group of 36 to 45 representing about 43 percent. This followed by age group of 46 to 55, which accounted for 20 percent. Managers within age group of 18 to 25 and 26 to 35 accounted for 18 percent each.

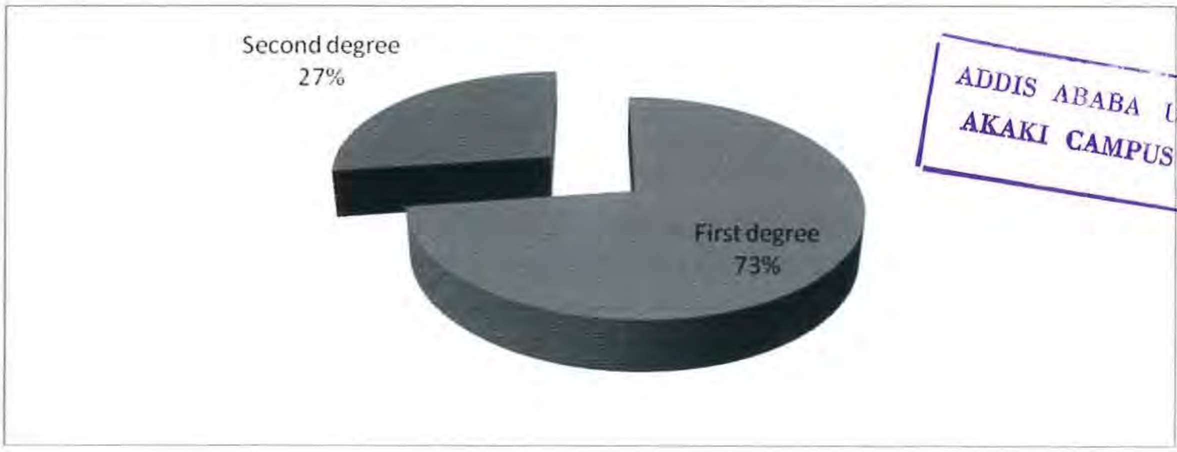
Figure 3: Service in Years Distribution of Management in Percent



Source: Field survey result 2014.

Based on the data result all city experts have 0 to 2 years experience and as indicated in the figure above, majority of managers have 0 to 3 years of work experience, which accounted about 50 percent and followed by 12 and above years, which accounted about 30 percent. The remaining 20 percent were accounted by 4 – 7 and 8 – 11 years of experiences together.

Figure 4: Educational Distribution of Management in terms of Percentage Share



Source: Field survey result 2014.

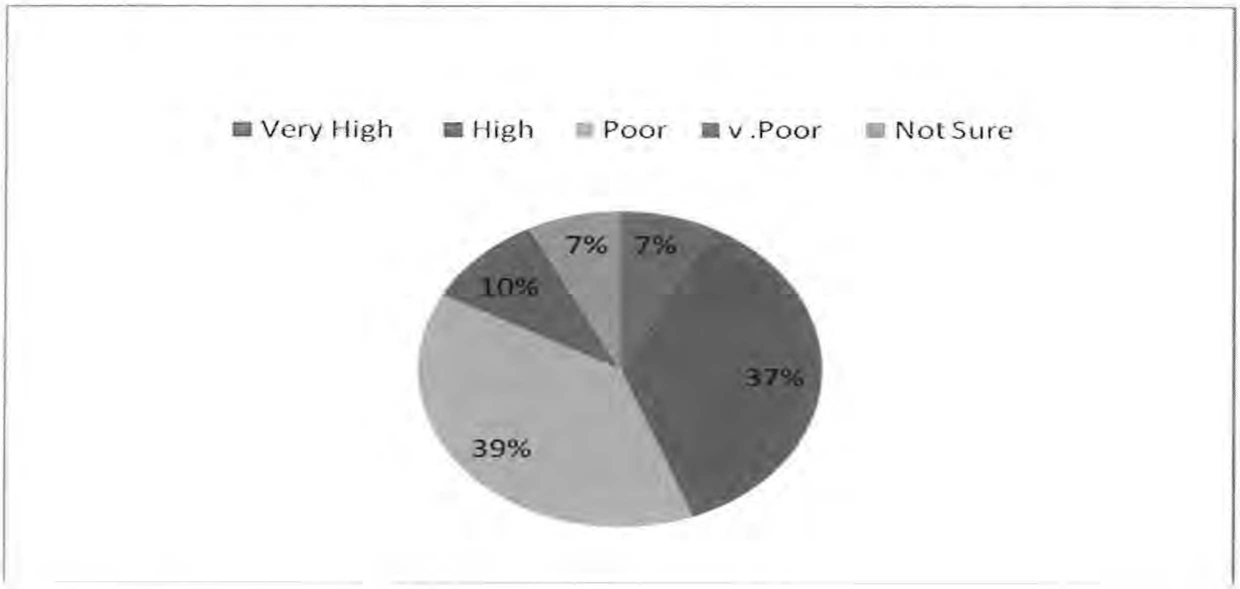
Of the total interviewed managers about 73 percent have first degree and the remaining 27 percent have second degree and these two together accounted for 100 percent. On the other hand, of all interviewed officers about 75 percent have first degree and above and the remaining 25 percent accounted by non-response.

Majority of the managers interviewed earn a monthly salary within the range of Birr 3,001 to 4,000 and followed by salary range of Birr 1,001 to 2,000, which accounted for 32 percent. Managers with salary range of Birr 2,001 to 3,000 accounted for 27 percent, those above Birr 4,000 accounted for 4 percent, and those earn Birr 1,000 and below accounted for 2 percent. Of the total officers majority, which accounted for 75 percent reside in employment accommodation and home owner accounted only for 25 percent.

4.3.2 Perception of Respondents on MTEF Fulfillments of Pre-conditions

Among the different pre-conditions, which are indicated in the literature review section as important for the successful implementation of MTEF, the study assessed only those that are relevant and critical for the city MTEF. These are: the availability of good macro-economic policies, integration of MTEF with policies and planning, and the availability of adequate awareness on the role and concept of MTEF.

Figure 5: Respondents' Perception on City Policies and Fiscal Planning

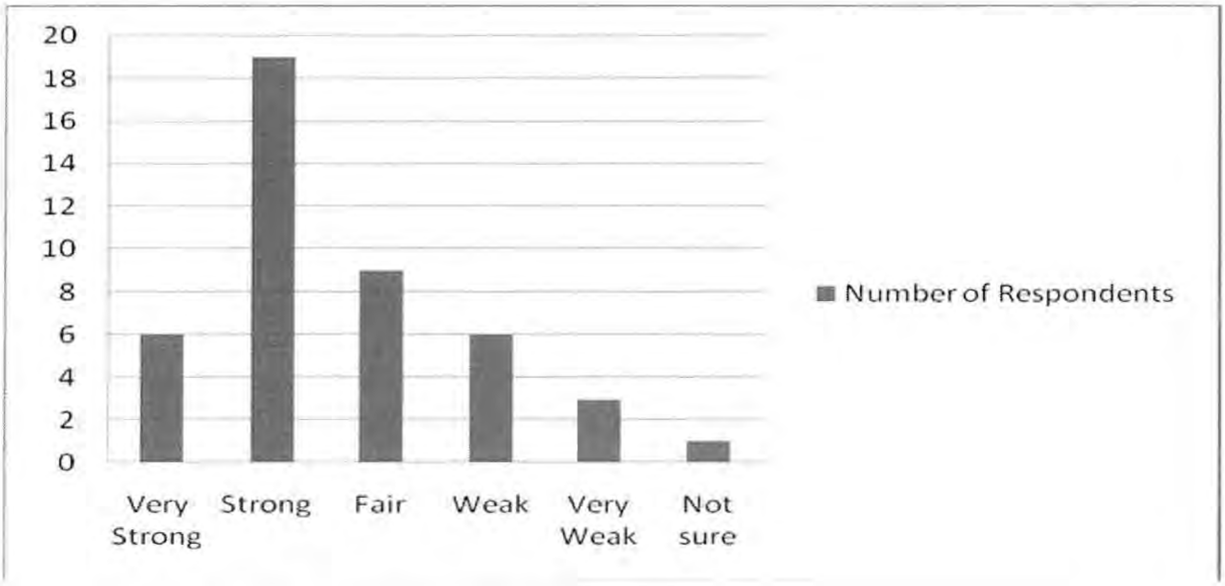


Source: Field survey result 2014.

As indicated in the figure above, about 77 percent of respondents believe that the city policy and development plan stated fairly and above the activities, objectives, targets and output of each sector. On the other hand, about 9 percent of the respondents claim that the city policy and development plans stated not clearly the activities, objectives, targets and output of each sector. Based on the result, respondents with less than 3 years of work experience and have first degree constitute 53 percent and 79 percent, respectively among those who have a fair knowledge on city policies and fiscal planning.

The Respondents' Perception as to the Basis of Strategic Plan for MTEF

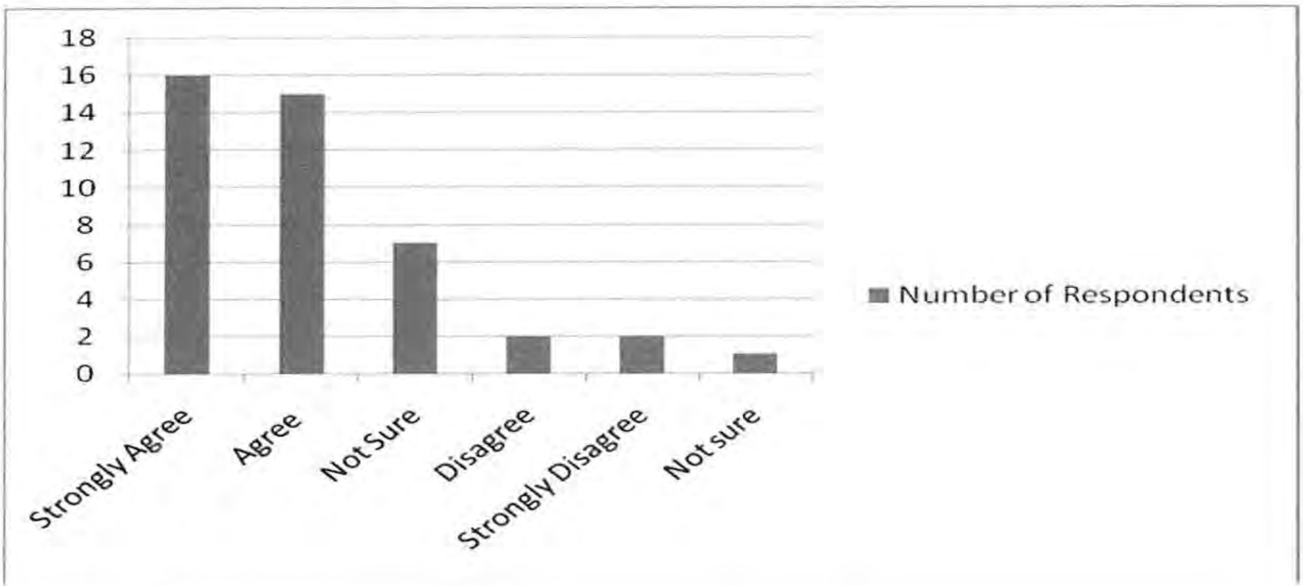
Figure 6



Source: Field survey result 2014.

Of the total interviewed managers, about 57 percent were responded that the city strategic plan is either a strong or very strong basis for the allocation of resources among competing needs in the city MTEF. About 20 percent of respondents believed that the city five-year strategic plan serve as a fair basis, 14 percent considered as poor basis, 7 percent not sure and the rest 2 percent accounted by non-response.

Respondents' Perception on the Integration of Policies with MTEF Figure7



Source: Field survey result 2014.

In similar way, the integration formed between budgeting and city policies due to the introduction of MTEF in the city, about 36 percent of the respondents strongly agree, 34 percent agree but have some reservation, 18 percent not sure, 5 percent believed instead got worse, 5 percent said no relation between the two, and the remaining 2 percent of managers did not responded.

Summary of Management Familiarization with City Policy and Fiscal Plan table 4

Classification	Familiarization with city policy and fiscal planning			
	V. good	Good	Fair	Poor
Management	7	15	19	3
In Percent	16	34	43	7

Source: Field survey result 2014.

On the basis of the survey result as indicated in the table above, managers familiarity with the city policies and fiscal planning, about 93 percent of respondents have a fair and better knowledge and the remaining 7 percent accounted by those who have a poor knowledge.

Summary of Management Familiarization with the Concept and Process of MTEF table 5

Classification	Familiarization with city policy and fiscal planning				
	V. good	Good	Fair	Poor	Not sure
Management	13	8	1	1	2

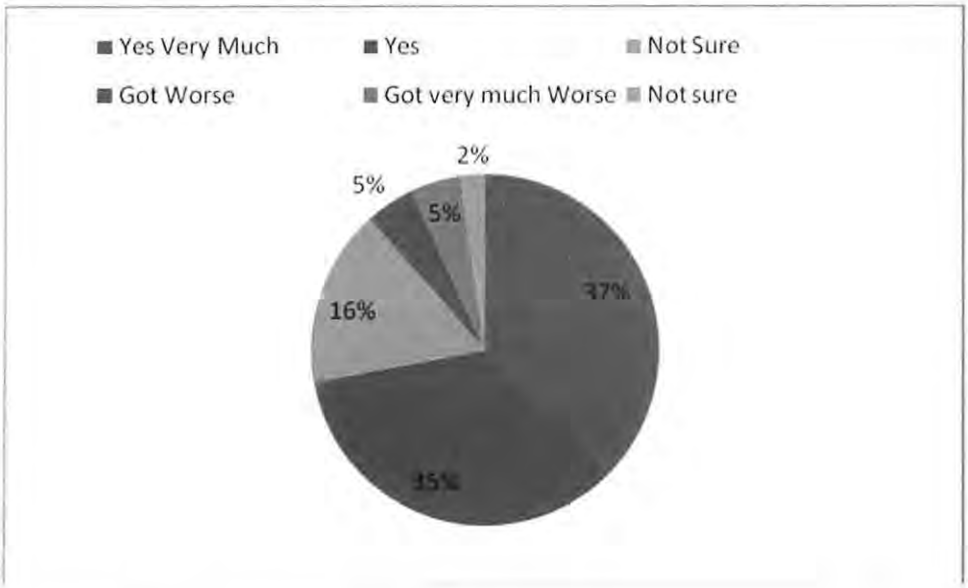
Source: Field survey result 2014.

With regard to familiarity with the concept and process of MTEF about 84 percent of the respondents have fair and better knowledge on the roles and benefits of the city MTEF and about 91 percent of the respondents have a fair and better awareness as to the steps involved in order to compile a comprehensive MTEF. Of these that have a fair knowledge on concept and process of MTEF, 62 percent accounted by managers.

4.4 MTEF Role

The second part of the questionnaire was designed to assess the fulfillment of those important pre-conditions and evaluate the roles of city MTEF. Thus to address these issues the questionnaire was designed in a manner so as to include parameters, which help to measure fairness and transparency, budget predictability, and flexibility in budget utilization due to the introduction of MTEF in the city.

Respondents' Perception on the Fairness and Transparency of MTEF

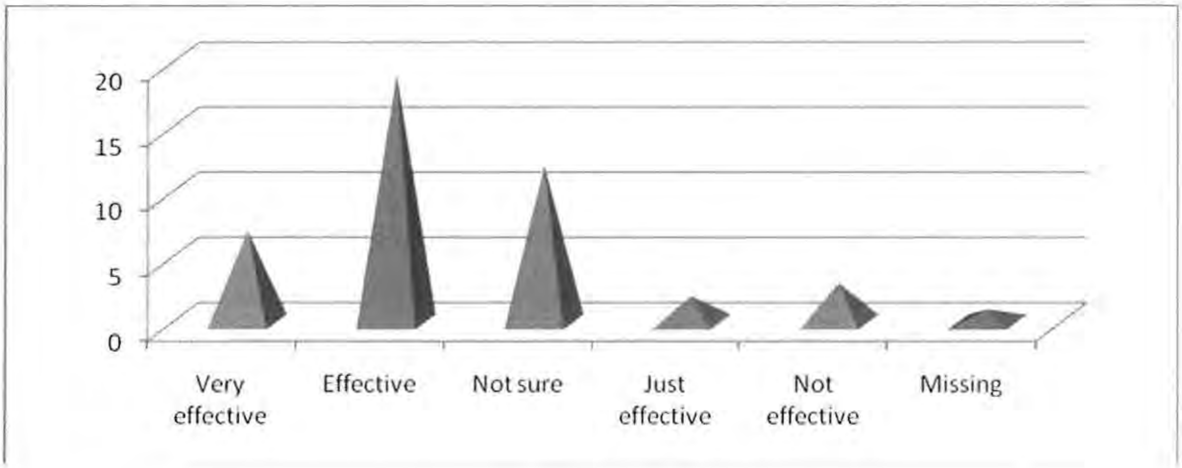


Source: Field survey result 2014.

A properly implemented MTEF ensures the allocation of budgets in a fair and transparent manner, because budgets are allocated based on the objective priorities indicated in the city policy and planning. In this regard, of the total respondents, 77 percent believes that the city MTEF has brought fairness and transparence in the budget allocation in the city, and of these 50 percent though believes in the transparency and fairness of budget allocation but have some reservation as to the degree. About 16 percent of the respondents argue that the criteria for allocating budget in the city is subject to frequent changes in response to fluctuating circumstances on the ground and as a result they were not sure about the fairness and transparency brought by the implementation of MTEF. Of these 16 percent, 57 percent have 0 to 3 years of work experience and 86 percent have first degree.

On contrary, due to the introduction of MTEF by the city administration about 5 percent of the respondents claim that the city MTEF instead of bringing fairness and transparency caused do decline the fairness and transparency associated with annual budgeting and the remaining 2 percent accounted by non-response. Those who claim that the fairness and transparency in budget allocation got worse have 8 years and above work experiences and first degree and above educational background.

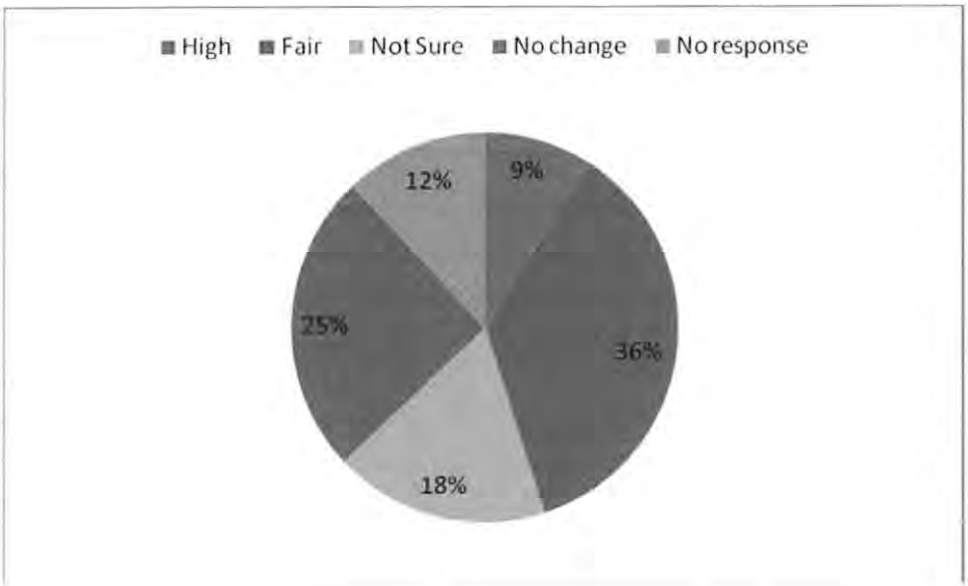
4.5 Respondents' Perception on Budget Predictability of City MTEF



Source: Field survey result 2014.

Experiences of developing countries indicate that successfully implemented MTEF provides budget predictability to line ministries. According to field sample survey, about 64 percent of respondents considered the city MTEF role, in terms of providing budget predictability to sector bureaus and sub cities, as effective and above and followed by not sure, which accounted for 27 percent. Some about 7 percent of respondents considered the city MTEF as not effective instrument for making budget prediction and non-response accounted for 2 percent.

4.6 Respondents' Perception on Flexibility of Budget Utilization in the MTEF



Source: Field survey result 2014.

The other important role of a successfully implemented MTEF is to provide line ministries autonomous flexibility in budget utilization. With regard to flexibility in utilization of budgeting under MTEF by sector bureaus and branch offices , about 36 percent considered as fair, 25 percent perceived as no change, 18 percent were not sure, 7 percent claim instead declined and 5 percent accounted for non-response. Of the total interviewed managers only 9 percent believe that the city MTEF has brought high flexibility in budget utilization to sector bureaus and brunch offices.

4.7 Financial Performance Analysis

Fiscal Instability

Successfully implemented MTEF would improve countries macroeconomic balance, including fiscal discipline. Fiscal discipline is attained through sound projection of the available resource envelope and this estimated resource used to allocate budgets that fit squarely within the estimated resource envelope; that is, a hard budget constraint. In this regard with the exception of 2005/06 the city spent more than the revenue it generated during 2005/06 to 2012/13, indicating the city expenditures were not governed by the concept of hard budget constraints. The city finances the extra expenditure requirements through short term loans secured from banks by issuing bonds. The accumulated deficit in city administration is increasing especially after the city started to implement MTEF as total expenditure has been exceeding revenues at higher rate. In 2006/07 the city had a deficit of Birr 196 million, in 2007/08 this amount grew by 295 percent per annum and reached to a deficit of Birr 775 million, and in 2011/12 the deficit amount grew by 31 percent per annum and reached Birr 1,013 million.

4.8 Revenue and Expenditure Performance Trends

The city fiscal reports during 2005/06 to 2011/12 were used to compare and contrast the performance of revenue and expenditure before and after the implementation of MTEF by the city administration.

City's Revenue Structure and Performance Trend

The city total revenue consists majorly of tax revenue, non-tax revenue, capital revenue, municipal revenue, and external assistance and loans.

Table 6 Average share of revenue by sources before and after the implementation of MTEF (during 2005/06 to 2012/13)

Revenue shares by source	Average for 2005/06 to 2007/08 period	Average for 2008/09 to 2011/12 period
Tax revenue	49.1	65.7
Nontax revenue	21.1	12.2
Capital Revenue	9.1	8.1
Municipality Revenue	19.7	12.8
External Assistance &	1.0	0.6
Total	100.0	100.0

Source: Addis Ababa City Administration, MTEF 2012, BoFED.

During the period under analysis (see Table 6) the city total revenue was dominated by tax revenue, which contributed, on average, about 57%. The share of tax revenue accounted, on average, for only 49% after implementation of MTEF (2005/06 to 2007/08) and this share increased to 66% during 2008/09 to 2012/13. Before the implementation of MTEF it was the non-tax revenue, which followed tax revenue in terms of its share to the city's total revenue but after implementation both municipality and non-tax revenue became the second largest contributor to city's total revenue. External assistance and loans contribute almost nil to the city total revenue indicating that the city has been generating nearly all its revenue from domestic sources. From this analysis it can be understood that introduction of MTEF has not brought any major changes to the structure of city revenue though there are some minor changes in the shares of different revenue sources.

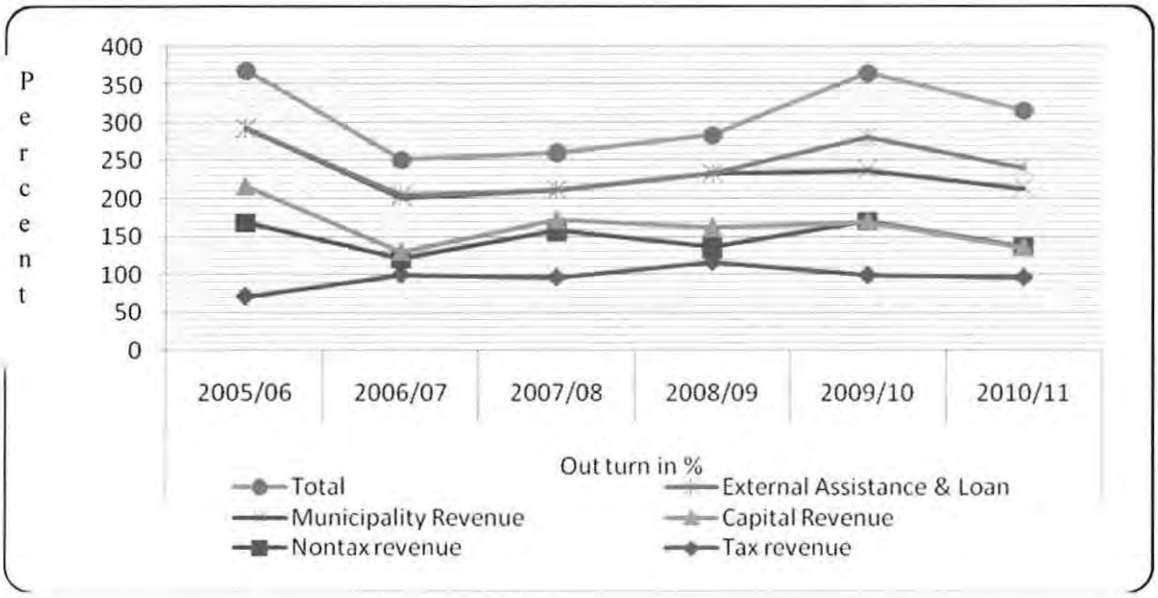
the Performances of Revenue by Sources during 2005/06 to 2011/12 table 7

Revenue Type	Out turn in%								
	2005/06	2006/07	2007/08	Average of 05/06 to 07/08	2009/10	2010/11	2011/12	Average of 08/09 to 11/12	% Increments
Tax revenue	71.2	100.2	96.2	89.2	116.5	99	96	103.8	14.6
Nontax revenue	97.7	20.9	61.7	60.1	19	71	40	43.3	-16.8
Capital Revenue	48.2	9.4	15.3	24.3	27.9	0	0	27.9	3.6
Municipality Revenue	76	71.5	38.2	61.9	70.7	68	78	72.23	10.33
External Assistance &	0	3.3	0	1.1	0	42.5	27.5	35	33.9
Total	75.8	46.1	48.8	56.9	49.1	85	75	12.8	

Source: Addis Ababa City Administration, MTEF 2012, BoFED

The city revenue during 2005/06 to 2007/08 was performing, on average, 57 percent. The city revenue performance after the city implemented MTEF, which during 2008/09 to 2011/12 showed significant improvements and reached 76 percent. Among the different revenue sources relatively a highest improvement attained by the tax revenue, which its performance improved by net of 35 percent as it laps from 2005/06 - 2007/08 to 2008/09 - 2011/12.

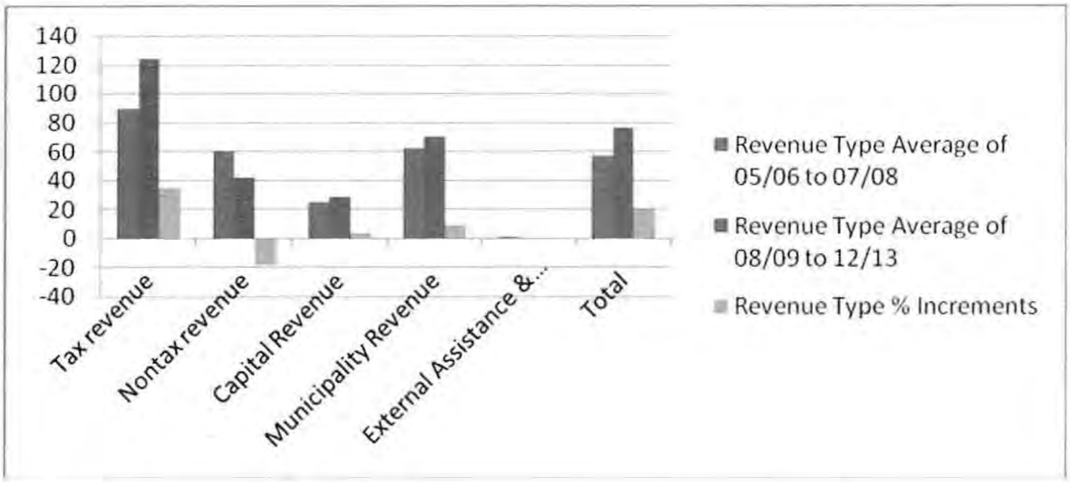
The Growth Pattern of Revenue by Sources during 2005/06 to 2012/13



Source: Addis Ababa City Administration, MTEF 2013, BoFED.

The city non-tax revenue mostly generated through land lease during 2005/06 to 2007/08 was performing, on average, 60 percent but during 2008/09 to 2009/10 its performance associated with the decline in availing land lots for leases declined to 41 percent. As can be seen in the figure above, with the exception of tax and municipal revenues all other types of revenue observed a decline in 2008/09 but in 2009/10 once again with the exception of capital revenue all the rest observed increments. The detail of comparison of city revenue performances by sources before and after the implementation of MTEF is presented in the figure below.

Comparison of Revenue Performance before and after the Implementation of MTEF



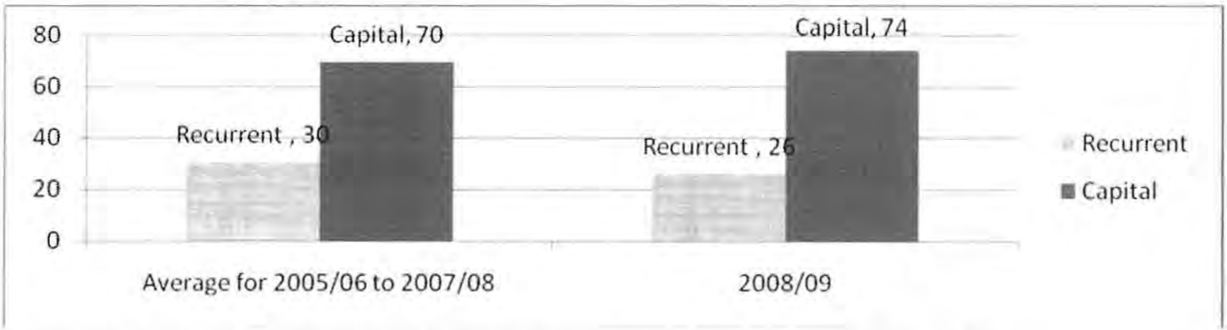
Source: Addis Ababa City Administration, MTEF (BoFED,2013)

The performance of city's revenue by sources with exception of non-tax revenue all the rest observed enhancement in their performance as a result of the implementation of MTEF by the Addis Ababa City Administration.

City Expenditure Structure and Performance Trend

The city expenditure is composed of capital expenditure and recurrent expenditure. The capital expenditure is an outlay on projects whereas the recurrent expenditure is an outlay of recurrent nature which includes expenditure on wages and salaries, maintenance and operating expenses and others.

The Average Share of Capital vs. Recurrent Expenditure during 2005/06 to 2008/09



Source: Addis Ababa City Administration, MTEF 2013, BoFED.

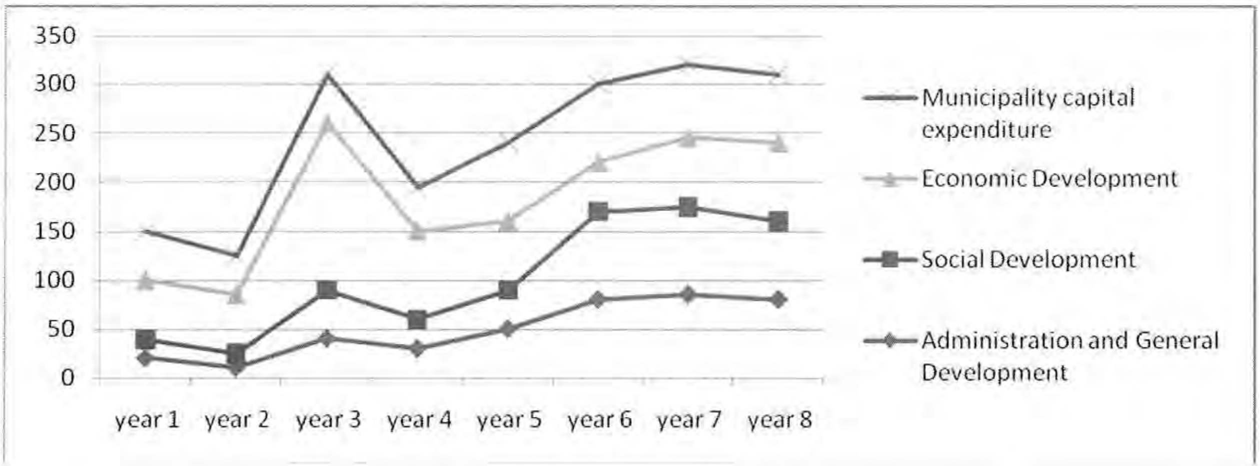
The capital expenditure, on average, accounted for 71 percent of total municipal expenditure during 2005/06 to 2008/09. Thus recurrent expenditure accounted for about 36 percent. This ratio declined steadily in 2007/08 to 25 percent. However, in 2011/12 its share increased to 28.3 percent. The city due to the implementation of MTEF has reduced the budget allocated for recurrent expenditure and increased for capital expenditure purpose at a decreasing rate, which before the implementation of MTEF the ratio of recurrent to capital expenditure was 30:70 but after implementation the ratio changed to 26:74.

The Performances of Expenditure by Types during 2005/06 to 2011/12

Expenditure types	Out turn in%							
	2005/06	2006/07	2007/08	2005/06 to 2007/08	2008/09	2009/10	2010/11	20008/09 to 2010/11
Recurrent	74.1	64.8	68.3	69.1	61.8	85.07	90.99	79.28
Capital	47.8	44.1	55.3	49.1	62.9	80.00	65.79	69.56
Administration and General Development	48.5	43.8	41.9	44.8	81.3	77.00	73.40	77.23
Social Development	21	10.5	51.3	27.6	40	90	91.22	73.74
Education	19.8	21.8	23.7	21.7	39.4	67	70.15	58.85
Health	16.6	3.7	4.8	8.4	40.1	94	63.17	65.75
Economic Development	56.1	58.2	169.8	94.7	67	50.78	69.47	62.41
Municipality capital Expenditure	46.9	42.4	56.3	48.5	62.7	61.95	67.98	64.21
Land Development & Administration	34.2	31.4	33.9	33.2	16.6	30.81	30.82	20.07
Infrastructure Development & House Construction Affairs	12	43	49.9	35	75.6	50.26	50.27	58.71
Sanitation, Beautification and Park Development	15.1	24.4	40.6	26.7	4.2	40.6	40.57	85.37
Road construction	27.9	57	52.6	45.8	69.3	87.13	93.63	83.35
Housing projects	44.1	39.4	66	49.8	59.4	88.04	85.77	77.73
Water and Sewerage Authority	21.2	12.8	33.9	22.6	53.3	68.29	83.01	68.2
Fire and Emergency Service	1.5	14.2	5.9	7.2	16	24	19	21
Total Expenditure	54.9	48.7	58.1	53.9	62.6	82.11	76.03	74.00

The city recurrent expenditure before the implementation of MTEF was performing, on average, 69 percent and after the city started to implement MTEF its performance declined to 62 percent. The capital expenditure, on the other hand, was performing only 49 percent during 2005/06 to 2007/08 but in 2011/12 its performance observed significant improvement and reached 63 percent. This significant improvement in the capital expenditure performance was mainly attributed to increase in housing and water capital expenditures. There was a tremendous enhancement in the performance of administration and general development, and social expenditure because of the lesser share they have in the capital expenditure which marginalized their contribution to the overall capital expenditure. Before the implementation of MTEF, the performance for capital expenditure on economic was 95 percent and land development was 33 percent and after implementation their performance declined to 67 percent and 17 percent, respectively.

The Growth Patterns of Expenditure by functions during 2005/06 to 2010/11



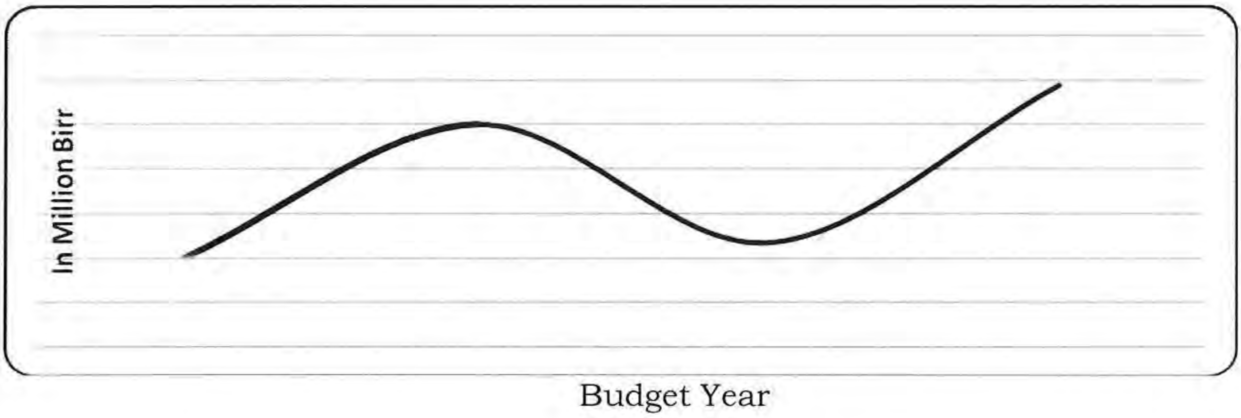
Source: Addis Ababa City Administration, MTEF 2012, BoFED.

The decline in economic capital expenditure is associated with the disruption of activities due to the 2005 political election, which forced EPRDF to handover the responsibility to the caretaker administration. The prime responsibility of caretaker administration was to restore peace and security to the city. The detail growth pattern of capital expenditure by major expenditure items is presented in Figure above.

4.9 The Growth Pattern of Budget Transfers made by City Administration

In Addis Ababa City Administration public bodies, after approval of annual budget, usually undertake a budget transfer to trade-off budget deficit within and between public bodies.

Figure 4.15: The Trends of Budget Transfers made during 2005/06 to 2010/11



Source: Addis Ababa City Administration, IBEX 2012, BoFED.

The transfer amount increased considerably over time mounting to more than a Billion Birr each year and, on average, 34% of the city total approved budget. The trend increased in 2006/07, but dropped in 2007/08 to the lowest point and then after the city implemented the MTEF in 2008/09 the transferred budget grew consistently undermining the city's budget discipline once again.

4.10 Problems of Budget Allocation and Remedial actions taken by the City Government

Making analysis of policies and practices on budget allocation is difficult in data scarce case study areas, like Addis Ababa City, where the existing documents are mainly empirical, disorganized and unreliable. The prevailing institutional arrangements and performance capacity is poor. There is no well-established and complete public expenditure management system. Public expenditure review of the city is not comprehensive, budget does not include off budget or extra budget funds (World Bank, 1998b).

Apportioning budget between recurrent and capital expenditure is built on categorical steps moving from the most general kinds to the most detail. These items of expenditure have been grouped into four areas of expenditure: personnel service (6100), goods and service supplies (6200), fixed assets and construction (6300), and other payments (6400). These items of expenditures are further detailed into sub-components. For example, Personnel Services is divided into three sub-components of expenditures: (1) emoluments (6110), (2) allowances/benefits (6120), and (3) pension contributions (6130). These sub areas of expenditures further divided into more than 74 detailed expenditure codes.

The basis for estimating the expenditure proposal has broadly divided into two parts. The first one is personnel requirement with respective salary and allowance scales approved by Civil Service Commission or Boards. The second one is concerning about the estimation of operating expenditure, purchase of fixed assets and implementation of project works. Here attention should be given how limited funds are allocated to each sector or program rather than focusing on the expenditure code arrangement, core feature of conventional (traditional) budget system is merely full of procedures. This statement raises the question of efficiency of public expenditure and priority of government program as critical issue that lies at the heart of contemporary (modern) public financial management. The efficiency criteria reflect that resources should be allocated so as to exploit sector programs exhaustively while government priority considers that budget should be allocated in harmony with its objectives. But possibly both programs can be reconciled through budget reforms. Budget reforms on planning, programming and budgeting are expected to serve both political priorities and allocative efficiency.

The research findings and results discussed above have been revealed numerous problems related to the expenditure planning and budget allocation of the city administration. The allocation of operating expenditure is mainly based on ad hoc unit costs, previous year budget allocation and performance. Arbitrary budget allocation is the technique by which budget is allocated on the basis of inadequate information, unreliable unit cost and fragmented process, sometimes without enough knowledge of how the preceding budget year spending pattern looks like or what was accomplished. This practice dictates that money is allocated on public sector without or limited detail review of programs and objectives.

Hence, from the analysis the strengths observed on expenditure planning and budgetary process in the city administration is unsatisfactory. The general problems that are discussed previously based on respondents' perception and data accessed from secondary sources as weaknesses of city's administration budgetary systems are more precisely listed as follows:

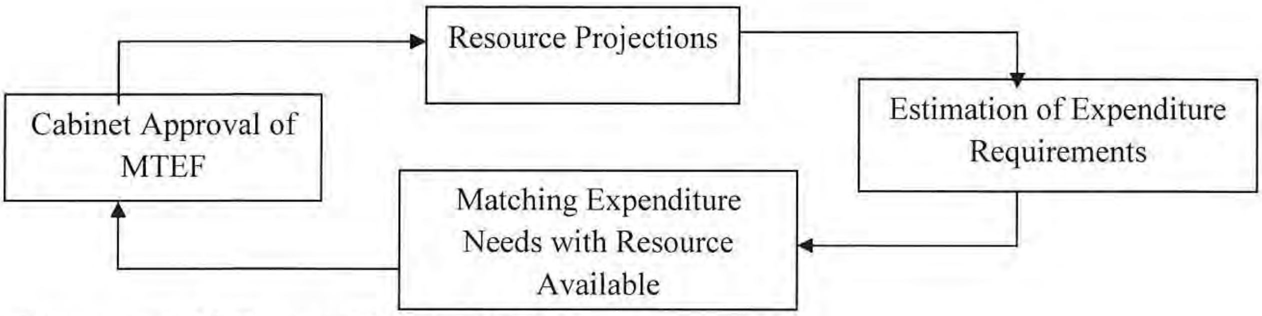
a) It has limited medium term perspective ;
b) Capital and recurrent budget are not properly integrated
c) The budget system doesn't provide incentives for efficiency
d) No parameters were used to measure performance during budget execution
e) Budget preparation is undertaken based on unreliable data and estimation
f) The budget system was weak to ensure financial transparency and accountability
g) There is high level of turnover of professionals (budget officers) in public institutions
h) BoFED and public bodies do not have appropriate and standard unit costs to estimate their recurrent budgets
i) The head of public bodies did not give much attention for formulation process of budget
j) Civil society and stakeholder involvement in the budget process is restricted

However, the city administration is on the track to transform currently working line tem and incremental based budget system towards program budgeting which allows to measure the efficiency of allocated budget with respect to the city intended program and objectives. In addition, some remedial actions have being already taken on budget accounts which exhibit similar natures of expenditure, though it is infant stage. For instance, measures taken on expenditure accounts that are believed to be highly exposed to misuse and personal benefit; such as fuel and lubricants (6217), official entertainment (6233), vehicles maintenance and servicing (6241), telephone services (6258). The budget allocated for these accounts is based on predefined and calculated formula computed by the *'study sub process'* of BoFED that prepares a norm document and finally approved by the cabinet. After authorization of the document, spending on these accounts above the allocated budget is prohibited. However, still incompleteness of the document and discrepancies of implementation is witnessed, which calls for periodic revision and effective implementation to enjoy the benefit to its optimum level.

4.3.4 MTEF Process and its Corresponding Features

The World Bank defines six stages in order to compile a comprehensive MTEF but the city compiles MTEF using four steps and these are resource projection, estimation of expenditure requirement by sectors and sub cities, balancing of the expenditure requirement with the financial resources available, and cabinet approval of the MTEF. The approved mid-term MTEF would become an indicative plan for next budget year.

Figure 4.22: The City MTEF Process



Source: Field Survey Result 2014.

Resource Projection

The city mid-term resources are projected either using elasticity calculated on the basis of the relation between city GDP and tax revenue or weight assigned based on subjective evaluation. The city total resources include tax revenue, non-tax revenue, capital revenue, municipal revenue and external resources.

The city tax revenue is projected using income elasticity and the rest with the exception of external resources are projected on incremental basis through subjective weights assigned to each sources. The external resources include aid and loans and projections are made on the basis of written agreements made with the bilateral and multilateral institutions.

Estimation of Expenditure Requirements

The city's mid-term expenditure requirements are the sum total costs of existing and new city policies. The BoFED requests each bureau and sub city to submit the next three years all capital projects expenditure requirement using the format indicating the name of the project, separating the new and on-going projects together with the cash flows over three years. Then BoFED compiles these capital expenditure requirements and estimates the recurrent expenditure requirement using employment index, that is, the weighted employment growth rate, and incremental basis.

Matching of Expenditure Requirements with the City Resources Available

The team at the BoFED compares the expenditure needs with the projected resources in the periods and the actual data's indicate that always the expenditure needs significantly higher the resource available. Then the city's BoFED allocates the resources to projects and programs using the sector priority indicated in the city five-year strategic development plan. For each sector on the basis of its priority assigned a subjective weight and apportioned the total resources to different programs and projects.

Cabinet Approval of MTEF

The draft document after incorporating all relevant comments given by the stakeholders in the workshop was submitted to the city cabinet for approval. A final approved document becomes an indicative budget plan for the subsequent year.In terms of features, the city MTEF exhibits only some of the standard features of organizational, technical and generals but even these features are not properly defined in the city MTEF document.

4.11 Evaluation of Service Delivery

4.11.1 Water Supply

Addis Ababa Water and Sewerage Authority (AAWSA) is responsible for provision of clean water for all purposes.

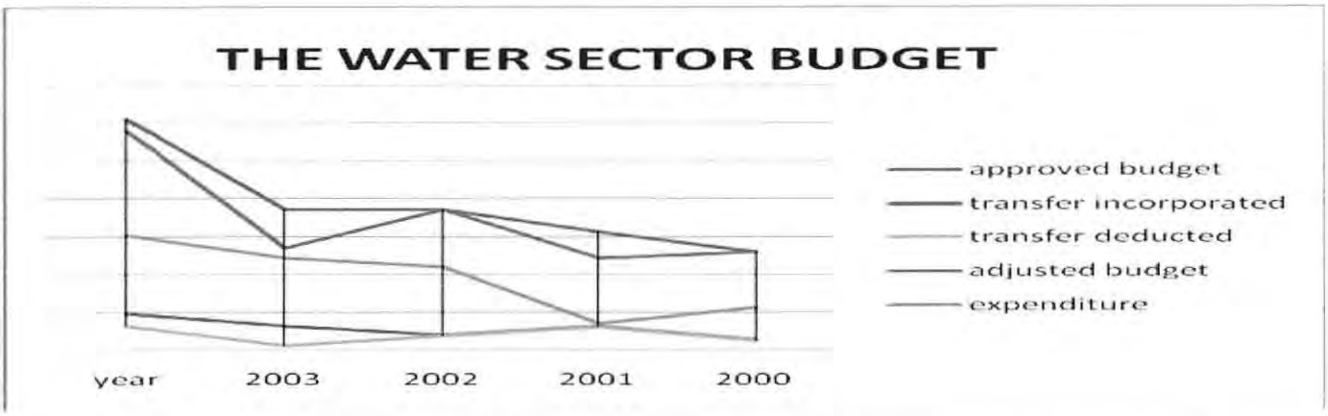
Figure 4.24: Enhancement in Water Production in terms of Different Parameters during 2005/06 to 2009/10

Description	Budget Year						
	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/2012
Annual water	86.5	93.4	93.4	108.1	112.1	112.2	121.2
Actual expenditure	76.5	39.98	140.1	280.4	414.7	548.65	701.65

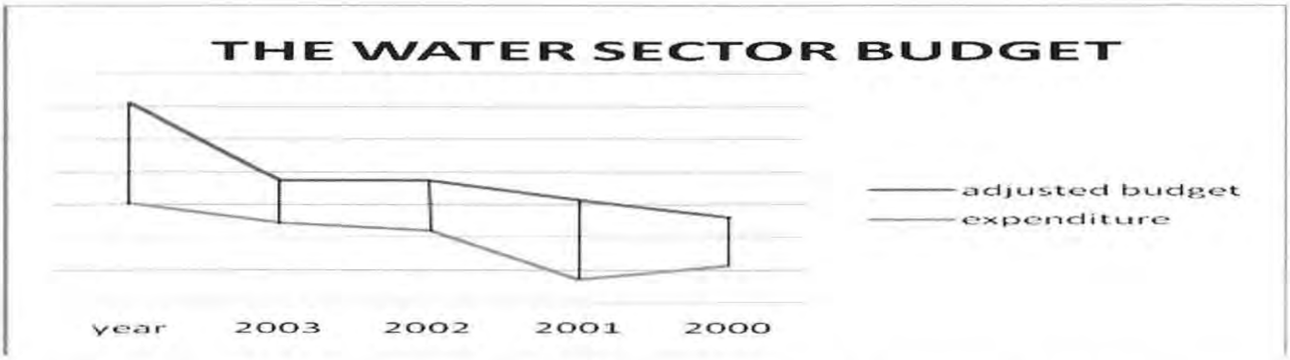
Source: AAWSA 2013 .

The city water supply during 2005/06 to 2007/08 was growing, on average, by about 3 percent annually but after the implementation of MTEF the city registered a significant growth, which grew on average by about 7 percent annually. With regard to spending on water production, it was growing, on average, by about 101 percent before implementation of the MTEF and during 2011/12 it grew by about 200 percent. The budget allocated for water provision by the city administration relative to other capital expenditures held third place in 2005/06 and during 2006/07 to 2008/09 dropped to fourth place and in 2011/12 once again held second position.

The water sector budget adjustment



With regard to the budget adjustment for AAWSA for water production, the adjusted budget has increased year after year , after the implementation of MTEF and the budget incorporations and deductions for the water sector have no significant effect on the effect on the overall water sector budget except for the years 2001 and 2003.



With regardes to approved budget and expenditure performance there is a huge gap between the adjusted budget and the actual expenditure for every year the main resons indicated by f managers where lack of capacity of contractors to complite the project on time ,lack of proper tecnology to condact the projects, the budget may be their but lack of money have been mencined as the main problems for the projects to be complited on time.

4.11.2 Housing Units

Table 4.25: The Annual Condominium Houses Constructed during 2005/06 to 2009/10

Description	Budget Year						
	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/2012
Number of condominium constructed	18988	15031	11005	15034	10769	10000	7300
% growth rate		-21%	-27%	37%	-28%	-7%	-27%
Actual expenditure in Million Br.	440.2	685.18	1460.11	1535.02	1563.3	1453.6	1356.4

Source: Addis Ababa Housing Agency 2012.

Condominium housing stock constructed by the city housing agency during 2005/06 to 2007/08 was growing on a decreasing rate , on average, by -12 percent and the number of houses constructed in 2008/09 attained a 37 percent growth rate from the preceding year. With regard to spending on construction of condominium houses during 2005/06 to 2007/08 registered an extraordinary growth, this was associated to the starting of construction in 2004/05. On the other hand, though the amount allocated for construction of condominium houses was paramount in 2008/09. During the 2005/06 to 2007/08 period, the actual expenditure on construction of condominium houses accounted the highest share and once the city implemented the MTEF its position dropped to 2nd in 2008/09 and 3rd position in 2011/12.

With regard to approved budget and expenditure performance there is a huge gap between the adjusted budget and the actual expenditure for every year the main reasons indicated by managers where lack of capacity of contractors to complite the project on time ,lack of proper tecnology to condact the projects, the budget may be their but lack of money have been mencined as the main problems for the projects to be complited on time.the housing sector for the year 2003 has decresed tremendesly one of the main resons the was menched by mangers was due to the poor performance of the housing.

However, the city has gained some benefits with the implementation of MTEF, the statistical findings of the study indicate that the city MTEF is still found in the infant stage and is only partially delivering its perceived roles and benefits. This was caused by first and most importantly, the city before embarking into MTEF did not clearly defined the objectives and strategies for implementing the MTEF and largely implemented merely to reduce the gap between fiscal plan and actual performances. Second, the high rate of inflation associated with unstable macro-economic situation is major setback to accurately estimate the city resource envelope and also expenditures are estimated using unreliable data. Third, the city has not clearly defined on how to link MTEF with other financial reforms such as budget execution and auditing. Fourth, the city did not clearly define the major features of city MTEF in terms of organizational, technical and general, thus the city has not designed a system so as to make feasible the role and contribution of donors and aid agencies in the city MTEF.

Unlike the World Bank recommended six stages, the city compiles MTEF using four stages and skip the two basic stages, these are, development of sectoral expenditure frameworks and definition of sector resource allocations, which are necessary for granting autonomy in budget utilization to sectors and sub cities. Fifth, the frequent structural changes in the city are causing the city to revise its development plan so often and sometimes forced the city to divert the use of its budget from intended purpose. Sixth, lack of a well planned and comprehensive Public Investment Programs (PIP) and failures to execute both on-going and new projects as per schedule indicated in the city fiscal plan. Lastly, lack of accountability, political support and commitment to the city MTEF prevented from bringing a paradigm shift and slowed the pace of transition from traditional budgeting to MTEF. As a result the city did not put into place the task of monitoring and evaluation so as to measure the performance of MTEF.

CHAPTER 5

5 CONCLUSION AND RECOMMENDATIONS

5.1 Conclusion

MTEF is an important budget instrument which in the medium-term links government budgets with the government policy and planning. According to the World Bank (1998) MTEF is an integral part of financial reform, which aims at ensuring fiscal discipline, allocating scarce public financial resources in accordance with strategic priorities, and maintaining efficiency and effectiveness in the use of resources in the implementation of strategic priorities. The Addis Ababa City Administration with the objective to address the ever increasing demand for public infrastructural services and integrate budgeting with city policies and planning moved away from traditional annual budgets to MTEF in 2008. Empirical literature in the area of MTEF indicate that a successfully implemented MTEF help countries to align the total amount of money a government spends to what is affordable over the medium term, appropriately allocate the spending in accordance with policy priorities and finally, the spending produce the intended results at least cost. However, there are certain pre-conditions that the city should put into place before fully introducing and harvest the benefits of MTEF.

The study evaluated primary data and the financial reports so as to assess both the fulfillment of preconditions and measure the degree to which the city actually practicing the MTEF in the annual budget process. Accordingly, the study finds out that the city councillors and managers are enthusiastic and optimist on the role and performance of city's MTEF. In the city, the MTEF introduced the concept of budget ceiling and has brought budget reprioritization related to priority sectors, to some degree improved the cost estimation of capital expenditure, and created an opportunity to trade-off among competing projects before allocating the scarce city budget. The reprioritization in budget allocation led the city to allocate more funds for roads, housing and water projects capital expenditures. The MTEF also enhanced the city fiscal performances. To some extent the city MTEF promote transparency through involving all the respective public bodies before endorsing the document by the city cabinet. As a result, the city councilors and managers have a good will to scale it up and sustain the practice of MTEF in the budget process.

However, the city has gained some benefits with the implementation of MTEF, the statistical findings of the study indicate that the city MTEF is still found in the infant stage and is only partially delivering its perceived roles and benefits. This was caused by first and most importantly, the city before embarking into MTEF did not clearly defined the objectives and strategies for implementing the MTEF and largely implemented merely to reduce the gap between fiscal plan and actual performances. Second, the high rate of inflation associated with unstable macro-economic situation is major setback to accurately estimate the city resource envelope and also expenditures are estimated using unreliable data. Third, the city has not clearly defined on how to link MTEF with other financial reforms such as budget execution and auditing. Fourth, the city did not clearly define the major features of city MTEF in terms of organizational, technical and general, thus the city has not designed a system so as to make feasible the role and contribution of donors and aid agencies in the city MTEF.

Unlike the World Bank recommended six stages, the city compiles MTEF using four stages and skip the two basic stages, these are, development of sectoral expenditure frameworks and definition of sector resource allocations, which are necessary for granting autonomy in budget utilization to sectors and sub cities. Fifth, the frequent structural changes in the city are causing the city to revise its development plan so often and sometimes forced the city to divert the use of its budget from intended purpose. Sixth, lack of a well planned and comprehensive Public Investment Programs (PIP) and failures to execute both on-going and new projects as per schedule indicated in the city fiscal plan. Lastly, lack of accountability, political support and commitment to the city MTEF prevented from bringing a paradigm shift and slowed the pace of transition from traditional budgeting to MTEF. As a result the city did not put into place the task of monitoring and evaluation so as to measure the performance of MTEF.

5.2 Recommendations

MTEF is a recent phenomenon to Addis Ababa City Administration there is room for improvement and more remains to be done to scale up the implementation of MTEF and enhance the provision of public services in a meaningful ways through maintaining efficiency and effectiveness in budget utilization. This requires the close scrutiny and getting lessons from the experiences of developing countries, particularly the experiences of Uganda and South Africa. Therefore based on research findings, the following measures are recommended to address the problems identified by the study and ensure the full implementation of MTEF in the city annual budget process.

5.2.1 Redefine the Objective of City MTEF and its Corresponding Features

The city should clearly redefine why the city needs to adopted the MTEF, what are the anticipated roles and benefits from the city MTEF and the MTEF should be seen as complementary to basic budgetary management reform. In redefining the objectives, the city should takc into account its experience and capacity in planning, and institutional capacity, otherwise it is very difficult to develop at once the South African and Ugandan types of MTEF. After the city sets its objective, then state the strategy; that is, either at once or through phases, by which the MTEF is to be implemented in the city. Then define the basic features of city MTEF, which quicken its smooth implementation. The MTEF features include the general, technical and organizational dimensions. Thus in the general, the city should clearly indicate the sectors and types of expenditure, which is recurrent and capital, to be included, define expenditure classification, identify level of administrations to be included, and delimit the period the city MTEF to covers. Technically, the city should identify the model to be employed in resource projections and compiling the city expenditure requirements and develop a standard unit costing system. Finally, the organizational feature include the full integration and period for compiling the MTEF in the annual budget process, how to form a team, that is, from where the experts are to be drawn for compiling the MTEF, who will approve the draft document, who are eligible to participate in the preparation of MTEF, and how to disseminate the approved MTEF document.

5.2.2 Build Capacity and Create Awareness

On the basis of the scope and level of administration included in the city MTEF, the Addis Ababa City Administration should provide intensive training supported by practical exercise to all respective bodies including city councillors on the role and process of MTEF and experiences of successful countries. Besides awareness program should be there in order to familiarize all respective bodies in the city. Effort should be made so that the city sector bureau's and sub cities properly get understand the new rules of the game and only based on the priorities budgets are allocated within the concept of a hard budget constraint. These training and awareness program should be implemented in a sustainable manner both in the form of on-job and off-job training.

5.2.3 Foster Political Support and Commitment

The city MTEF should be supported legally and the outcomes of the MTEF unless otherwise there are some justifiable reasons are not subject to change. The active leadership of BoFED and city cabinet are so critical to the successful development of city MTEF. The city councillors should be politically engaged in the preparation of city MTEF, must understand the fiscal strategy underpinning the city MTEF and play the role in making collective decisions on policies, program priorities and trade-offs. Put a time schedule when to start and complete the city MTEF preparation and also include the activity of monitoring and evaluation on the performance of the city MTEF. The political support for the city MTEF would play a great role in maintaining fiscal discipline, institutional conformity and un-biasness in the results of the city MTEF. The periodic evaluation on the performance of city MTEF would enhance the MTEF application in the city and also helps to dispose of the past habit of incremental budgeting.

5.2.4 Translate City Policies into Programs and Projects

In order to link city policies and planning with the city budget, the city policies have to be first translated into programs and projects. This requires the development of reliable and comprehensive PIP based on city policies and development plans. Then develop a standard format for accurately estimating the cost of these programs and projects. The accurate baseline cost estimation of existing policies and programs shifts the city attention to the consideration of new policy and funding of the outer years. The city PIP in order to accommodate the changes in macro-economic policies and new policies are subject to revision on periodic basis. These policies and PIP should be easily accessible by all the city respective bodies and all the lower tires of city administration based on city PIP should develop their own development plans and PIP.

5.2.5 Improve Remuneration Package in the City

The City Administration should introduce a remuneration improvement package and these both attract skilled manpower from outside and retain the existing staffs. In practice service years and skills are key component in understanding the city policies, the role and process of MTEF and accurately translating city policies into costed programs and projects. Integrate human resource with the MTEF and staffing with qualified personnel's through introducing an improved remuneration packages.

5.2.6 Develop a Fully Integrated Management Information System (MIS)

The City Administration should develop a fully integrated management system and transform the existing data from the simple excel's into it. The city is currently using Integrated Budgeted and Expenditure (IBEX) system and is designed to facilitate the existing account system, where as MTEF beside that requires additional information such as GDP data, major macro-economic indicators including inflation data, data's on physical outputs and others. This facilitates projection of city resource envelope, and the estimation and compilation of expenditure requirements in the period. A realistic macro-fiscal projections and consistency between the budget and its execution is precondition for transparency, predictability, and accountability. It also facilitates greatly the monitoring and evaluation of the performance of city MTEF and in turn enhances the MTEF applications in the city. The MIS should be systematically linked with the process of modernization of the city accounting and fiscal reporting systems.

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APPENDECIES

Appendix 1: QUESTIONNAIRE

My name is Menelik Tesfaye an Urban development and Management Masters student of the Addis Ababa university. As part of my studies,. This study is designed for academic purposes and aimed at assessing the implementation of MTEF by the city. The study will help the city to identify the constraints against the successful implementation of the MTEF by the City Administration, which contributes to enhancement of infrastructural service delivery in the city. I hereby request you that to answer all questions below to the best of your knowledge.

Confidentiality

I hereby assure you that all information obtained through this questionnaire shall be used for academic purposes only and will be handled and stored with the highest order of confidentiality. Please do not write your name anywhere on the questionnaire.

This questionnaire consists of two sections:-

Section A – provides background information of the respondent.

Section B – provides information on the process of formulation, implementation and implementation of city polices.

Thank you!

Menelik Tesafye

(Queries on general factors, policy formulation and implementation to be answered by the councilors of the city).

(Put tick mark "√" on your appropriate answers)

Section A - General Data

1. Gender: Male Female

2. How many years have you been a councilor?

0 to 2 years 3 to 4 years 5 to 6 years 7 years and above

3. Level of Education?

Grade 12 and below First degree Masters PhD.

4. What is the status of your residence?

Home owner Rented accommodation Employment accommodation

5. If you own your place of residence, what is the estimated value of your property?

Up to 300,000 300,001 to 600,000 600,001 to 900,000 Above 900,000

Section B – City administration policy formulation, implementation and monitoring

6. Have you ever participated in the city policy formulation process?

Yes, very much Yes, but partially Not sure No

7. If your answer for question number 6 is partially and below, what is the major reason ___ ___________________________________ _______________

8. If you have participated in the policy formulation, what is your role?

Decision making Give comment Not sure

Explain _

_ _ _

9. How do you ensure the implementation of city policy?

Explain _

_ _ _

_ _

_ _ _

_ _

_ _ _

10. How do you monitor the actual implementation of city policy?

Explain _

_ _ _

_ _

_ _ _

_ _

_ _ _

11. How strongly do you participate in the city fiscal planning process?

Very strongly ☐ Strongly ☐ Not sure ☐ Fairly ☐ Not at all ☐

Explain _

_ _ _

_ _

_ _ _

12. If you are participating in the fiscal planning process, what are the bases in budgetary allocations among competing programs/ projects?

Area	Yes, fully	Yes, partially	Not sure	No
City five-year strategic plan				

Sector strategic plan				
City development priority area				

If any other, please specify it _

13. What is your understanding of city MTEF? (at least mention three)

_ _

_ _

_ _

14. If you are familiar with the concept of MTEF, how do you evaluate the performance of city MTEF?

Very good ☐ Good ☐ Not sure ☐ Fair ☐ Poor ☐

15. In your opinion, what should be done to improve the performance of MTEF by the Addis Ababa City Administration? (mention at least 3)

_ _

_ _

_ _

Thank you!

Appendix 2: QUESTIONNAIRE FOR MANAGEMENT

Questionnaire number: _______

Dear Respondent

My name is Menelik Tesfaye an Urban development and Management Masters student of the Addis Ababa university. As part of my studies,. This study is designed for academic purposes and aimed at assessing the implementation of MTEF by the city. The study will help the city to identify the constraints against the successful implementation of the MTEF by the City Administration, which contributes to enhancement of infrastructural service delivery in the city. I hereby request you that to answer all questions below to the best of your knowledge.

Confidentiality

I hereby assure you that all information obtained through this questionnaire shall be used for academic purposes only and will be handled and stored with the highest order of confidentiality. Please do not write your name anywhere on the questionnaire.

This questionnaire consists of three sections:-

Section A – provides background information of the respondent.

Section B – provides information on the respondent's knowledge about the city administration policies, MTEF and its linkage with policies, and also the process and implementation of MTEF.

Section C - provides information on the common characteristics of the city MTEF.

Thank you!

Abdulkadir Redwan

(Queries on general factors, strategic and operational to be answered by the management's of public institutions).

(Put tick mark "√" on your appropriate answers)

Section A - General Data

1. Current position of respondent: ____ ________________________ _____

2. Gender: Male ☐ Female ☐

3. Work experience in the current position?

0 to 3 years ☐ 4 to 7 years ☐ 8 to 11 years ☐ 12 years and above ☐

4. Level of Education?

Grade 12 and below ☐ First degree ☐ Masters ☐ PhD. ☐

5. Age of respondent?

18 to 25 years ☐ 26 to 35 years ☐ 36 to 45 years ☐ 46 to 55 years ☐ Above 55 years ☐

6. Salary range (in Birr)?

1000 and below ☐ 1001 to 2000 ☐ 2001 to 3000 ☐ 3001 to 4000 ☐ Above 4000 ☐

Section B – City administration/ Sector policies, MTEF process and implementation

7. How much are you familiar with city polices and fiscal plan?

Area	Yes, I know fully	Yes, I know partially	Not sure	No, I do not know
City policies in the area of health, education and others				
Millennium Development Goals/MDGs/				
Plan for Accelerated and Sustainable Development /PASDP/				
Urban Development Packages /UDP/				
City five-year strategic plan				
City Public Investment Program / PIP/				
City development priority area				

8. If your answer for question number 8 is partially and below, what is the major reason ___ ______________________________________
____

9. How clear are the city policies in articulating the activities, expected output and targets of each sector?

Very much ☐ Much ☐ Fair ☐ Poor ☐ Not sure ☐

10. How strongly is the city strategic plan the basis in the preparation of your sector/ sub city strategic plan?

Dear Respondent

My name is Menelik Tesfaye, Urban Development and Management Masters student at Addis Ababa University. As part of my studies, I am undertaking a study on the title: 'The role of Medium Term Expenditure Framework on the service delivery of housing and water services: The Case of Addis Ababa City: I strongly believe that the study will help the city to learn the constraints against the successful implementation of the MTEF and budget allocation on the service delivery of housing and water projects, which contributes to the enhancement of resource allocation control and management with in the services delivery of housing and water in the city. I hereby request you to answer all questions to the best of your knowledge.

I assure you that all information obtained through this questionnaire shall be used only for academic purposes, and will be handled and stored with the highest order of confidentiality. Please do not write your name anywhere on the questionnaire.

Thank you!

Menelik Tesfaye

(Put tick mark "√" on your appropriate answers)

Part 1 - General Information

1. Current position of respondent: ______________________________

2. Gender: ☐ Male ☐Female

3. Work experience in the current position?

☐0 to 3 years ☐4 to 7 years ☐8 to 11 years ☐12 years and above

4. Level of Education?

☐Grade 12 and below ☐First degree ☐Masters ☐PhD.

5. Age of respondent?

☐18 to 25 years ☐26 to 35 years ☐36 to 45 years ☐46 to 55 years ☐above 55

Part 2:.Revenue generation and expenditure

6. What are the main sources of revenue in Addis Ababa city

A. Tax rates

B. Block grants

C. Other

7. What special means does your organization use to collect and maximize revenue and who collects these?

____

____

____

8. How do you project revenue? How successful is your revenue projection methodology? Can you tell me how the projected and actual revenue for the past few years?

9. What are the priorities or criteria's established to use the "available resources" wisely and efficiently?

10. What percentage of your resource is spent or used for recurrent budget?

A. Salaries

B. Allowances

C. Other

11. How does your budget request look as compared to what you actually received from City finance and economic development office ? And how much percent of the budget you actually received is utilized?

12. How the performance of actual spending as compared to planned or budgeted spending?

13. What are the criteria or principles used to allocate the available resources (revenue raised and transfers from government)?

14. What do you think is the level of integration of MTEF to annual budget and your projects?

Explain ____

15. Do you agree that the budget allocated through MTEF is in complete agreement with development priorities indicated in the city revised strategic plan?

Explain ____

16. Are sector policies/projects the basis for the preparation of MTEF?

if your answer is no give reason ---

17. In your opinion, what measures should be taken to improve the performance of MTEF by the City Administration?

____

____

____

18. Do public bodies have appropriate standards and unit cost to prepare their budgets?

____

____

____

19. Do you believe that government policies are thoroughly disintegrated into cost estimated programs and projects to achieve their objectives?

____

____

____

20. Do you think that the time given for budget preparation is sufficient?

____

____

____

21. What are the major problems to carry out efficient budget allocation in the city administration? Please list at most 5 (in order of importance).

1. ____
2. ____
3. ____

22. Do you think that budget request of public bodies strictly based on reliable data and current market price?

Explain ____

23. Does Government policies and city administration development policy disintegrated into cost estimated programs and project?

Explain ____

24. Secondary data indicates there is a cost overrun on all projects what are the major cause for this?

Explain ____

Part 3: Checklists of Budget Process, Practices and Characteristics.

Instructions: For each practice listed below, Please tick your choice, which represent budget allocation and process in Addis Ababa City Administration using the mark, '✓'.

Budget	Measurement			
	Inadequate	Satisfactory	High	Extremely High
Does it have medium term perspective?				
What does its links with planning and resource allocation looks like?				
Are capital and recurrent expenditures well integrated?				
Is the link between policy and budget transparent and accountable?				
Does it effectively control spending aggregates?				
Is it implemented as authorized?				
Does it give greater flexibility for line sectors to manage their budget?				
Does it provide incentives for efficiency?				
Are out puts achieved measured during budget utilization?				

Thank you!

Section 2: Interview and Discussion Guide

Part 1: Medium Term Expenditure Framework (MTEF)

1. What is the relationship between policy, planning and budgeting?

2. Are the macro economic and revenue forecast and budget ceiling linked (Budget predictability)?

3. What are the linkages between MTEF, Sector Development Programs/projects?

4. How priorities are set at sectorial level and how often are priorities shifted?

5. How many years expenditure demand of your sector/sub city, provided to MTEF preparation?

Part 2: Budget preparation and process

6. What are the objectives and impacts of budget reform on budget allocation?

7. What are the mechanisms, procedures and systems used in budget allocation?

8. Are all donor funds included in government budget? (If not) Why?

9. What are the roles of the performance of the projects on the fiscal planning and budget allocation?

10. What is your standard to estimate the cost a project and method of budget request for a single budget year?

11. The extent of transparency and accountability in budget/financial management and control by your bureau/sub city?

12. What are the bottlenecks to carry out efficient budget allocation at your bureau/sub city?

Thank you!