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ADDIS ABABA UNIVERSITY

COLLEGE OF BUSINESS AND ECONOMICS

DEPARTMENT OF ACCOUNTING AND FINANCE

**FACTORS AFFECTING FUND MANAGEMENT: THE CASE OF ONE WATER
SANITATION AND HYGINE NATIONAL PROGRAM-CONSOLIDATED WASH
ACCOUNT (OWNP-CWA) IN ETHIOPIA**

**A THESIS SUBMITTED TO THE SCHOOL OF GRADUATE STUDIES OF ADDIS
ABABA UNIVESITY IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR
THE DEGREE OF MASTER OF SCIENCE IN ACCOUNTING AND FINANCE**

By

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Statement of Declaration

I, the undersigned, declare that this thesis is my original work, prepared under the guidance of Dr. **Habtamu Berhanu**. All sources of materials used for the thesis have been duly acknowledged. I further confirm that the thesis has not been submitted either in part or in full to any other higher learning institution for the purpose of earning any degree.

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Statement of certification

This to certify that **Dereje Kassaw** has carried out his thesis work on the topic entitled “Factors affecting fund management: the case of one water sanitation and hygiene national program-consolidated WaSH account (OWNP-CAW) in Ethiopia” Under my guidance and supervision Accordingly, I hereby assure that his work is appropriate and standard enough to be submitted for the award of Master of Science degree in Accounting and Finance.

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This is to certify that the thesis prepared by Dereje Kassaw, titled: “**Factors affecting fund management: the case of one water sanitation and hygiene national program-consolidated WaSH account (OWNP-CWA) in Ethiopia**”and submitted in partial fulfillment of the requirements for The Master of Science Degree in accounting and finance complies with the regulations of the Addis Ababa University college of business and economics and meets the accepted standards with respect to originality and quality.

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Acronyms

AfDB	African Development Bank
BOE	Bureau of Education
BoFED	Bureau of Finance and Economic Development
BOH	Bureau of Health
BOW	Bureau of Water
COPCD	Channel One Programs Coordinating Directorate
CWA	Consolidated WaSH account
DAs	Development Agents
DfID	Department for International Development
DPs	Development Partners
EU	European Union
FM	Financial Management
FTA	Financial Transparency and Accountability
GBS	General Budget Support
GoE	Government of Ethiopia
HAPCO	HIV/AIDS Prevention and Control Office
IBEX	Integrated Budget and Expenditure
IFMIS	Integrated Financial Management Information System
IFR	Interim Financial Reports
M&E	Monitoring and Evaluation
MOE	Ministry of Education
MoFEC	Ministry of Finance and Economic Cooperation
MOH	Ministry of Health
MTR	Mid – Term Review
NGOs	Non-Government Organizations
OWNP	One WaSH National Program

PAD	Program Appraisal Documents
PBS-III	Promoting of Basic Services Phase III
PDO	Program Development Objectives
PIU	Program Implementation unit
POM	Program operational manual
PSCAP SWAPs	Public Sectors Capacity Building Program Sector-Wide Approaches
UNCIF	United Nations Children
UNHCR	United Nations High Commissioner for Refugees
USAID	United States Agency for International Development
WB	World Bank

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Abstract

The purpose of this study is to identify factors affecting fund management on one WaSH National program –Consolidated WaSH account in Ethiopia. Based on literature reviews, the researcher identified four factors that affect the fund management of the program. Mainly Budget process, fund disbursement, fund utilization and accounting & reporting. The research design is exploratory type research with quantitative research approach. The researcher used primary and secondary source of data in this study. To collect primary data, the researcher used questionnaires and distributed 83 questionnaires to the staff working in the program and secondary data were collected from financial statement, appraisal documents and other related documents. The study established four independent variables namely Budget process, fund Disbursement, Fund utilization and Accounting and Reporting and the dependent variable is fund management. The data were analysed by Descriptive and inferential statistics. The descriptive statistics part was analysed using mode, mean and standard deviation whereas correlation and multiple regression were used for inferential statistics by using STATA software. The results of this study indicate that the three key factors, Budget process, Fund utilization and accounting & reporting are positive and significant effect on fund management, whereas fund disbursement has a negative and significant effect on fund management. The study recommended that implementing sectors have to work towards improving the four key factors that will make implementation of the program fund management to effective to achieve the program development objective.

Key words: Budget process, Fund disbursement, fund utilization and accounting & reporting factors.

1. INTRODUCTION

1.1 BACKGROUND OF THE STUDY

The donor funding concept involves giving funds for projects of a development nature by a donor agency or organization. The function of a donor agency is to provide funds through different channels for example through the official (government) channels as well as private channels (Mosley, P. (1987). Private funding agencies generally channel funds through Non-Government Organizations (NGOs). There are three different kinds of donor funding agencies (Mosley, P. (1987). Accordingly the first one is national governments, for example the Western Governments which give funds through government aid departments such as Canadian international development agency in Canada, USAID for the United States among others. Secondly, there are multilateral agencies such as the World Bank and UNHCR and lastly, there are charitable organizations such as OXFAM, the Ford Foundation amongst others (Mosley, P. (1987).

Fund is a key for every governmental or non-governmental organization, non-profit organizations and the like use fund as a means of planning, utilizing and controlling their scarce resources so as to attain their goals efficiently and effectively (Engstrom and Copley, 2015). It provides a plan for the whole entity to work with and should lead to “goal congruence”; sets a standard against which to measure actual performance; enable the actual figures to be compared against the anticipated ones; and a management by exception approaches the trends to develop (Engstrom and Copley, 2015). A forward-looking attitude among staff also tends to develop and as a result, potential problems are often identified in good time. Funds are also indicative of good management practices (Engstrom and Copley, 2015). Therefore; fund in governmental entities is a way of planning resources and controlling the assigned resources to ensure that they are used for the intended purpose (Engstrom and Copley, 2015).

According to MOFEC (2007), Ethiopia accepts aid in a variety of ways, including General Budget Support to the Treasury, Sector-Wide Approaches (a multi donor program to support a specific sector), Project Support, Technical Assistance, and Food Aid Donor Channel their aid in Ethiopia in three general ways:

Channel 1 – The donor provides external assistance and/or external loans to FGE through MOFEC within Channel 1 there are 3 categories:-

Channel 2 – The donor provides goods and/or funds to a budgetary institution (usually a sector ministry). If necessary, the budgetary institution receiving funds from the donor handles distribution of channels 2 goods and/or funds to the other budgetary institution at federal and regional levels.

Channel 3 – The donor directly controls all funds. The donor pays invoices directly to contractors and/or suppliers, and the donor maintains control of all the program or project ends.

According MOFEC Channel one program annual report (2017) shows the government received \$760 million in different project (including OWNP-CWA) in channel one fund flow from the plan of \$1,145 million from different donor partners which accounts 67 percent.

Aid also channeled using Project based approach through establishing a project office or through a government institutional structure via providing fund/ aid to the implementing sector projects along with Technical Assistance (MOFEC, 2014).

The Ethiopian WASH programs are multi-sectoral, multi donor funded program implemented through government, institutional arrangement with the fund and technical assistance of development partners at each level.

1.2 STATEMENT OF THE PROBLEM

Though donor funding has continued to play an important role in developing countries, especially sub-Saharan Africa, it is interesting to note that over half a century of channelling resources to the Third World, little development has taken place (Lancaster, 1999). In almost all of sub-Saharan Africa there is a high degree of indebtedness, high unemployment, absolute poverty and poor economic performance (Lancaster, 1999). The average per capita income in the region has fallen since 1970 despite higher aid flows (Lancaster, 1999). This scenario has prompted aid donor agencies and experts to revisit the earlier discussions on the effectiveness of foreign aid (Lancaster, 1999).

According to Ethiopia GTP II (2016) In the case of Ethiopia the government has strived to improve External Resource Mobilization and Management During the last twenty five years, and increase external resource disbursement, through improved project monitoring system and establishing data intensive problem solving mechanisms. In view of this, external resource mobilization for implementing development projects has been undertaken and encouraging results have been registered in strengthening bilateral and multilateral cooperation for development. Over the last five years, a respectable amount of finance was mobilized from bilateral and multilateral development partners. Total External Resource Inflow: this is the sum of aid and loan disbursed out of total aid and loan commitment from different bilateral and multilateral development partners in a given fiscal year. During the past five years, a total of 19.7 billion USD was disbursed. This translates to a disbursement of about USD 3.9 billion on average annually over the plan period (GTP II 2016).

A study conducted on Success factors of the World Bank education development projects by (Lee, 2016) found that government leadership, commitment; ownership and effectiveness are significant factors for education project success. Furthermore, the interview data showed staff quality and project design is important, factors support the previous studies on development projects.

The study also conducted by Ouma (2012) on the factors affecting effective implementation of projects in Kenya identified that despite the large amounts of donor funded projects aimed at facilitating development and alleviation of poverty, there is a lack of effectiveness in ensuring that the objectives of the funding are achieved and found that procurement procedures and government bureaucracy is a major Factor that contributes to ineffective implementation of projects. Furthermore; Studies made at the University of Nairobi by Yator (2012) The researcher reason out for inability to fully utilize funds was that the fund was given a not to intended beneficiaries, corruption and lack of transparency, using funds for unintended purposes, funding mismanagement and inefficient disbursement was mentioned as main problems identified in the countries.

The study also conducted by Gatari Samuel (2016) on evaluation of factors influencing the sustainability of water projects in the case of Rwanda. The findings of the study indicated that community participation, project financing, project management practices and community training do influence sustainability of community water projects and recommends the

community participation in the whole project cycle should be enhanced, there should be a high level of transparency and accountability in the management of water projects.

Belay Hailu (2008) conduct study of fund management and its utilization in Ethiopia in case Tigray HAPCO identified that having lower capacity (human, financial, material and technology) leads an organization to perform its operation is not in the best way and utilize its resources not efficiently. Furthermore study conducted by Daniel Asrat (2015) on determinant of fund utilization of PSCAP program in Oromia regional state and he found that fund utilization is determined by financial and managerial factors.

Joint Implementation Support Mission conducted by donors and Government of Ethiopia (2016) and the report showed that the overall summary rating on the financial management arrangements of the OWNP-CWA is retained total FM risk rating for the project also remains to be “*Substantial*” and the mission recommends that attention should be given to identify the bottleneck and their respective action plans.

Even though there were a lot of international and national studies conducted in different area, method and level of study and focus on Low fund utilization is affect Economic Development of Beneficiaries, Low community participation and others influence sustainability of community water projects , procurement procedures and government bureaucracy is a major Factor that contributes to ineffective implementation of projects ,low commitment and ownership have an impact of successful factors on donor financed program,as well as low government commitment and ownership have an impact of successful factors on donor financed program. Moreover, as to the researcher knowledge, no study has been undertaken regarding the factors affecting fund management the case of one WaSH National program -consolidated WaSH account (OWNP-CWA) in Ethiopia.

Therefore, with the above situations in mind, the study seeks to examine major factors that affect fund management in one WaSH National program -consolidated WaSH account (OWNP-CWA) in Ethiopia.

1.3 OBJECTIVES OF THE STUDY

1.3.1 GENERAL OBJECTIVE

The General objective of the study is to identify factors affecting fund management on one WASH National Program - consolidated WaSH account in Ethiopia.

1.3.2 SPECIFIC OBJECTIVES

1. To investigate whether budget process is the determinant factor for fund management of the OWNP-CWA program.
2. To identify factors that affect the fund disbursement of OWNP-CWA program
3. To find out whether fund utilization has significant effect on fund management of the OWNP-CWA program
4. To analyze the effect of accounting and financial reporting of the OWNP-CWA on fund management

1.4 RESEARCH QUESTION

The following questions will be addressed in this study

1. How do the budget processes affect the fund management OWNP-CWA program?
2. What are the factors that affect the fund disbursement of OWNP-CWA program?
3. What are the factors that affect the proper utilization of the allocated funds for the OWNP-CWA program?
4. How does accounting and reporting system affect the fund management of the OWNP-CWA program

1.5 HYPOTHESIS

The Hypotheses of the study were hypothesized as follows:

H1A: Budget process is a major significant factor for the fund management OWNP-CWA program

H2A: Fund disbursement is a major significant factor for the fund management OWNP-CWA program.

H3A: Fund utilization is a major significant factor for the fund management OWNP-CWA program.

H4A: Accounting & reporting is a major significant factor for the fund management OWNP-CWA program

1.6 SIGNIFICANCE OF THE STUDY

The findings of this study are expected to be significant for the Government and donors since Both the government and donors involved in managing the implementation of the program and use the findings of the study to address and improve program fund management that affect the Implementation of the program and used as a source of empirical reference which would be ground of further studies in the related area for scholar as well as which is also use by other stakeholders as input for their real time decision making to better achievement of program development, objective in economical, efficient and effective way and to fill the gap seen in the project as well as in other donor financed program.

1.7 THE SCOPE OF THE STUDY

The scope of the study is limited to identify the factors affecting the fund management on one WaSH National –Consolidated WaSH account project. it was also focuses only on the main implementer of the program particularly MoFEC Channel One Programs Coordinating doctorate (COPCD), Ministry of Water, irrigation and electric(MOWIE),Ministry of Education and Health and Oromia National Regional state Finance and Economic Development, Water, Health and Education Bureau were selected from 9 national regional states and 1 city administration. The selection of implementers is based on the high budget share from the program which is ETB 3.2 billion from 8.3 billion which account more than 39 % from all resources and donor partners in the area of WASH program implementation for the period covers EFY 2006-2009 years .The study was not also cover the overall physical Implementation of the program; rather specifically on fund management (budget process, fund disbursement, fund utilization and accounting and reporting) by taking into account one WASH National program-Consolidated WASH Account (OWNP-CWA) in Ethiopia.

1.8 LIMITAION OF THE STUDY

This study has its own limitations which are encountered at various stages. The primary limitation of the study is challenges to finding the right person at the right time Secondly, respondents was not devoted themselves in filling and returning questionnaires on time. At lastly, the study is limited to sample implementers and it's difficult to generalize the results of the findings to overall program in one region and 4 sectors ministry's data only.

1.9 ORGANIZATION OF THE STUDY

This study is organized in five consequential chapters. The first chapter deals with the introduction part of the paper encompassing background of the study and overview of the program, a statement of the problem, objectives of the study, hypothesis, research question, significance, scope and limitation of the study. The second chapter focuses on relevant literature review. In this chapter a review of the relevant literatures in relation to the topic under discussion was made. The third chapter deals with research methodology; that is, the research design, approaches used, data collection methods, study population and analysis processes are discussed. The fourth chapter presents the overall findings of the study, which prevails about the factors affecting the fund management on OWNP-CWA program in Ethiopia finally; chapter five deal with conclusion and recommendation part of the study.

CHAPTER TWO

2. REVIEW OF RELATED LITERATURE

This chapter reviews the theoretical and empirical literature on the factors affecting fund management on one WASH National Program - Consolidated WASH account (OWNP-CWA) in Ethiopia. This review of the literature establishes the framework for the current study and provides the deficiencies of the previous studies, which in turn, help in clearly identifying the gap in the literature and formulating research questions for the study.

The review has three sections. Section one presents a theoretical review of donor fund management. This is followed by a review of the relevant empirical studies on factor affecting donor fund management. Finally, conceptual frameworks are presented in this chapter.

2.1 THEORETICAL LITERATURE REVIEW

2.1.1 WHAT IS A PROGRAMME

Programs are translations of policies into practice. A program consists of multiple projects that are managed together to bring about incremental benefits. (Young, 2007) “Program management” processes are quite similar to project management processes, but program management also concerns itself with the integration of more than one project into a cohesive effort that achieves “incremental benefits.” the program is a collection of interdependent projects managed in a coordinated manner that together will provide the desired business outcomes (Young, 2007).

2.1.2 WHAT IS PROGRAMME MANAGEMENT?

Project management is the application of knowledge, skills, tools, and techniques applied to project activities in order to meet the project requirements (Merrie et al, 2011)

Project management is a process that includes planning, putting the project plan into action, and measuring progress and performance and managing a project includes identifying your project's requirements; writing down what everyone needs for the project. What are the objectives for your project? When everyone understands the goal, it's much easier to keep them all on the right

path. Make sure you set goals that everyone agrees on to avoid team conflicts later on. Understanding and addressing the needs of everyone elected by the project means the end result of your project is far more likely to satisfy your stakeholders, and last but not least, as project manager you will also be balancing the many competing project constraints. On any project, you will have a number of competing project constraints that are competing for your attention. They are cost, scope, quality, risk, resources and time (Merrie et al., 2011).

According to Young (2007), program management is the utilization of project management and its inherent processes to manage effectively a collection of closely interdependent projects in a controlled and structured manner to achieve some clearly defined objectives identified as strategic needs. The development program is one that is designed to carry out a nation's developmental goals, introduce changes in a society or community to increase its productive or organizational capacity and improved the quality of people's lives, including improvements in the well-being of the poor. Development programs are defined by their process as much as by their substances.

2.1.3 DONOR FUND

Donor Funding Organizations frequently require resources in order to pursue their objectives. Organizations are resource-insufficient and rely on external stakeholders who control resources and make certain demands. The heavier the dependence of the organization of these resources, the more influential the demands of the donors are. Donor funding is expected to be an increased direct source of funding, which is factored either in investing or financing activities (Pfeiffer, 1982).

2.1.3.1 DONOR FUNDED PROJECTS

According to Gibson (2013) donor funded projects was defined as those projects sponsored by external donations normally provided by international aid or development agencies. This definition suggests that sources of funds for projects undertaken to achieve intended goals, mainly to transform the quality of the lives of people, especially within developing countries need support from Multinational Agencies, Governments and Private Sectors.

2.1.3.2 OBJECTIVES OF DONOR FUND PROJECTS

Most developing countries do not have enough money, resources to enable them to do what their people required of them. Due to this, governments of developing countries are therefore finding

ways of getting additional resources and one of such ways is the help from donors in the form of loans and grants to support their budget. The presence of these donors in the economy over the years has served the country well in most areas. Even though the introduction of donors in the development of most countries has helped significantly, some countries are tumbling deeper and deeper into donor dependency and this dependency has been very difficult to split (Yator, 2012). Over the years Non-government organizations have been involved in development activities across the globe, through funding from different donors, their aim is to supplement the government's effort in development activities particularly in areas where the government activities not very strong (Yator , 2012).

Their operations are governed by policies and agreements that are enforceable and therefore binding once they approved and signed by the parties involved (Yator, 2012). They implement projects based on contractual agreements which specify, how, what and when the services/goods are delivered (Yator, 2012)

Project period is one of the major contractual clauses that aim at ensuring that the services/goods are delivered within the agreed period and at the agreed cost. Donor funding are meant to benefit the intended beneficiaries at the end of the day, i.e., the services being delivered to them on time and at the lowest possible cost, any delay utilization of the resources mean, the needed services are delay also and if they are ever delivered then at a high cost. This study benefits four key parties, the first is project implementing organization, to re-examine the project duration and cost at proposal stage, the second is the intended beneficiaries who are concerned with services being delivered at the right time when needed and at the lowest cost possible, the third is the funding donors whose interest getting reports on time and feedback on the impact of the project to beneficiaries and last is the government whose planning incorporate what the NGOs are doing (Yator 2012)

2.1.4 FUND MANAGEMENT OBJECTIVES

According the US State Revolving Fund (SRF), the fund management program has several goals. The first is that the capital contributed to the program is used efficiently and maintained in perpetuity. Another goal is that states use SRF funds to achieve the greatest environmental results. Working within these goals, states have two focuses objectives in managing their SRF programs. The first is to ensure that financial assistance is provided to projects that will produce

the most desirable environmental and public health benefits. The second objective is to achieve sound financial performance while providing the financial assistance (www.epa.gov/own/finan.htm ,2001).

All of these fund management objectives must be balanced to achieve an SFR's desired result. The balancing objectives of an SRF program can be thought of as trying to reach an optimal solution to make more money available, consistent with the demand for funds; commit money quickly to meet project needs; offer attractive financial terms; and maintain the purchasing power of the funds being managed. For each SRF program, the optimal solution will depend on state specific factors such as the demand for financial assistance, availability and financial benefit of other assistance programs, state funding priorities, current market conditions, and legislative support (www.epa.gov/own/finan.htm ,2001).

2.1.5 FUND MANAGEMENT ISSUES

According to the United States EPA, effective fund management is not only the result of a single action or decision that results in a successful program. Instead, program success depends on how a series of fund management questions are identified, answered, and revisited over time. Important questions include are fund resources being utilized effectively? Does the fund have sound management? Is sufficient project assistance being made available? Does the fund have sufficient administrative resources? What is the sustainable funding level for the program? and so on(www.epa.gov/own/finan.htm , 2001).

The SRF fund management handbook (2005) is designed to take a three pronged approach to discussing fund management issues. First, it addresses each of these fund management issues individually. Second, recognizing there is considerable overlap in the issues, the conclusion of each individual issue discussion identifies the relationship between the current fund management issue and other related fund management issues. Finally, as each issue is addressed, the discussion is accompanied by pertinent case studies of how states have faced and answered by these fund management issues (www.epa.gov/own/finan.htm , 2001).

An underlying requirement of any discussion of fund management is the availability of reliable financial information, confirmed through the audit process, to provide the basis for financial analysis of a fund. The use of independent audits of program funds provides assurance to fund

management that policy decisions are based on reliable financial information (www.epa.gov/own/finan.htm , 2001)

2.1.6 THE NATURE OF DONOR FUNDED PROJECTS

Emphasis has been placed on how prescriptive expenditure affects project operations. Donor funding is received as loans (repayable with or without interest) or grants (non-repayable) and comes from bilateral (between countries), financial institutions which may be; regional (such as East African Development Bank - EADB), Continental (such as African Development Bank - ADB, etc) and international institutions such as the World Bank. The World Bank group for example lends funds through two arms; the International Bank for Reconstruction and Development (IBRD) and International Development Association (IDA). IDA provides interest free loans and grants to Least Developed Countries (LDCs) - whose per capita income is less than \$1,000. IBRD provides loans to countries with a per capita income of more than \$1,000 and some LDCs which are considered credit worthy (World Bank, 2008)

Donors owe a responsibility to their funders (governments or boards) of ensuring that the funds disbursed to the recipients are used for the intended purposes. To meet this objective, disbursements are preceded by a funding agreement which stipulates how the funds will be spent among other conditions. Expenditure ceilings are thus built into these agreements to prevent misuse, align the impact and outcome of these projects to the countries' direction of development as well as the Millennium Development Goals (MDGs). Unfortunately, it is these very safeguards which become an impediment to the establishment of a smooth implementation of a sound reporting process (Lancaster,1999). Whether the projects are implemented by governments, local Non- Governmental organizations (NGOs) or the donor's own local management teams, these strict expenditure ceilings within which implements have to operate in order to warrant a continued flow of funds from the donors, leave little room for the establishment of sound and effective reporting. The three examples below demonstrate the level of constraint the management of DFPs has got to contend with in this respect (Lancaster, 1999).

2.2 FINANCIAL MANAGEMENT

Financial management is a process having as its primary objective the optimization of financial and economic benefits from an investment. Although viewed and managed as a process, it comprises multiple processes, including financial accounting, management (and cost) accounting, asset accounting, cash and money market accounting, financial reporting, internal controls and internal audit, with external audit providing a report and opinion on the reported financial status and performance. Each of these processes, including financial management itself, should incorporate sub-processes and techniques, including management, forecasting, strategic planning, planning and budgeting, organizing, procurement, disbursements, control and communications (African Development Bank Group Guidelines, 2006)

2.2.1 FINANCIAL MANAGEMENT OF DONOR FUNDS

Financial management of donor funds starts by guiding donors through the process of making a contribution to IDA or a trust fund. This includes preparing the required legal documents and donor contribution agreements. Thereafter, the World Bank collects and manages the funds from donors, beginning with the process of sending invoices to donors for their installment payments, followed by the processing of cash and promissory note payments received. Financial management also extends to the recipient side of donor funded operations. The World Bank prepares and enters into grant and project agreements with developing countries and other recipients benefiting from the donor-provided resources. For financial intermediary fund project implementation is carried out by other agencies or entities. The fund balance is tracked to ensure that grant commitments for projects do not exceed available and expected funding. Forecasts are prepared to project the ability of a fund to commit grant amounts for future project disbursements. Cash flows and liquidity are managed in order to ensure that funds are available when required for disbursement. Disbursements to the recipient are dependent on receipt of funds from the donors. Allocations of funds for specific grants are recorded and tracked by the task manager of a trust fund. These allocations can encompass grant or loan commitments, administrative budgets, fees for project supervision, and other commitments. Commitments will translate into subsequent disbursements for eligible expenditures and transfers of funds to recipients (World Bank, 2010)

2.2.2 FINANCIAL ADMINISTRATION AND SUSTAINABILITY OF WATER PROJECTS FUNDED BY DONORS

Every year, millions of dollars are invested by national governments and international donor agencies alike in project implementation and despite, ever increasing attempts to tackle the problem, many projects still fail to maintain the flow of expected benefit over their intended lifetime of 15 or even 20 years (Lockwood, 2004). Financial management is very important as far as operation and maintenance of donor projects is concerned. The aspect of financial management also entails setting of water tariffs. 16 Many donor projects fail to be sustainable for a long period due to high tariffs introduced by the management committee or poor financial management skills. Continuing transparency on income and expenditure, bookkeeping and accounting are essential aspects of sustainability of projects (Bolt and Fonseca, 2001). Full cost recovery of operation and maintenance costs attire required to ensure the sustainability of rural water supply schemes. Many community water projects struggle with issues of tariff setting, accounting, revenue collection, billing, record keeping and transparency. Financial sustainability is often an elusive goal for many projects (Bower, 2007).

2.2.3 PLANNING AND BUDGETING

Planning and budgeting involves all the procedures necessary to ensure that an organization's activities are carried out effectively and in particular the financial information needed is provided in an efficient and timely manner. Planning is the process of determining how an organization will afford to achieve its strategic goals and objectives. Budgeting is the process of planning, income and expenditure for a specific time or project. It is an essential component of the planning process (Partner financial management Handbook, 2010).

2.2.3.1 BUDGETING AND THE BUDGET PROCESS

Budgeting is the process of preparing, compiling and monitoring financial budgets. It is a key management tool for planning and controlling a department within an organization (Brook son.S, 2000) 'Budgeting creates a framework within which individuals, departments, and whole organizations can work. Budgets encourage individuals and departments to look and plan ahead using a standardized agenda that can enhance effective communication of their objectives'

(Brookson, S., 2000). Budgets also provide a focus for evaluation of the various aspects of an organization in a controlled fashion.

2.2.3.2 BUDGETING

Budgets are a core component in the control systems for sound financial management. A budget is an estimation of costs, revenues and resources over a specified period of time reflecting a forecast of financial conditions and goals. During budget preparation, the process begins with an individual project's forecast of activities to be undertaken during the year, targets, milestones and timelines for specific deliverables by designated officers. The annual work plan forms the basis of the budget estimates after a rationalization process that, among others determines which expenditure constitutes recurrent or development expenditure where the bulk of project funding lies (Robert Keng'ara, 2014).

2.2.3.3 PURPOSE OF A BUDGET

According to World Bank small grant program (2007) A budget is a key management tool for planning, monitoring, and controlling the finances of a project or organization. It is estimated the income and expenditures for a set period of time for your project or organization. Your budget can serve a number of important purposes, including Monitoring the income and expenditures over the course of a year (or a specific project time frame), helping to determine if adjustments need to be made in programs and goals, Forecasting income and expenses for projects, including the timing and the availability of income (such as additional grant funds) and Providing a basis for accountability and transparency.

2.2.3.4 Principles of Budget System

According to Wubeshet (2002) elaborates that a budget process needs to be governed by principles like participation, transparency, accountability, equity and inclusiveness. And budget allocation and control is a very vast public administration area that involves different levels of government. Citizens, political parties and other governmental and non-governmental interest groups have also their own stakes in the public budget.

2.2.4 FUND FLOW ARRANGEMENT

Flow of Donor Funds/Disbursements The flow of donor funds is usually expected to be a straight forward process. However, this is not the case. The process is much subjective and complex in nature, thereby resulting in delays in receipt of funds by the P.I.U.s. Generally, once a feasibility study has been conducted and the project found to be viable, the next step is to find a suitable financier in the sector and once the proposal is reviewed by experts of the intended financier and found satisfactory, the requisitioning country is invited for negotiations in regard to financing arrangements. Donors do place loan conditionality that must be met by the requisitioning government before any approvals (Robert Keng'ara ,2014).

2.2.4.1 FLOW OF DONOR FUNDS/DISBURSEMENTS

The flow of donor funds is usually expected to be a straight forward process. However, this is not the case. The process is much subjective and complex in nature, thereby resulting in delays in receipt of funds by the P.I.U.s. Generally, once a feasibility study has been conducted and the project found to be viable, the next step is to find a suitable financier in the sector and once the proposal is reviewed by experts of the intended financier and found satisfactory, the requisitioning country is invited for negotiations in regard to financing arrangements. Donors do place loan conditionality's that must be met by the requisitioning government before any approvals. These are, but not restricted to: -provision of counterpart funds by respective government, establishment of P.I.U.s to run the project and opening of offshore account where funds are channeled in hard currency. When all the conditions have been met by the borrower, then the loan agreement becomes effective. At this point, the PIU can make an application for 1st disbursement/withdrawal of funds (disbursement request). This application is registered in the donor's system upon receipt. This application process is reviewed for compliance and eligibility for financing. This will result in either the payment being approved or payment made to the beneficiary or the application may be rejected and returned to the borrower (Donor E. N, 2011).

2.2.4.2 DISBURSEMENT METHODS

The donor uses four disbursement methods, namely reimbursement, advance, direct payment, and special commitment. For all disbursement methods, the Bank disburses funds in accordance

with, authorized instructions from the borrower. Disbursement methods differ in relation to the payee, supporting documentation required, and frequency. Borrowers can use only the disbursement methods indicated in the disbursement letter. They may use a combination of disbursement methods (specified in the disbursement letter), as required to implement the project efficiently (World Bank *Handbook*, 2017).

The disbursement letter indicates a minimum application size, and withdrawal applications should not be submitted for less than the minimum amount. The Bank may require supporting documentation, which provides evidence of eligible expenditure for withdrawals from the financing account. The Bank determines the type of supporting documentation required for each disbursement method. This is determined at the project preparation stage and is enumerated in the disbursement letter. Supporting documentation may be in the form of copies of original records evidencing that payment has been made (invoices and receipts), Summary reports provide information on payments for eligible expenditure. Summary reports may either be (a) interim unaudited financial reports (IFRs) or (b) statements of expenditure, Bank statements and/or bank reconciliation statements and a list of payments against contracts that are subject to the Bank's prior review; or other supplementary information that the Bank may stipulate by means of the disbursement letter or by notice to the borrower (World bank *Handbook*, 2017).

2.2.4.3 EVOLUTION OF DONOR FUNDING MODALITIES IN AFRICA

According to Adedeji (2001), most western countries initiated aid programs in Africa in the 1960s in the wake of independence from former colonial states. During this period, donors encouraged African governments to plan their countries' development, and urged the adoption of policies encouraging industrial growth. In the 1970s, the focus of aid shifted increasingly to poverty alleviation with a priority on projects to develop rural areas. In the 1980s, with the economic crisis in Africa and debt defaults associated with it, donors were forced to reconsider the effectiveness of project aid modality. In the 1990s, because of the limitation on the extent of reforms and the continuation of low growth rates in most of Africa, donor agencies turned to look for other causes of lagging growth. Poverty alleviation and improvements in the socioeconomic welfare of vulnerable households were again emphasized as the overarching objective of development (Adedeji, 2001).

2.2.5 FUND UTILIZATION

2.2.5.1 UTILIZATION OF DONOR FUNDS

Utilization of donor funds had been a challenge to both the donor community as well as the agencies that are responsible for effective utilization of the same. Therefore, there is a need for institutions that are responsive for the management of these funds to come up with the right framework and procedures in order to ensure that funds given are utilized as expected and that the funds serve the purpose (Fowler, 1995).

With an effective framework and policies governing the utilization of donor funds nothing much will be expected in the form of results. All relevant organizations must work in harmony if the expected outcomes are to be achieved. It is clear that there is a need for coordination and collaboration among various stakeholders to ensure that funds received are made use of efficiently and effectively (Edwards & Hulme, 1995).

2.2.5.2 FUND RESOURCES UTILIZATION

According to IFSL City Business Series (2005) the main sources of funds or pension funds, Insurance companies and mutual funds are accounted for around a third of conventional assets under management of the global fund management industry. Other funds were from private wealth and alternative sources such as hedge funds, exchange traded funds, private equity, venture capital, structured finance and real estate. Institutional clients generate the majority of funds. There are substantial variations, however, between countries in the institutional to retail ratio. In countries with more developed private banking or mutual fund sectors, such as the UK, Germany, Italy and Switzerland, the retail sector were the source of most funds. On the other hand, in the US, France and Japan, where these sectors were not as large or where the pensions market was more developed the majority of the fund was from institutional clients. (www.ifsl.org.uk, 2005)

According to Lieberman (2008), there are four principal sources of revenue for local authority Services: government grants; national non-domestic rates; community charges; and sales fell, and charges paid by service users. Dufty and Montrol (1982) also point out the possible sources of funds by considering changes between two balance sheets which will be related to assets (decrease), liabilities (increase) or proprietorship (increase). For Example, release of funds from current assets and long term assets; and inflow from short term borrowing long-term borrowing,

trading operations, and owner(s) are the possible sources of funds. Besides, they describe a more possible uses of funds which can be related to increase in assets, decrease in liabilities and proprietorship. Outflow to increase long – and short –term assets, outflow of funds to reduce short-and long-term liabilities, out low on funds incurred in trading or servicing operations, and outflow of funds to owners (www.ifsl.org.uk, (2005).

2.2.5.3 FUND UTILIZATION CHALLENGES

Kiplag'at K. Yator (2012), pointed out the following factors contributing to donor fund Underutilization those are the funding donor delays releasing funds once the project is approved, and therefore affecting the starting of the project and the project period, delay in reporting from the field stations of those organizations with activities in different parts of the region, therefore leading to delays in reporting to the donors, consequently delays in funds re-imbursements from the donors, project activities not starting on time due to logistical problems between the donors and implementing NGOs, a number of them stated that there are delays in communication on the approval of the funding on time by the donors, poor infrastructure, projects, site being in, inaccessible areas most of the time and therefore leading to delays in implementation of the activities, mobilizations of resources take time, particularly staff recruitment, as in some cases, they have sourced from other countries, e.g. in the post conflict countries or disaster areas, where most of the personnel comes other countries. Also, some of the NGOs have an attendance of changing staff after very project and therefore affect the continuity of the organization activities, there is a trend in which donors are only willing to fund the activities without personnel and even the overhead cost, they give funds for a project and tell the NGOs to use their current personnel to implement the activities. This overloads the current staff, and affects implementation of both new and the current projects and several projects being implemented at the same time in the same project site with similar activities.

Furthermore, Ofunya Francis Afande,(2013) also group the factor affecting sound donor fund utilization into three, the first is Technical Factors which in included lack of Appropriate technology, lack of Adequate infrastructure and equipment to support new technologies, lack of Skilled personnel in ICT ,Adequate coordination at different levels , Effective use of the technology and lack of quality data systems and lack of compatibility secondly Managerial Factors which is also included absence of managerial capacity of the human resources of the Implementing agencies ,the absence of formal training in foreign aid management, budgeting

and accounting of donor funds projects officers, absence of quality and timeliness of the liquidation document(Quality of financial reporting) and absence of supportive leadership styles and culture and finally Factors Attributed to Donor Behavior which is lack Accountability by donors, lack of Adequate project monitoring and evaluation systems and absence of reliable and timely disbursement of donor funds Financial review

2.2.6 ACCOUNTING AND REPORTING

2.2.6.1 ACCOUNTING RECORDS

Every organization must keep an accurate record of financial transactions that take place to show how funds have been used. Accounting records also provide valuable information about how the organization is being managed and whether it is achieving its objectives (Partners Financial Management Handbook, 2010).

2.2.6.2 FINANCIAL REPORTING

All Interreg programs require progress reporting during project implementation. The aim of the reporting process is to establish whether project objectives have been achieved, what resources have been expended, what problems have been encountered, and whether the project is expected to be completed on time and within budget. If performance is sufficient, the project will receive payment from the program for costs incurred, paid and reported (EU Manual , 2013).

The most common practice is that programs have one progress report form which includes both financial and content related information and has to be supplemented by required attachments. In additional, programs often have a separate final report form which is submitted at the end of the project. The frequency of the reports submitted is decided by the program, and this varies from program to program (EU Manual , 2013).

2.2.6.3 REPORTING REQUIREMENTS

In order to carry out effective project monitoring, programmes usually require projects to submit the progress report at the agreed deadlines throughout project implementation. The report includes information about activities carried out, outputs delivered and expenditure incurred. The information provided in the report is compared to the latest version of the application form (i.e.,

the application form approved, including all approved modifications) to establish if the project is delivered according to the plan (EU Manual , 2013).

The financial part of the report provides information on the amount spent since the last report, split according to the same budget lines as those in the application. Each project partner will also have to present a certificate signed by the approved (designated) controller, stating that he/she has checked the spending, and that all of the amounts included are correct and in accordance with the rules. Finally, there is a request for the programme to transfer the amount claimed to the lead partner. Many programmes regard a six-monthly reporting as adequate to obtain a good indication of project progress (though some programmes ask for reports every 3 months). Projects prefer 6-monthly reporting because of the administrative work involved, but on project level lead partners should establish a system which provides more frequent and systematic basic updates on the progress of each partner (EU Manual , 2013).

Most projects put reporting deadlines in the project partnership agreement and make clear that the lead partner will not be responsible for any project partner losses caused by partners' delays. The program also toughens up on requirements and may, for example, suspend projects and/or project partners who fail to report for a number of periods. In other cases, it may be acceptable to submit a report without the delayed partners – who will then be allowed to claim for a double period with the next report. Uniformity of reporting both to the programme (by the lead partner) and to the lead partner (by the partners) requires harmonization of procedures on all levels. Uniformity is important because lead partners need to be able to compare the input of their partners, and programme need to be able to compare different projects. This means that, as far as it is possible, all levels need to provide the same information in the same format (EU Manual , 2013).

The basic principle is that programme provides reporting templates (checklists or other reporting tools), which are distributed well in advance to the lead partners (they may be also be available on programme websites), who should pass them on to the partners. These set out how information should be provided (EU Manual , 2013).

Progress and financial reporting require different templates, but are prepared at the same time for the same reporting periods, and submitted together to the programme. Provided the organization has set a budget and has kept and reconciled its accounting records in a clear and timely manner,

it is then a very simple matter to produce financial reports which allow the managers to assess the progress of the organization funds (Partner financial management Handbook, 2010).

2.2.6.4 PERIODIC, INTERIM AND ANNUAL FINANCIAL REPORTS

Accordingly, to may most governmental financial reports are concerned with general purpose external financial reporting the needs of administrator's, legislators, and other users not properly classifiable as "external" financial reporting. To fulfill their needs the following financial reports should be included periodic interim and annual financial reports. Personnel concerned with the day to day operations and activities accounted for by governmental funds and groups should be familiar with much of the data processed by the accounting information system because it results from the events and transaction with which they are involved it is generally agreed that periodic financial reports are useful to be reported and distributed (McGraw Hill, 2015).

Administrators of a governmental unit have the greatest need for interim financial reports, although members of the legislative branch of the governmental unit may also find them of considerable use. Other users of interim reports are news media and residents who are particularly concerned with aspects of the financial management of the unit (McGraw Hill, 2015).

According to Hay (2001), a complete interim financial report should at least include the following statements and Schedules during the fiscal year: Statements of actual and Estimated Revenue; Statement of Actual and Estimated Expenditure; Comparative Statement of Revenue and Expense; Combined Statement of Cash Receipts, Disbursements and Balance – All Funds; and Forecast of Cash Position – All Funds. Complete interim reports should be prepared and distributed at regular intervals throughout a fiscal period, generally monthly, although small governmental units have little financial activity may find a bimonthly or quarterly period satisfactory (McGraw Hill,2015).

According to Engstrom (2004) state and local governments are encouraged to prepare a Comprehensive Annual Financial Reports (CAFR). It should be prepared and published, covering all Funds and Activities of the primary government and providing an overview of all component units of the reporting entity.

A comprehensive annual financial report should include: introductory section, management's discussion and analysis (MD and A), basic financial statements (government – wide financial statements, fund financial Statements, notes to financial statements), require supplementary information other than , management's discussion and analysis, combining and individual fund statements, schedules, narrative explanations and statistical sections (McGraw Hill, 2015).

2.2.6.5 QUALITATIVE CHARACTERISTICS OF FINANCIAL STATEMENTS

In July 1989 the IASB (then IASC) produced a document, Framework for the preparation and presentation of financial statements ('Framework'). The Framework is, in effect, the conceptual framework upon which all IASs are based and hence which determines how financial statements are prepared and the information they contain. The Framework states that qualitative characteristics are the attributes that make the information provided in financial statements useful to users. The four principal qualitative characteristics are **understandability, relevance, reliability and Comparability** (PBB ACCA 2016)

2.2.7 EFFORTS TO ENHANCE DONOR AID EFFECTIVENESS

The ministers of developed and developing countries responsible for promoting development and heads of multilateral and bilateral development institutions, meeting in Paris on 2nd March 2005, resolved to take far-reaching and monitor able actions to reform the ways aid is delivered and managed in view of the UN five-year review of the Millennium Declaration and the Millennium Development Goals (MDGs). It was encouraging to note that many donors and partner countries were making aid effectiveness a high priority, and reaffirmed commitment to accelerate progress in implementation, especially in the following areas: (i) Strengthening partner countries' national development strategies and associated operational frameworks; (ii) Increasing alignment of aid with partner countries' priorities, systems and procedures and helping to strengthen their capacities; (iii) Enhancing donors' and partner countries' respective accountability to their citizens and parliaments for their development policies, strategies and performance; (iv) Eliminating duplication of efforts and rationalizing donor activities to make them as cost-effective as possible; (v) Reforming and simplifying donor policies and procedures to encourage collaborative behavior and progressive alignment with partner countries' priorities, systems and procedures; and (vi) Defining measures and standards of performance and accountability of partner country systems in public financial management, procurement, fiduciary safeguards and

environmental assessments, in line with broadly accepted good practices and their quick and widespread application (OUMA, 2012).

Donor Aid Implementation: Success factors

Donor coordination: When there are many independent, uncoordinated donors, the responsibility for success or failure is diffused, and no single donor has much at stake in the recipient country. Aid agencies seek to maximize their aid budgets, requiring them to satisfy their various advocacy groups. They thus need visible aid results clearly attributable to the donors' activities, even if the development impact of the development budget is thereby reduced. Coordination of donors' goals, if possible, would reduce these problems, and increase the overall development impact of aid, even if donors then act separately (Svensson, 2000).

Alignment: A series of principal-agent models have been used to analyze the alignment between one donor, and a single recipient government (Azam and Laffont, 2000). According to Torsvik (2005), the utility functions of the donors are assumed to have two elements, consumption at home and consumption of the poor in the aid-receiving country. If one donor provides aid, it has a positive effect on the welfare of all donors. Non-cooperation in such a situation leads to an undersupply of aid (the common good problem), and cooperation is thus desirable.

2.2.8 FINANCIAL ABSORPTION IN THE WATER, SANITATION AND HYGIENE (WASH) SECTOR

In the post-2015 framework, WASH will grow dramatically as the global goals are made more ambitious, to provide access to WASH for all (which implies higher costs to reach marginalized groups, especially in informal settlements and urban slums), and ensure sustainable water management given the increasing water scarcity. There can be no doubt that, overall, vastly more investments are required for the sector.¹⁰ According to the Sustainable Development Solutions Network (2014), World Health Organization (2012) and UNCTAD (2014), between \$22 and 30 billion extra will be required annually to ensure universal access to safe drinking water and adequate sanitation during 2015-30, with sanitation accounting for the vast majority of these investment needs. As spending needs increase dramatically, absorption constraints could become even more serious unless the problems raised in this report are tackled. The main recommendations to achieve this are: the first is **Donors must work with governments to**

improve absorption of their funds, including: moving from small projects to multi-donor sector programmes and budget support coordinated by governments, to cut waste and transaction costs for institutions managing WASH spending. ,rebalancing their (donor) projects and programs to provide more recurrent funding (including through budget support),using government procurement and financial management systems, which work more rapidly? and accelerating disbursements using donor procedures by setting maximum deadlines for all stages of financial management and procurement, and raising the thresholds for competitive bidding . the second is Governments must improve their own procedures to accelerate absorption by accelerating procurement and contracting procedures and information flow among agencies, by improving institutional structures, and clarifying roles and responsibilities across the chain, Scrutinizing private company cost estimates closer to avoid overruns, accelerating fund releases from central government to decentralize or private actors, establishing contingency reserves in budget allocations to offset revenue shortfalls and avoid in-year spending cuts and finally all parties must improve transparency and accountability of spending data on WASH, by Governments and international organizations collaborating on a capacity-building program to make WASH spending more identifiable and easier to track across all government budgets. Clearly separating out water from other infrastructure; sanitation and hygiene for health; and the different types of ‘water’ spending (‘expanding access to WASH’, ‘water infrastructure’, and ‘water sustainability/conservation’), Separating sanitation and hygiene spending from broader water spending, in order to accelerate progress in this sector, for which the MDG target has been missed by such a wide margin, Improving availability of actual spending data by applying these same classifications to mid-year and end-year budget implementation reports, and by accelerating the verification and auditing of sector spending reports and Investing in monitoring and tracking spending in decentralized and private agencies.

2.3 EMPIRICAL LITRATURE

Empirical literature refers to evidence from observations and reports from different sources. There are a number of researches conducted in the field of donor funding by various scholars. The perspective and context as perceived by researchers is diverse thereby eliciting debates

According to Horngren et al. (2008) also point out that the result of a survey carried out in the same place (North America) shows that most managers still agree that good budget preparation and utilization, correctly used as significant value to management. They reported that over 92%

of the 150 companies in North America prepared and utilized budget and remarked budget process as the top among the top activity expected from management

According to Yator (2012) examines the utilization of donor funding by Non-governmental organizations within a contractual period, identify the contributing factors and the effects on economic development of the intended beneficiaries. In order to achieve its objectives, the study established that there is 59 % underutilization of the funding as per budget level usage, 91 % of the sampled organizations requested for a no-cost extension period to enable them complete the activities and a further 27% returned the fund balance to the donors. This means beneficiaries were unable to receive the services/goods as intended and or if they do, it is at a high cost during the no-cost extension period; hence impact negatively in their economic development.

According to Jacobs (2008) the process of appraising and selecting public investment projects needs to be linked with the budget cycle. Cross-country experience suggests that in the absence of proper integration, governments resort to borrowing without due consideration of the sustainability aspects, assets are inadequately maintained, and major projects suffer from poor management and performance.

According to PEFA (2014) While the Ministry of Finance (MOF) is usually responsible for the annual budget formulation process, effective participation in the budget formulation process by other ministries, departments and agencies (MDAs) as well as the political leadership (the leadership of the executive, such as the cabinet or an equivalent body), impacts the extent to which the budget will reflect macro-economic, fiscal and sector policies. Full participation requires an integrated top-down and bottom-up budgeting process, involving engagement from all parties in an orderly and timely manner, in accordance with a pre-determined budget formulation calendar. The wider scope of participation of the legislature and citizens in the budgeting process is not covered here, but the legislature's participation in the budgeting process – as representatives of the citizens.

According to Era dabala etal (2011) Project implementation covers a wide-range of aspects, from timely budget execution and efficient procurement to sound internal budgetary monitoring and control that supports financial and program management. While problems in implementation can be a reflection of inefficiencies in the previous stages—related to poor project selection and budgetary integration—country experiences suggest that the absence of clear organizational

arrangements, regular reporting and monitoring frameworks, and weak procurement practices, can result in chronic under-execution of investment budgets, rent seeking, and corruption

According to 2005 Paris Declaration, as part of a global effort to make development aid more effective, partner countries committed to strengthening their national systems, while donors committed to using these systems to the maximum extent possible. At the Third High Level Forum on Aid Effectiveness, held in Accra, Ghana in 2008, both partner countries and donors agreed to accelerate and deepen their commitments, given the evidence that, although some progress had been achieved in strengthening country systems, less progress had been made toward advancing the use of country public financial management (PFM) systems by donors, with only 45% of external financing (disbursements) being channeled through country PFM systems in the countries surveyed in 2008. The 2011 Survey showed a marginal increase to 48% of disbursements using country PFM systems in the countries surveyed in 2010. In addition, the survey results showed a weak correlation between the quality of a country PFM system and its use by donors. The objectives of this document are to: i. Present the different approaches through which donor organizations (bilateral and multilateral development agencies) determine whether they will use country PFM systems for donor financed programs (Section I), and ii. Propose a framework for guiding the use of country PFM systems, in a manner that strengthens countries' sustainable development (Section II). In doing so, this report identifies best practices in relation to the various elements or subcomponents of an integrated PFM system in varied country environments and for different aid modalities, such as general budget support (GBS), sector budget support (SBS), and program-based approach or project support. For the purposes of this document, using country systems is seen as a continuum of practices, with the ideal being the delivery of aid using all of the components of the core budget process, regardless of the aid modality. However, it is recognized that depending on their ability to take on risk, donors may use country systems to a greater or lesser degree. This report therefore identifies good practices in relation to the various elements or components of an integrated PFM system in varied country environments and for different aid modalities. It also offers for donors' consideration a number of procedures that can help to improve the harmonization of donor and government procedures.

According to Koeberle et al. 2005), the staff and the project team seem to be the keys to successful implementation of the project. The incentives provided to the Bank staff to work, particularly in the social sector themes were important. Continuity in staffing is also important as

the staff shift regions and offices from time to time. Also, a project team that has experience in the relevant country or sector would perform much better.

Budget allocations also affect project performance. Even the most qualified staff members are hampered by insufficient budgets for implementation (Koeberle et al.2005). Inadequate funding and cost overruns lead to serious delays of implementation and non-completion of projects (Kaufmann & Wang, 1995). In fact, many projects suffered from cost overruns and delays in implementation (Jones, 1992). This is sometimes due to macroeconomic factors, such as large fiscal deficits or high inflation rates, making the local government incapable of disbursing the amount it promised in the preparation stage.

According to Dehn et al. (2003) In all governments, resources earmarked for particular use flow within legally defined institutional frameworks. Typically, funds pass through several layers of government bureaucracy down to service facilities, which are charged with the responsibility of spending the funds. However, in developing countries, information on actual public spending at the Frontline level or by the program is seldom available

According to Funny Francis Afande (2013) conducted a study on Factors affecting use of donor aid by international non-governmental organizations in Kenya: A case of USAID. The findings of this study indicate that there are various factors that affect the effectiveness of donor funded projects. These factors include: inadequate funding, wrong timing in funds disbursement, lack of/or inadequate human resource capacity (knowledge and skills), lack of accountability (overstatement of prices and use of substandard materials), insecurity, disagreements among beneficiaries, and social-cultural obstacles.

The research disclosed that the findings are in line with the arguments by Mosley and Marion (2000) that problems of economic governance and ineffective utilization of development assistance ranged from poor or no consultation with the intended beneficiaries, lack of coordination between various government agencies, the failure to harmonize policies , programs and procedures harmonization and alignment , and poor project design, to poor monitoring of foreign funded projects and consequently indebtedness and poverty. The effectiveness of donor funded projects is determined by both technical and managerial capacity of the human resources of the implementing agencies. In addition, the necessity of

appropriate supportive infrastructure was explained. According to Arndt (2000), the officers in the donor funds projects chain may lack the formal training in foreign aid management, budgeting and accounting. These weak skills may lead to poor understanding of the donor expenditure protocols resulting in ineligible expenditures, which lead to rejection for further funding by the donor. This may be affected by the quality and timeliness of the liquidation documents which complicate the donor fund release, with obvious implications on levels of donor aid effectiveness. The findings are also in line with the arguments by O'Connell and Soludo (2001) that accountability is a key pillar of effectiveness. In addition, Martens et al. (2001) observed that because of the broken natural feedback loop in foreign aid, inserting an explicit evaluation function in the foreign aid program is necessary to eliminate performance problems.

According to Donor (2011) observes that governments pay a lot of money in the form of interest due to delayed payments to contractors and should be committed in managing projects to ensure that there is adequate flow of funds in order to avoid delays in project commencement especially counterpart funds provision. This increases project costs and disrupts budget implementation as these were never factored in budgets and in effect are ineligible expenditures that donors would reject. The donors have placed rigorous reporting requirements for PIUs in certain specific formats at different timelines for monitoring and evaluation purposes as pointed out by Monaheng (2007).

According to Bagoole (2011), a weak monitoring system contributes to incidences of unprofessional conduct and disclosure of false information which translates to wide variation in quality hence poor utilization of funds disbursed. This always leads to funds disbursement being suspended by donors, thereby impeding implementation activities

A study conducted by Yusuf Ahmed (2015) Budgeting and Budget Monitoring practice in NGO operating in Ethiopia and the findings show, the overall budgeting system in the sample organizations missed the participation of concerned staffs. Participation of staffs in budget development helps to achieve the purposes of the budget such as coordination, communication and motivation in the process of achieving the expected performance level and also recommended that the charities should participate concerned staffs in budget development, budget monitoring and implementation.

According to the Impact Assessment on Financial Transparency and Accountability (FTA) implementation (2017) one of the objectives of the FTA project is to create awareness and to increase the participation of citizens. As analysis of the FGD data shows, the majority of the discussants pointed out that FTA has increased continuous public participation or questioning of service provisions. Respondents were asked as to what they thought that the city administration should consider when making decisions on how much money to spend and on which service. Accordingly, 39.8% of respondents think that it should consider citizens' priorities, 18.8% said both citizens' priority and actual cost of existing services, and 7.5% of them prefer considering the actual cost of existing services only; the rest replied a combination of other variables and FTA aspires to improve the budget literacy of citizens. Based on that, in both the 2009 survey and the 2016 survey the citizens' self-assessed understanding about the approved budget in their woreda was incorporated. At both times citizens were asked how well they knew the approved budget in their woreda/city administration. The results show that there is a significant improvement in citizens' knowledge of the approved budget and how it is spent. In 2009 more than 91 % of the respondents did not know how much their woreda budget was and how it was spent. In 2016 this percentage has dropped to just 34 %. This is increased from 9 % to 66 % over the period 2009 to 2016

2.4 . CONCEPTUAL FRAME WORK OF THE RESEARCH

According Magenta and Mugenda (2003), a conceptual framework helps reader to quickly see proposed relationships between variables in the study and show the same graphically or diagrammatically. In this study, the independent variables are Budgeting, Fund disbursement, Fund utilization and Accounting and reporting that are determinate factors of the dependent variable Factors affecting of fund management.

Dependent variable. Fund management is considered dependent variable. It is influenced by the following factors, among others:

(i) **Budgeting process factors**

Budgeting is the process of preparing, compiling and monitoring financial budgets. It is a key management tool for planning and controlling a department within an organization. 'Budgeting creates a framework within which individuals, departments, and whole organizations can work.

Budgets encourage individuals and departments to look and plan ahead using a standardized agenda that can enhance effective communication of their objectives' (brook son: 2000). According to the Australian audit office better practice guide (2008), developing and managing budgets is a fundamental element of an organization's financial management framework. Effective budgeting will significantly contribute to the achievement of an organization's goals and objectives. The budget shows also an organization's expected financial performance, financial position and cash flows disaggregated by area of responsibility. Developing a budget involves making decisions on the allocation, use and administration of resources achieve the organization's objectives which comprise the GTP objective planning, budget preparation and approval process, execution of budget with program intended purpose and budget adjustment process and budget used for monitoring and evaluation.

(ii) Fund disbursement

According to World Bank Disbursement handbook (2017) Effective disbursement arrangements facilitate the secure delivery of funds to borrowers, provide sufficient liquidity for project implementation, and enable monitoring and reporting to document the use of funds. Disbursement arrangements include the Identification of eligible expenditures, definition of expenditure categories and disbursement financing percentage for each category, identification of Program Preparation Advance refinancing and retroactive financing and definition of disbursement conditions. Which comprise on the fund flow arrangement and the effect of timely disbursement as well account the resource as approved budget and disbursement requirement?

(iii) Fund utilization factors

Utilization of donor funds had been a challenge to both the donor community as well as the agencies that are responsible for effective utilization of the same.

Therefore, there is a need for institutions that are responsible for the management of these funds to come up with the right framework and procedures in order to ensure that funds given are utilized as expected and that the funds serve the purpose (Fowler, 1995).

All relevant organizations must work in harmony if the expected outcomes are to be achieved. It is clear that there is a need for coordination and collaboration among various stakeholders to ensure that funds received are made use of efficiently and effectively (Edwards & Hulme, 1995)

this dimension is comprised of financial, Technical and managerial factors that affect the utilization of the program fund.

(IV). Accounting & reporting factors

According to the operational manual of the program (2014) The objective of the accounting and financial reporting is to provide information about the financial position, performance and cash flows that is useful in making and evaluating decisions about the sources, allocation and uses of financial resources and about how the activities were financed which comprise accounting, recorded of the program financial transaction, cash and bank balance management and timely and complete financial report submission which is used for performance evaluation and timely disbursement of the fund

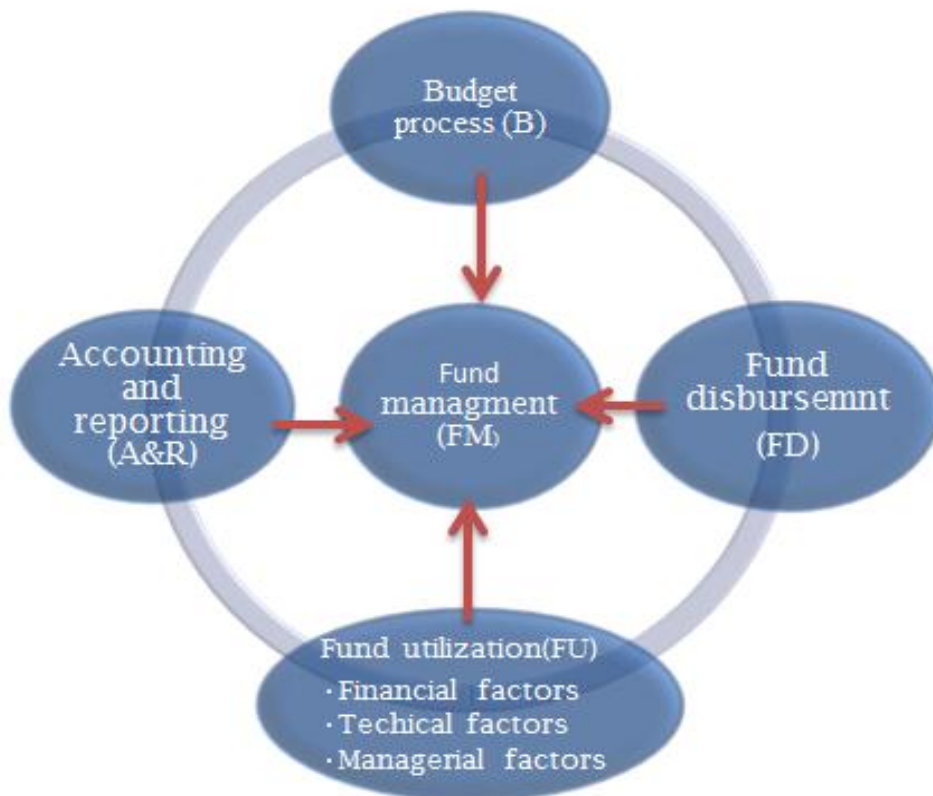


Figure 2.1 conceptual frameworks

CHAPTER THREE

3. RESEARCH METHODOLOGY

The methodology outlines the various approaches that were followed to obtain data for the study and how the data was analyzed. It comprises the research design, the targeted population, methods of data collection and data analysis.

3.1. Research Design

Quantitative research approaches and exploratory type of research design is selected and that was used primarily to analyze and interpret data gathered through a questionnaire and review of secondary data.

3.1.1 STUDY POPULATION

To conduct this research the target study population are 83 staff working at the Federal, regional level and donor partners such as MOFEC, MOWIE, MOE and MOH at Federal level and the respective institutions in Oromia National, Regional State Finance and Economic Development, water, Health and Education Bureau was selected from 9 national regional states and 1 city administration since the Addis Ababa city administration is not the implements of the program. The selection of Oromia regional and federal sector ministry were based on high budget share of the program resources. The target population composition of this is 45 staffs working in financial management of the program, 18 staffs working as program coordinator and planning and 12 staffs working on monitoring and evaluation of the program and 8 from Donor partners. Therefore, the target population of the study was as follows:

Table 3.1.1 study population

S.no	Implementer	Target population	Sample size
1	MOFEC	8	8
2	MOWIE	20	20
3	MOE	5	5
4	MOH	5	5
5	BOW	21	21
6	BOE	5	5
7	BOH	5	5
8	BOFEC	6	6
9	DPS	8	8
Total		83	83

Source: Program Operational manual

3.2 SOURCE AND METHOD OF DATA COLLECTION

The researcher used both qualitative and quantitative data collection techniques. In order to present a wide range of information, both primary and secondary data sources were investigated. Primary data were collected by five point Likert scale questionnaire data collection instruments that had enabled the researcher to present information in depth. Secondary data were also gathered from the program appraisal documents, interim and annual financial report, financial report review and audit report as well as midterm review report and other related documents.

3.2.1 QUESTIONNAIRES

This study used both primary and secondary source of data and five point Likert scale questionnaire used to gather the Primary data which is developed from collection of different channel one programs assessment checklist and discussing with world bank Financial specialist and consultant as well as WASH Financial management team at MOFEC level and distributed to 83 staff working in MOFEC, MOWIE, MOE and MOH at Federal level and the respective institution at Oromia National Regional state Finance and Economic Development, Water, Health and Education Bureau and DFID,AFDB and World bank. Those respondents are specifically working on One WaSH National program - consolidated WaSH Account.

3.2.2 DOCUMENTS REVIEW

The secondary data were collated from reviewing of different relevant documents that used for this study. Those are: Project appraisal documents, financing agreement, annual budget report, annual and interim financial report, and financial report review clearance and Aid Memorandum as well as different Mid-term review report conducted by the DPS and Government and other related documents were reviewed

3.3 METHOD OF DATA ANALYSIS

The data analysis was done using Microsoft Excel and STATA software for descriptive analysis techniques including Mean, mode and standard deviation and inferential statistics (correlation & multiple regressions). The data were presented by using statistical tools like tables and graph. The primary data gathered using five point Likert-scale questionnaires in each variable and analyzed using quantitative techniques such as descriptive statistics (mean, mode and standard deviation) and inferential statistics (correlation or regression analysis). The STATA 14.2 version

software used to analyze the quantitative data from the following model and the secondary data also used for more elaboration and interpretation with the primary data.

$$FM = \beta_0 + \beta_1 B + \beta_2 FD + \beta_3 FU + \beta_4 AR + \mu$$

Where

B = Budget process

FD = Fund Disbursement

FU = Fund Utilization

AR = Accounting and Reporting

μ = Error term

3.4. Validation and Reliability of Data

Validity refers to that ability of a test to measure what it relevance to measure, validation of the research instrument was done through a pilot study, before the study a pilot test of the measure was done within MOFEC staff. The subject approached during the pilot was marked to avoid being used in the final study, pre-testing of the questionnaire was done and some questioner specially in fund utilization variable is comes from previous study by denial .A (2015) on determinate factors of fund utilization of PSCAP and some modification conducted

The questions are re-examine to ensure they are no ambiguous or have different meaning to different people, confusing or offensive to the respondents and therefore will lead a biased or no responses.

CHAPTER FOUR

4. DATA ANALYSIS, DISCUSSION AND PRESENTATION

4.1. INTRODUCTION

This chapter presents the main issues of the actual findings, which are based on the primary Data collected using questioner and secondary data collected from various sources such as : Project appraisal documents, financing agreement, annual budget report, annual and interim financial report, and financial report review clearance and Aid Memorandum as well as a different Mid-term review report.

To analyze the raw data collected from the selected Program Implementers at Water, Education, Health and Finance sectors in the Federal and the regional level, the researcher used STATA 14.2 version which is a specialized statistics program that can provide sufficient tools for analyzing the collected data. Therefore, the primary data from the questionnaires and secondary data for review of different documents was analyzed using descriptive statistics (mode, mean, standard deviation) and inferential statistics (correlation & multiple Regressions). The findings are presented in tabular summaries and graphs, and their implications are discussed.

A total of 83 questionnaires were distributed to staff working in financial management of the program, in the area program coordinator, monitoring and evaluation and from Donor partners, Finance, Education, Health and water sectors and all of them were returned with and without the information which account 100% of the distributed questioners and target population.

Therefore, the analysis was conducted based on the responses of these 83 respondents' response with supplements of secondary data to interpret and elaborate more to show the Factors affecting fund management by the explanatory variables such as Budget process, fund disbursement, fund utilization and accounting & reporting factors by the developed Model.

4.2. PROFILE OF RESPONDENTS

It is necessary to analyze the demographic profile of the respondents to validate the reliability of data collected. Accordingly the respondent's variables presented in this research include educational level and experience of the employees are shown in the tables below and discussed in the following sections.

Table 4.2.1 Level of Education

Description	Frequency	Percent
Diploma	-	-
Bachelor	51	61
Masters	32	39
Doctorate	-	-
Total	83	100

Source: survey result (2017)

The level of education is contributing to strengthen the program fund management effectiveness. As summarized in the above table educational level, 61% (n=51) of respondents held first degree graduates (Bachelor) and 39% (n=32) had second degree or masters. This is 61 % of the respondents held first degree and above. This implies that the majority of respondents were holders of Bachelor degree, although a master degree holder is also large in number and adequate education level helps to implement the program in an efficient way.

Table 4.2.2 Level of Experience

Description	Frequency	Percent
< 2 Years	7	8
3-5 years	11	13
6-10 years	30	36
>10 years	35	42
Total	83	100

Source: survey result (2017)

As indicated in the above table With respect to the level of experience, 8% of the respondents were under 2 years of experience, 13 % of the respondent were experiencing 3 to 5 years and 36 % 6 to 10 years and 42 % experienced greater than 10 years. This indicates that more than 78 % of the respondents have long years of experience in donor fund management and they have the capacity to perform their duty in a well experienced way.

Reliability and Validity

The Cronbach’s alpha for data collected for the 4 explanatory variables in Budget process, Fund disbursement, fund utilization and accounting and reporting is 71 percent.

Table 4.2.3 Reliability Statistics

Reliability Statistics	
Cronbach’s Alpha	N of Items
.7115	4

Source: Survey Results (2017)

This indicates that the survey instrument used is the data are consistent because the Cronbach’s alpha is ranged in acceptable level.

4.3 DESCRIPTIVE STATISTICS

This section presents the results of the descriptive statistical analyses of the data and their interpretations. The descriptive statistics used are the Mode, means and standard deviations. The main purpose of using this statistical parameter is to interpret the average response rate of respondents for each item the respondents were to give their independent opinion on the Factors affecting fund management on OWN-P-CWA program.

According to Renjit Kumar (2011) Any score can be assigned as long as the strength of the response pattern is reflected in the score and the highest score is assigned to the response with the highest intensity , therefore The study used judgment to classify the range of scores obtained on the five point Likert scale as follows: -A variable with a mean score of 3.4 to 5.00 have taken as strongly agree/agree on the five point Likert scale, a score of 3.3 to 3.4 as ‘neutral’ on the five point Likert scale and a score of 0 to 3.3 as strongly disagree/disagree on the Likert scale.

4.3.1 DESCRIPTIVE STATISTICS OF BUDGET PROCESS FACTORS

A budget is a key management tool for planning, monitoring, and controlling the finances of a project or organization (world bank, 2017) and also Budgets are a core component in the for control systems for sound financial management. A budget is an estimation of costs, revenues and resources over a specified period of time reflecting a forecast of financial conditions and goals (Robert Keng'ara 2014), according to MOFEC (2009) the budget formulation process has four stages: the planning stage, the budget preparation stage, the budget legislation and budget implementation and control stages. Several stakeholders are involved at each step in the budget cycle, with some contributing exceedingly more than others. The executive body has considerable power in the budget process with Ministries playing important roles in planning budget formulation and implementation.

Table 4.3.1: Descriptive Statistics for Budget process Factors

S.no	Statements	Obs	Mean	Std. Dev.	Mode	Min	Max
1	Does your organization have an experience on implementing donor -financed project in the past?	83	4.54	0.74	5	1	5
2	Did the project was selected based on GTP II, Objective plan for the budget purpose	83	4.16	0.94	5	1	5
3	Are variance analysis is conducted regularly and explanations is provide for significant variations	83	3.16	0.85	4	1	4
4	Are approvals for variations from the budget required in advance	82	3.22	0.75	4	2	4
5	The budget is allocated for the project is sufficient to achieve Program development objective	82	3.37	1.08	4	1	5
6	Are all stakeholders are participated during budget preparation are involved	83	3.29	0.97	4	2	5
7	The OWNP-CWA budget approved and disseminated to each implementer timely	82	3.17	1.11	3	1	5

S.no	Statements	Obs	Mean	Std. Dev.	Mode	Min	Max
8	Budget is allocated based on expenditure category (components)	82	4.02	0.97	4	2	5
9	Any budget adjustment is approved by relevant officials	82	3.67	1.20	4	1	5
10	Is there proper internal control system for the budget?	83	3.58	0.93	4	1	5
	Overall average	83	3.60	0.50	4.1	1	5

Source: survey result (2017)

As shown in the above table 4.3.1 under Budget process variables, except the statements of all stakeholder are participated during budget preparation are involved, the program budget approved and disseminated to each implementer timely, and Are variance analysis is conducted regularly and explanations is provided for significant variations and Are approvals for variations from the budget required in advance scored mean of 3.58 to 4.54 which is the majority of the respondents strongly agreed /agree on the statements.. This shows that budget process variables has a significant factors for the fund management of the program and most of the respondent are also respond frequently in average mode of 4.00 which indicates agree in Likert scale. However the statement of the program budget approved and disseminated to each implementers timely, the participation stakeholder during budget preparation and conducting of variance analysis regularly & explanations is provide for significant variations and the approvals variation is required in advance score a mean of 3.17 to 3.28 which indicates that the respondent respond a strongly disagree/disagree on this statement and the statement of budget is allocated for the project is sufficient to achieve Program development objective score a mean of 3.37 which is neutral.

In general, from the analysis all of the respondents agreed that Budget process is a have a major factor in fund management, but the statement indicated low mean values are the program budget is not prepared with public participation and disclosed in time to the stakeholder in addition variance analysis not conducted and not provide justification for the significant variation, budget adjustment is not approved by the concerned officials indicated they need improvement. Which is also agreed with Yusuf Ahmed (2015) found the overall budgeting system in the sample organizations missed the participation of concerned staffs. Participation of

staffs in budget development helps to achieve the purposes of the budget such as coordination, communication and motivation in the process of achieving the expected performance level which is also in contrast with FTA survey (2017), the results show that there is a significant improvement in citizens' knowledge of the approved budget and how it is spent. In 2009 more than 91 per cent of the respondents did not know how much their budget was and how it was spent. In 2016 this percentage has dropped from 91% to 34 %. This is increased from 9 % to 66 % over the period 2009 to 2016.

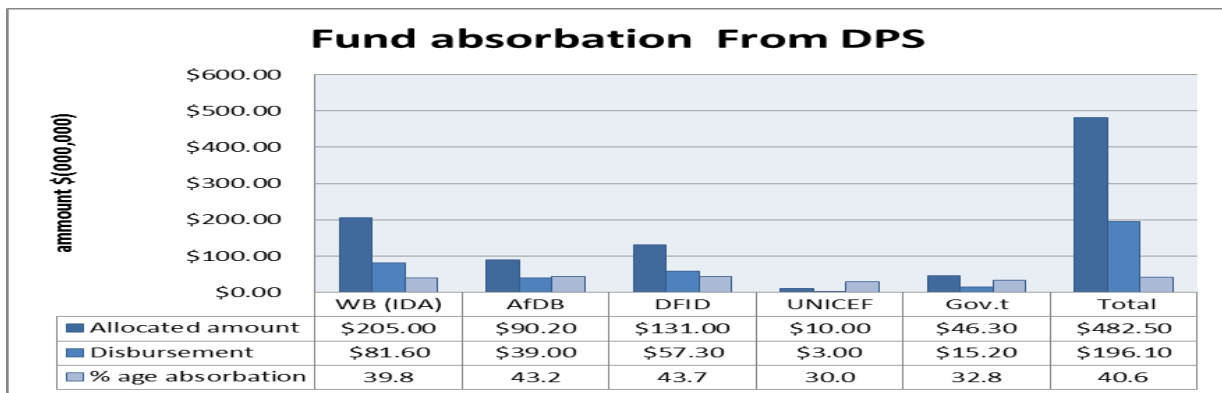
Finally, despite notable improvement, there are still delays in the preparation, approval and dissemination of the working budget of the program. During the previous budget year (EFY 2008), regions were notified of the approved working budget at the beginning of October 2015. MoFEC notified regions of their approved working budget for EFY 2009 on September 13, 2016. Therefore, early finalization ensures early commencement of implementation & better utilization.

Table 4.3.2: Descriptive Statistics for fund disbursement Factors

s.no	Statements	Obs	Mean	Std. Dev.	Mode	Min	Max
1	Does cash flow planning is properly prepared and analyzing program activities	83	3.64	1.01	4.0	2.0	5.0
2	Are the fund flow arrangements to transfer the resource is efficiently	83	3.48	0.95	4.0	2.0	5.0
3	Does the PIU have experience in the management of disbursements from donor partners previously	82	3.54	0.91	4.0	1.0	5.0
4	Have there been major problems in the past in receipt of funds?	83	3.13	1.12	3.0	1.0	5.0
5	Do you have a separate bank account open for the program receiving to program resources?	83	3.61	1.20	5.0	1.0	5.0
6	Does the delay of fund is not affected by the procurement process	83	2.72	0.98	4.0	1.0	5.0
7	Has disbursement were been a factor for poor implementation of the program activities	83	3.41	1.30	4.0	1.0	5.0
	Overall average	83	3.41	0.49	4.0	1.0	5.0

Source: survey result (2017)

As shown in the above table 4.3.2 under fund disbursement Factors the statements cash flow planning is properly prepared and analyzing program activities , the fund flow arrangements to transfer the resource is efficiently , the PIU have experience in the management of disbursements from donor partners previously and have separate bank account open for the program receiving to program , Does disbursement is not a factors for poor implementation of the program activities scored mean of 3.41 to 3.64 which means majority of the respondents strongly agreed /agree on the statements. The overall average summed up mean score of 3.41 and low standard deviation of 0.49 from mean, which is strongly agree or agree. and most of the respondent also respond frequently in average mode of 4.00 which indicates agree in Likert scale .Whereas some statement Does delay of fund is not affected by delay procurement process and the challenge receipt of funds in the past which is most respondent is respond strongly disagreed /disagree with score mean of 2.72 and 3.13 respectively and they need improvement because those statements may affect negatively the fund disbursement which is in line with Era Dabala et.al (2011) weak procurement practices, can result in chronic under-execution of investment budgets, rent seeking, and corruption. This imply that program absorption capacity is low as shown in the below graph 4.3.2.1 from the total allocation during the three and half year implementation period which is amounting \$196.1 million accounts 41 per cent from the total of \$482.5 million including government contribution and which indicate for the remaining of one and half year the program may not absorb the 59 percent from the trend of the previous year perspective and it has an effect on implementation of the program fund management.



Source: financial statement (2017)

Figure 4 3.2.1 status of fund disbursement

Table 4.3.3: Descriptive Statistics for Fund utilization Factors

s.no	Statement	Obs	Mean	Std. Dev.	Mode	Min	Max
1	All financial transactions of the program are properly documented and recorded.	82	4.20	0.82	4.0	1.0	5.0
2	Does it has adequate supervision of accountants on the fund management of the program	81	3.67	0.92	4.0	1.0	5.0
3	There is an approval system for all transactions by the authorized managers	83	4.22	0.77	4.0	2.0	5.0
4	Do The government and donors are aware to ensure the presence of strong internal control system	83	3.63	0.95	4.0	1.0	5.0
5	Any irregularities in financial management are promptly reported	83	3.47	0.99	4.0	1.0	5.0
6	All assets purchased by program fund are recorded in a fixed asset register	83	3.28	1.14	4.0	1.0	5.0
7	Do the financial management system is compliance with the Government financial management system.	83	3.82	0.90	4.0	1.0	5.0
8	Do all implementing actors work as per the Terms and Conditions	83	3.57	0.98	4.0	1.0	5.0
9	Does the appropriate technology supplied on time using program funds	83	3.39	0.96	4.0	1.0	5.0
10	Does the financial management system is computerized?	83	3.84	1.06	4.0	2.0	5.0
11	Can the system produce the necessary project financial reports?	83	3.82	0.96	4.0	2.0	5.0
12	Coordination at different levels in making effective use of the integrated technology.	82	3.17	0.95	4.0	1.0	5.0
13	Does have Poor data systems and lack of compatibility	83	2.96	1.02	2.0	1.0	5.0
14	All staff has manner on Poor quality and timeliness of the fund management affect fund disbursement	80	2.90	1.01	2.0	1.0	5.0
15	Does the current organizational structure is appropriate for the effective program implementation	82	3.67	0.94	4.0	1.0	5.0
16	Does The project lead by effective program implementation unit	83	3.55	1.00	4.0	1.0	5.0
17	Do all staff has adequate technical and managerial knowledge and skills	83	3.22	1.05	4.0	1.0	5.0
18	Does formal training, conduct in the area of donor fund project management?	83	3.27	1.16	4.0	1.0	5.0
19	Implementing sectors have managed to complete all project resources for the planned activities	83	3.25	1.05	4.0	1.0	5.0
20	For the purpose of transparency the funds utilization status report reflects the true status of implementation	83	3.29	1.07	4.0	1.0	5.0

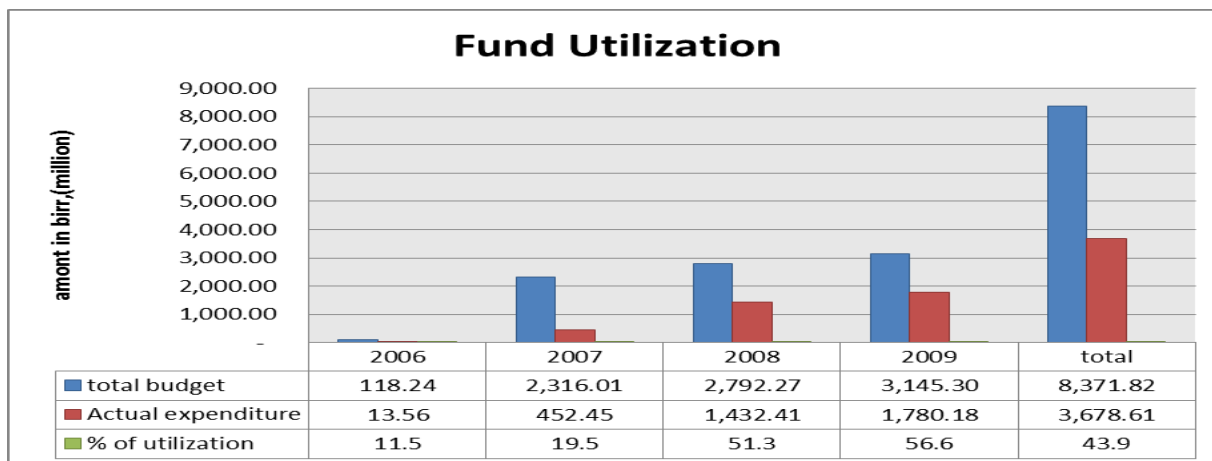
s.no	Statement	Obs	Mean	Std. Dev.	Mode	Min	Max
21	Does the procurement is conducted on time as per procurement plan	82	2.80	1.14	2.0	1.0	5.0
22	The government and donors have developed a detailed implementation plan. Budget, setting out how they expect to achieve program development objective	83	3.45	0.87	4.0	1.0	5.0
23	Do you think the program implementation unit (task force) have frequently met and evaluate the status of the program implementation?	83	3.42	1.00	4.0	1.0	5.0
	Overall average	83	3.45	0.41	4.0	1.0	5.0

Source: survey result (2017)

According to flower (1995) Utilization of donor funds had been a challenge to both the donor community as well as the agencies that are responsible for effective utilization of the same. Therefore there is need for institutions that are response for the management of these funds to come up with the right framework and procedures in order to ensure that funds given are utilized as expected and that the funds serve for the intended purpose , As shown in the above table 4.3.3 except the statements of All assets purchased by program fund are recorded in fixed asset register, coordination at different levels is making effective use of the technology integrated , Does have Poor data systems and lack of compatibility , All staffs have attitude on Poor quality and timeliness of the fund management affect fund disbursement , Do you think that the program fully utilized the program fund within the project closing period , Does formal training is conducted in the area of donor fund project management, Implementing sectors have managed to complete all projects resources for the planned activities , For purpose of transparency the funds utilization status report and reflect the true status of implementation and Does the procurement is conducted on time as per procurement plan others are score a mean of 3.41 to 4.22 which means that the majority of the respondents strongly agreed /agree on the statements and also the overall mean 3.45 and slightly deviated from the mean by 0.41 and with mode of 4.00 which is most of the respondent were strongly agree /agree and fund utilization the factors that affect fund management of the program.

However some statements mention in the above a means score of 2.80 to 3.29 the respondent is respond strongly disagreed /disagree such as all assets purchased by program fund are recorded in fixed asset register under financial factors, on the area of coordination on the use of integrated technology, poor data system and lack of awareness on the impact of quality

information on donor fund management under technical factors in addition on the side of managerial factors also the technical and managerial skill of the staff, Does formal training is conducted in the area of donor fund project management, the fear of fully utilized the resource of the program with the project life the respondents reply strongly disagreed /disagree . Even if most of the respondents have long experience and have above bachelor degree in education level as shown in the respondent profile, but their contribution still low in donor fund management specialized area. This shows the program implementer needs attention on this area, those findings are also strengthened by Arndt (2000), the officers in the donor funds projects chain may lack the formal training in foreign aid management, budgeting and accounting. These weak skills may lead to poor understanding of the donor expenditure protocols resulting in ineligible expenditures, which lead to rejection for further funding by the donor. This may be affected by the quality and timeliness of the liquidation documents which complicate the donor fund release, and as shown below graph the program cumulative utilization until 7 July 2017 only 44 % of the total program resources (ETB 8.3 billion.)



Source: Financial statement (2017)

Figure 4.3.3.1 fund utilization status

Despite notable fund utilization improvement shown from year to year ,the following issues are affected for the utilization of the program such as lack sectoral coordination and integration , delay of procurement and implementers have low technical and managerial capacity ,some status report also have poor quality of information as well as not transparent need improvement and furthermore the procurement is not conducted as per the procurement plan which score mean 2.80 and highly deviated from the mean by 1.14. Which have a major effect, hence the program is financed capital expenditure and which need procurement account more

than 80 % on average of the total fund and only 40 % of the plan is performed during the previous year, In addition to the above reason there is also delay of settlement of outstanding advance and payable timely which is amounting Birr 457 and Birr 616 million respectively have significant factors on documentation of the program fund on time.

Table 4.3.4: Descriptive Statistics for Accounting and reporting Factors

S,no	Statements	Obs	Mean	Std. Dev	Mode	Min	Max
1	The program has its own separate Financial Management manual	82	4.21	0.87	5.0	2.0	5.0
2	Do payment process is supported by relevant supporting documents	83	4.34	0.77	5.0	1.0	5.0
3	Does the project have an adequate policies and procedures manual to ensure staff accountability?	82	3.79	0.93	4.0	1.0	5.0
4	Is the accounting policy and procedure manual updated for the program activities?	82	3.63	0.94	4.0	1.0	5.0
5	Do internal controls exist for the collection, timely deposit, and recording of receipts	83	3.87	0.92	4.0	1.0	5.0
6	Is bank reconciliation is prepared and cash counts regularly conducted	83	3.99	0.82	4.0	2.0	5.0
7	Bank reconciliation and cash count certificate are attached to the financial report	81	3.98	0.87	4.0	2.0	5.0
8	Are the reports prepared and submit as per the agreed time frame?	82	3.93	0.89	4.0	2.0	5.0
9	Does the project have established financial management reporting responsibilities that specify what reports are to be prepared, what they are to contain, and how they are to be used?	83	3.99	0.79	4.0	1.0	5.0
10	Does the financial reporting system have the capacity to reflect the financial performance with the project's physical progress the program activities?	82	3.72	0.89	4.0	1.0	5.0
11	Do the financial reports contain variance analysis (Budget Vs Actual)	82	3.66	1.00	4.0	1.0	5.0
12	Are financial reports prepared by the automated accounting system?	83	3.19	1.14	4.0	1.0	5.0
	Overall average	82	3.81	0.57	4.0	1.0	5.0

Source: - Survey Result (2017)

As shown in table 4.3.4 above, under accounting and reporting variables, all the statements of accounting and reporting factors scored mean of 3.63 to 4.34 which indicate the majority of the respondents strongly agreed /agreed with the statements. The overall average mean score of 3.8 and standard deviation of 0.57, which is strongly agree or agree, but is not highly deviated from the mean and have a mode 4.0. Except financial reports is not prepared by the automated accounting system has at least a mean score of 3.19 which indicate that the program is not used automated accounting system like IBEX and other software to enhance the quality, accuracy and timelines accounting report. However the financial report is submitted within 60 days after the end of each quarter to the World bank with six month cash forecast, which is achieved, but the review of the financial report as well as the audit report convinces the quality of the report still have the problem. Even if the quality continues journey in addition the Project specific FM manual has been developed for the program. The FM manual, in line with the requirement of the government manual, requires application of double entry accounting on a modified cash basis of accounting. Application of this requirement has been observed in all entities.

The FM manual or the POM requires quarterly IFRs to be submitted within 60 days after the end of the quarter of World Bank with six month cash forecast. Recent IFRs of the program were being submitted within the due date. According to World Bank review of the most recent IFR, (ended July 7, 2017) Major observations noted that the IFRs are both substantive and quality concerns. The major issues noted included the following.

- ❖ Inconsistencies in documenting expenditures;
- ❖ The need to strengthen control over cash, which shows significant balance;
- ❖ The need to continue closely monitoring & liquidating advance & liability balances;
- ❖ The need for additional notes & disclosures on IFRs;
- ❖ The need to reconcile Designated account reconciliation with client connection

4.3.5 DESCRIPTIVE STATISTICS FOR FUND MANAGEMENT

Donors owe a responsibility to their funders (governments or boards) of ensuring that the funds disbursed to the recipients are used for the intended purposes. To meet this objective, disbursements are preceded by a funding agreement which stipulates how the funds will be spent among other conditions. Expenditure ceilings are thus built into these agreements to prevent misuse, align the impact and outcome of these projects to the countries' direction of development as well as the Millennium Development Goals (MDGs). The expenditure ceilings, within which implements have to operate in order to warrant a continued flow of funds from the donors, leave little room for the establishment of sound and effective reporting. (Lancaster, 1999).

Table 4.3.5 Descriptive Statistics for Fund management

S.no	Statement	Obs	Mean	Std. Dev.	Mode	Min	Max
1	Do the budget process is consider physical and financial performance	83	3.99	0.98	4.0	1.0	5.0
2	Budgets are prepared based on detail activities with unit cost & get no objection on time from the donor	83	3.69	1.11	4.0	1.0	5.0
3	Does The agreed program fund is released on time	83	3.08	1.08	4.0	1.0	5.0
4	Donors and government have a system of regularly reviewing expenditures against the plan	83	3.95	0.81	4.0	2.0	5.0
5	Does Donor funds are utilized for the intended purpose only as per financing agreement	82	3.46	0.93	4.0	1.0	5.0
6	Do you think the program fully utilized the program fund within the project closing period?	83	3.06	1.13	4.0	1.0	5.0
7	Is the financial report prepared for the program In accordance with agreed accounting standards?	83	3.94	0.80	4.0	2.0	5.0
8	Does the financial reporting system designed to reflect the expenditure, source of Finance and budget separately by project components?	83	3.71	0.83	4.0	2.0	5.0
	Overall average	83	3.61	0.51	4.0	1.0	5.0

Source: - Survey Result (2017)

As it is indicated in the table 4.3.5 above expects statement of the agreed program fund is released on time, the program fully utilized the program fund within the project closing period others is scoring a mean of 3.46 to 3.99. Generally, the OWNP-CWA fund management grand mean of 3.61 and standard deviation of 0.51 which shows that the majority of respondents either strongly agree or agree. Expect the statement of the agreed program fund is not released on time and the program is not fully utilized the program fund within the project closing periods need serious attention in order to speed up the implementation which is a mean of 3.08 and slight deviated from mean by 1.08.

4.4 INFERENCE STATISTICS

In this study, the researcher used inferential statistics is concerned with the various tests of significance for normality, autocorrelation, Heteroscedasticity and multi - collinearity in order to determine the validity of data. The data were categorized to a group of questions according to each variable. Finally the study analysed the correlation between variables and their effect by correlation matrix and multiple regressions used to test the hypothesis as well as the model fitness of Factors affecting Fund management of the program. Tests and analysis of the data were presented below.

2.2.3 CORRELATIONS BETWEEN THE VARIABLES

As noted in Brooks (2008), Correlation between two variables measures the degree of linear association between them. To find the association of the independent variables with the fund management, correlation coefficient was used. The values of the correlation coefficient are always ranged between +1.0 and -1.0. A correlation coefficient of positive one indicates that a perfect positive association between the two variables; while a correlation coefficient of negative one indicates that a perfect negative association between the two variables. A correlation coefficient of zero, on the other hand, indicates that there is no linear relationship between the two variables.

The correlation matrix in Table 4.4.2 indicates that Fund management has a positive significant correlation with Budget process, Fund utilization and accounting & reporting By R=0.60,0.61 and 0.52 respectively whereas fund disbursement have negative correlation with fund management. Furthermore, there is a positive correlation between independent variables which is positive and more than R= 0.16 percent and less than R= 54 percent. Therefore, it indicates that each variable are mutually interdependent among them as showed in the conceptual framework this study in chapter two. Which helps for enhancement of the program effectiveness and increasing the synergy of the program implemented in the Fund management of the OWNPCWA as per the agreed project life.

Table 4.4.2 Correlation matrix

```
. cor fm b fd fu ar
(obs=83)
```

	fm	b	fd	fu	ar
fm	1.0000				
b	0.6050	1.0000			
fd	-0.0207	0.2657	1.0000		
fu	0.6065	0.5560	0.2721	1.0000	
ar	0.5207	0.4171	0.1560	0.5378	1.0000

Source: STATA Result

4.4.2 TEST RESULTS FOR THE CLASSICAL LINEAR REGRESSION MODEL ASSUMPTIONS

In this study the regression diagnostic tests were carried out to ensure that, the data fit the basic assumptions of the classical linear regression model. Diagnostic test suggests that the model passes the test of multi-collinearity and Heteroscedasticity, auto correlation, and normality associated with the model the results of the tests by their Owen testing requirement are presented as follows:

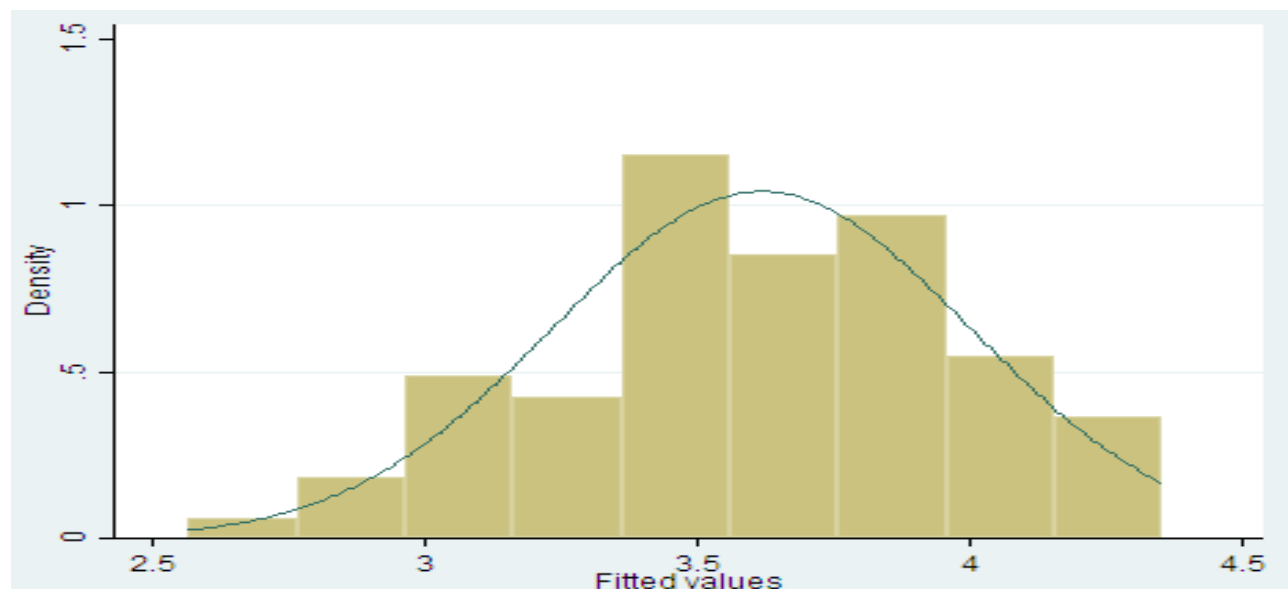
I. Test for normality

As noted in Brooks (2008) a normal distribution is not skewed and is defined to have a Coefficient of kurtosis of 3. And also states that, if the residuals are normally distributed, the histogram should be bell-shaped. The normality tests in this study as shown in below table 4.4.2.1 the coefficient of kurtosis was close to 3, and the probability of the residual greater than 0.05 accordingly the statistic had a P-value of 0.355 implying that the data were consistent with a normal distribution assumption.

Table 4.4.2.1 Normality test for residual

```
sktest residual
```

Skewness/Kurtosis tests for Normality					
Variable	Obs	Pr(Skewness)	Pr(Kurtosis)	adj chi2(2)	joint Prob>chi2
residual	83	0.1588	0.8805	2.07	0.3551



Graph 4.4.2 Histogram residual
Source: STATA result

II. Test for Multi-collinearity

The results of correlation tests are shown in the below correlation matrix table 4.4.2.2. At this point there is no clear point indicating multi-collinearity problem. Kennedy (2008) stated that multi-collinearity problem exists when the correlation coefficient among the variables are greater than 70%. The result of a multi-collinearity test shows that, the maximal absolute correlation value among independent variables is 0.55 between accounting and reporting with Fund utilization. In this study there is no any correlation coefficient higher than 0.70, even if they have a positive correlation. The low correlation coefficients indicate that, there is no problem of multi-

collinearity. Therefore, it can be concluded that there is no significant correlation between the explanatory variables of the study, According to Brooks (2008), in any practical context, the correlation between explanatory variables will be non-zero, i.e., a small degree of association between explanatory variables will almost always occur but will not cause too much loss of precision

Table 4.4.2.2. Correlation Matrix of Variables

```
cor b fd fu ar
(=83)
```

	b	fd	fu	ar
b	1.0000			
fd	0.2657	1.0000		
fu	0.5560	0.2721	1.0000	
ar	0.4171	0.1560	0.5378	1.0000

Source: STATA Result

II) Tests for Heteroscedasticity

To test for the presence of heteroscedasticity, the popular white test would be employed in this study. This test involves testing the null hypothesis that the variance of the errors is constant (homoscedasticity) or no heteroscedasticity versus the alternative that the errors do not have a constant variance. Since the p -values are in excess of 0.05. The research couldn't accept the alternative hypothesis of homoscedastic. In the following table the P- value is greater than 0.05 that is 0.2307 we can't accept the alternative. Therefore, at the 5 % significance level or the study concludes that there is homoscedasticity by accepting the null hypothesis; therefore there is no problem of Heteroscedasticity with this study

Ho: There is homoscedasticity

H1: there exists Heteroscedasticity

Table 4.4.2.3 Heteroscedasticity

```
. imtest ,white
White's test for Ho: homoskedasticity
  against Ha: unrestricted heteroskedasticity

      chi2(14)      =      17.14
      Prob > chi2   =      0.2487

Cameron & Trivedi's decomposition of IM-test
```

Source	chi2	df	p
Heteroskedasticity	17.14	14	0.2487
Skewness	5.95	4	0.2026
Kurtosis	0.06	1	0.8127
Total	23.15	19	0.2307

Source: STATA Result

III) Tests for Auto correlation

It is the assumption of independent error reasonable test., If the errors are correlated with one another, it would be stated that there is a serial auto correlated. To test this assumption the Durbin-Watson test is used to test for serial correlation between errors

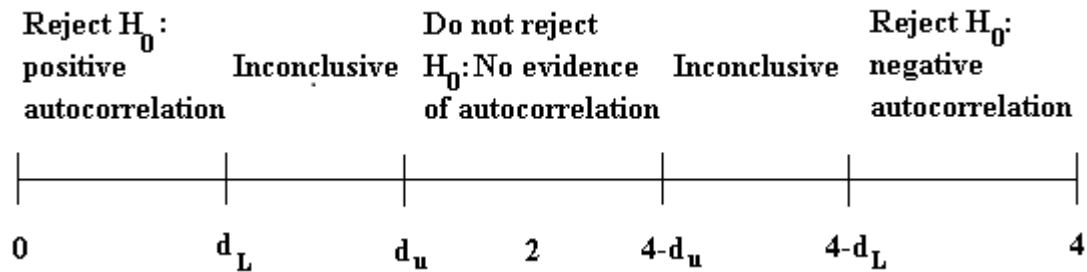


Figure 4.4.2 Rejection and non-rejection regions for Durbin-Watson Test

According to Brooks (2008), DW has 2 critical values: an upper critical value (d_U) and a lower critical value (d_L), and there is also an intermediate region where the null hypothesis of no autocorrelation can neither be rejected nor not rejected. The rejection, non-rejection, and inconclusive regions are shown on the number line in figure 1.

Table 4.4.2.3 Auto correlation test

```
. dwstat  
  
Durbin-Watson d-statistic( 5, 83) = 1.973182
```

Source: STATA Result

So, the null hypothesis is rejected and the existence of positive autocorrelation presumed if DW is less than the lower critical value; the null hypothesis is rejected and the existence of negative autocorrelation presumed if DW is greater than 4 minus the lower critical value; the null hypothesis is not rejected and no significant residual autocorrelation is presumed if DW is between the upper and 4 minus the upper limits; the null hypothesis is neither rejected nor not rejected if DW is between the lower and the upper limits, and between 4 minus the upper and 4 minus the lower limits.

The DW test statistic value in the multivariate regression result table is 1.973. There are 85 observations and 4 explanatory variables in the regression. The relevant critical values for the test are $dL = 1.55$, $dU = 1.75$, so $4 - dU = 2.25$ and $4 - dL = 2.45$. The test statistic is clearly between the upper critical values and 4 minus upper limit (2.25). Therefore is no evidence for auto correlation

4.4.3 REGRESSION ANALYSIS OF FUND MANAGEMENT

The results of the multiple regressions are measured the extent relationship between the dependent variable and the independent variables are presented in the below table. The R-squared value measures how well the regression model explains the actual variations in the dependent variable (Brooks, 2008)

Table 4.4.3 Regression table

. reg fm b fd fu ar						
Source	SS	df	MS	Number of obs	=	83
Model	12.025452	4	3.00636299	F(4, 78)	=	24.92
Residual	9.41093535	78	.120653017	Prob > F	=	0.0000
				R-squared	=	0.5610
				Adj R-squared	=	0.5385
Total	21.4363873	82	.261419357	Root MSE	=	.34735

fm	Coef.	Std. Err.	t	P> t	[95% Conf. Interval]	
b	.3949048	.0929724	4.25	0.000	.2098109	.5799986
fd	-.2646288	.0829253	-3.19	0.002	-.4297205	-.0995372
fu	.4277624	.1246426	3.43	0.001	.1796179	.6759068
ar	.1846707	.0787255	2.35	0.022	.0279404	.3414011
_cons	.9008115	.3906007	2.31	0.024	.1231852	1.678438

Source: STATA Result

Table: 4.4.3 demonstrates the regression summary of the dependent and independent variable and, the results showed that all the explanatory variables (Budget process, Fund disbursement, fund utilization, accounting and reporting factors) explained the Fund management (FM) by 56 percent and The remaining 44 percent the model is by extraneous uncontrollable variables (external factors). There is a rule of thumb which can be used to determine the R² value as follows: 0.1: poor fit, 0.11 to 0.30: modest fit, 0.31 to 0.50: moderately fit, > 0.50: strong fit (Muijs, 2004, p. 166). Therefore, in this study R² is account 0.56 indicates which is greater than 0.50 and then the model is strongly fit for predicting the FM dependent variable.

The P - value indicates at what percentage or precision level of each variable is significant and insignificant. Based the above multiple regression result Budget process, Fund disbursement and fund utilization and accounting and reporting factors are significant at 95 % confidence interval and the P-value is 0.000, 0.002, 0.001 and 0.022 respectively. In addition to the explanatory variables the constant value that is β_0 is significant at 95 % confidence interval the P-value is 0.024.

Based on multiple regression analysis, the above table 4.4.3 Beta (β) weight reveals that the impacts of each Budget process, Fund disbursement, fund utilization and Accounting and reporting factors on fund management are 0.394, -0.264, 0.427 and 0.184 respectively. This shows that the change in the dependent variable for every one unit increase in the explanatory variables, while other variables being held constant. Therefore the Budget process, fund utilization and accounting & reporting factors are positive coefficient and significant at 5 % significance level. Though fund disbursement has a negative coefficient and significant at 5 % significance level. So the coefficient tells us on average when independent variable increase by 1 unit the dependent variable is negatively or positively affect by β amount, but the independent variables showed a statistically significant impact on the dependent variables.

The β_0 is the constant, where the regression line intercepts the y axis, representing the amount the dependent will be when all the independent variables are 0. Here β_0 is 0.900 the probability of the coefficient is significant. Therefore the model that applied in this study is as follows.

$$\mathbf{FM = 0.90 + 0.394 B - 0.264 FD + 0.427 FU + 0.184 AR + \mu}$$

Where

B = Budget process

FD = Fund Disbursement

FU = Fund Utilization

AR = Accounting and Reporting

μ = Error term

4.4.4 HYPOTHESIS TESTING

According to Weiers (2008), if p value is less than the specific level of significance (α), accept the alternative hypothesis; otherwise, do not accept the alternative hypothesis based on this standard the researcher constructed Eight major hypotheses in this study to test factors affecting fund management on OWNP-CWA program implementation in selected sectors. Hypothesis testing was conducted using 5 % significant levels.

A. Hypothesis testing for Budget process and Fund management OWNP-CWA program.

H1A: Budget process is a major significant factor for the fund management OWNP-CWA program

As shown in the above multiple regression results Table 4.4.3 the Budget has a statistically significant positive coefficient of 0.394 at 5 % significance level. Therefore, the researcher has sufficient statistical evidence to accept the alternative hypothesis stating Budget process is a significant factor for fund management in OWNP-CWA program, hence, the P- value is 0.000 which is less than 0.05 significant levels. This implies that there is up to 0.394 unit increase in OWNP-CWA fund management for each unit increase in budget factors which is the first factors in p-value in respect to other factors. However, by rejecting the null hypothesis the researcher made a standard error of 0.092 and this finding agree with Horngren et.al. (2008), concludes that a good budget preparation correctly used as significant value to fund management. In addition to this finding also consistent with Era dabala et.al (2011) a timely budget execution and efficient procurement have sound internal budgetary monitoring and control supports program effective financial management.

B. Hypothesis testing for Fund disbursement and Fund management OWNP-CWA program

H2A: Fund disbursement is a major significant factor for the fund management OWNP-CWA program

As shown in the above multiple regression results Table 4.4.3 the fund disbursement has a statistically significant negative coefficient of -0.264 at 5 % significance level. Therefore, the researcher has sufficient statistical evidence to accept the alternative hypothesis stating fund disbursement is a negative significant factor for fund management on OWNP-CWA program

hence, the P- value is 0.002. This implies that there is up to 0.264 unit decrease in OWN-P-CWA fund management for each unit increase in fund disbursement factors the implication of negative coefficient shows even if the fund disbursement is effective which is negatively affected by the low fund utilization and low implementation the program and this leads to idle resource (high ending balance) as shown in the appendix ending balance for the year ended 7 July ,2017 amounting br 506 million left from the total disbursement approximately birr 4.3 billion almost 25 % is still idle resources . Fund disbursement the third factors next to budget and fund utilization in P-value. However, by rejecting the null hypothesis the researcher made a standard error of 0.097 and which in line with Francis Afande (2013) find that fund management is negatively affected by fund disbursement if there is inadequate funding, wrong timing in fund disbursement and lack of accountability. In addition to this finding also consistent with Donor (2011) and concludes that the delay in payment for contractors by the government lead to other project costs and disrupts fund management. Furthermore this finding is agree with (Kaufmann & Wang, 1995) inadequate funding and cost overruns lead to serious delays of implementation and non-completion of projects.

C. Hypothesis testing for Fund Utilization and Fund management program

H3A: Fund utilization is a major significant factor for the fund management OWN-P-CWA program.

As shown in the above multiple regression results Table 4.4.3 the fund utilization has a statistically significant coefficient of 0.427 at 5 % significance level. Therefore, the researcher has sufficient statistical evidence to accept the alternative hypothesis stating fund utilization is a positive significant factor for fund management on OWN-P-CWA program hence, the P- value is 0.001. This implies that there is up to 0.427 unit increase in OWN-P-CWA fund management for each unit increase in fund utilization factors which is the second factors in p-value next to budget. However, by rejecting the null hypothesis the researcher made a standard error of 0.12. So this finding agrees with Kiplang'at K. Yator (2012) finds that the underutilization of donor fund leads to uncompleted the project activities within the project life, beneficiaries unable to receive the services or the goods as per the intendant purpose and finally leads to refund to the donors and strengthen by Belay H. (2008) found that the efficient resource utilization affects by strong capacity in human, financial, material and technology.

D. Hypothesis testing for Accounting & reporting and Fund management program

H4A: Accounting & reporting is a major significant factor for the fund management OWNP-CWA program

As shown in the above multiple regression results table 4.4.3 accounting and reporting has a statistically insignificant and positive coefficient of 0.18 at 5 % significance level. Therefore, the researcher has sufficient statistical evidence to accept the alternative hypothesis hence; the P-value is 0.022 which is less than 0.05 significant levels. By rejecting the null hypothesis the researched made a standard error 0 .078. Therefore accounting & reporting the fourth a major significant factor for fund management program implementation next to other independent variables.

Table 4.4.4 Summary of hypothesis testing

Hypothesis	P-Value	Relationship Direction	Decision: Accept/ Reject
H1A: Budget is a major significant factor for Donor fund management program implementation	0.000	Positive	Accept H1A
H2A: Fund disbursement is a major significant factor for Donor fund management program implementation	0.002	Negative	Accept H2A
H3A: Fund utilization is a major significant factor for Donor fund management program implementation	0.001	Positive	Accept H3A
H4A: Accounting & reporting is a major significant factor for Donor fund management program implementation	0.022	Positive	Accept H4A

All of the hypotheses have been confirmed by the regression result. All explanatory variables (budget process, fund disbursement, fund utilization and accounting & accounting) have been found to be statistically significant at 5%, a significant level. Furthermore, budget process, fund disbursements and fund utilization also significant at 1 % significance level.

CHAPTER FIVE

5. CONCLUSION, RECOMMENDATION AND FURTHER RESEARCH

This chapter presents the conclusion, recommendation and suggestions for further research. The studies investigate the factors affecting fund management on One WASH National program - consolidate WaSH account (OWNP-CWA) in Ethiopia in selected federal and regional sectors. This study collected data to find out how Budget process, fund disbursement, utilization and accounting & reporting affect fund management of the program.

5.1 CONCLUSION

The primary purpose of this study is to analyze the factors affecting Fund Management on One WASH National program consolidate WaSH account (OWNP-CWA) program in the selected federal & Oromia regional state sectors implements. Data are collected for primary data via 5 point Likert scale questioner and secondary data also used for more interpretation and in support of the data. The collected data are analyzed by descriptive and inferential statistics and analyzed by STATA software.

The conceptual frameworks of the research is designed as well as the multiple regression model is developed to use in this study shows that Fund management was considered as the dependent variable and influenced by the Budget process, fund disbursement, utilization and accounting & reporting independent variables.

The researcher employed exploratory type of research method. Based on this, all factors affecting fund management are analyzed in descriptive and inferential statistics.

The study revealed that the mode, mean and standard deviation is used for descriptive statistics in most of the statement and in average independent variables lies mean score of between 2.72 to 4.54 and most of them are not deviated from the mean which lies between 0.41 to 0.57 and most of respondent are frequently replying in each variable is a mode of 4.00 which is agreed. Whereas some statement which score a mean of less than 3.3 need high attention because they have a negatively affect the program fund management and these areas also supported by the

secondary data collected from the annual and interim financial report, audit and IFR review and other supporting documents.

Multiple Regression analysis of the model undertaken, the results showed that all the four predictors (Budget process, fund disbursement, utilization and accounting & reporting explained the dependent variables by $R^2 = 0.56$. The remaining 44 percent is by extraneous uncontrollable variables (external factors). At 5 % significance level the all explanatory variables a significant factor for fund management.

The hypothesis testing also conducted at the 5 % significance level and The P-value of the independent variables measured less than the P - value of 0.05 as a result the null hypothesis is rejected and the alternative hypothesizes accepted which the independent variables significant factors for the dependent variables.

Test of the model is conducted post estimation, testing and showed that the multi-collinearity, autocorrelation and heteroscedasticity and normality was tested by coloration matrix, Durban-Weston and Inform matrix test, sktest residual respectively. The assumption of OLS is satisfied with the above tests as well as the data are also valid and consistent which is tested by Cranach's alpha.

Generally listed the above major finding in the budget, fund disbursement, utilization and accounting and reporting have mutual interdependence and integration among themselves.

The weakness of one variable is positively and significantly affects the other variable and have factors that affect the fund management of the program. However, some area needs improvement like budget preparation and disclosed at time, the low utilization of program fund because of procurement, lack of integration among sectors, lack of capacity issues at technical and managerial level in addition the uses of IBEX or automated accounting software system in the program also have an impact on the internal control and as well quality (understandability, relevance, reliability and Comparability) of the financial report of the program.

Therefore, the study reveals that all factors identified in the objectives; budget process, fund disbursement and utilization, accounting and reporting play key role in the fund management in One WaSH National program –Consolidated WaSH Account for the success full implementation and achievement program development objective.

5.2 RECOMMENDATION

Donor funded projects are those projects financed by external donations normally by multi – lateral or bilateral agencies and the sources of funds for projects undertaken to achieve intended goals, mainly to transform the quality of the lives of people within developing countries.

As evident in the findings of this study, The four factors investigated by this study, including the budget process, fund disbursement, utilization and accounting and reporting are a significant Factors for donor fund management .The following are the major recommendation in each Factors in order to enhance the program fund management.

A) Budget process

Despite notable improvements shown from year to year, the following issues need attention by all implementers of the program.

✚ *Budget Preparation, Monitoring and Utilization:* - Improve project budget preparation and budget monitoring by

- ✓ Preparing realistic budgets on time and disseminating approved budgets officially to lower level implementing entities like sector bureaus and Weredas;
- ✓ Maintaining budget discipline by monitoring actual performance against budgets, including conducting variance analysis reports and providing an explanation for variation; and Improve project implementation to improve budget utilizing
- ✓ The concerned stakeholder also participated since budget preparation used Top-Down and Bottom –Up approach in order to take the ownership by the public

Therefore, the researcher recommends that budget preparation should be realistic based on practical realities of the pervious years and the absorption capacity of entities to avoid huge under utilizations or over spending. It is also recommended that more efforts and emphasis should be exerted to expedite the implementation of the program and thereby improve the budget utilization with due consideration of the budget gap. The Early finalization of budget ensures early implementation and better utilization of budget. Increased efforts should be made to

finalize budgets early so that implementing entities can be notified of their approved budget on or before the beginning of each fiscal year.

B. Fund Disbursement

The disbursement observation rates for the program from IDA, DFID, AfDB & UNICEF have also improved from year to year specially in case of IDA. However, the disbursements are still low which account 41 percent of the allocated resources as shown on figure 4.3.2.1 and in addition, timely disbursement of fund will also help the Government to get foreign currency to fill the gap of hard currency.

It is recommended that emphasis should go to improving the implementation of planned activities and improve the budget utilization and thereby the disbursement and that project management should work to ensure that fund is reaching to better performing implementing entities as needed as well as the government also get foreign currency.

C. Fund utilization

Utilization is the major challenges that contribute to low implementation of the program. Which is also a factor for the disbursement of the program since the fund is released based performance based disbursement modality. The major issues identified for low utilization are:

- ✚ Lack sectorial coordination and integration
- ✚ Delay the procurement process and distribution of goods and
- ✚ Long outstanding advances & payables are riskier to liquidate
- ✚ Lack of capacity in managerial and technical skill of the staff

The Program management should address all implementation challenges to improve budget utilization and thereby improve disbursements and enhance the implementation of the program without extension or refund to DPS. Recently most of major donor has been shifted their funding modality from a report based to Result based disbursement or program for result (PforR) funding modality due the above challenges into consideration.

Therefore the researchers recommend that the program sectorial coordination needs to improve by using by increasing the working group meeting frequently and increase the participation higher officials, close supervision and timely decision on procurement process also enhanced by

into consideration the remaining project period by the integration of DPS and government , furthermore the continuous capacity building training and technical support should be provided and finally long outstanding Payable and receivables need management attention to settle on time.

D. Accounting and reporting

The accounting and reporting is to provide information about the financial position, performance and cash flows that is useful in making and evaluating decisions about the sources, allocation and uses of financial resources and about how the activities were financed. In Addition, the accounts provide users with information about whether resources were used in accordance with the approved budget. Moreover, the final accounts are audited by independent auditors on which opinions on the fairness of the statements are expressed.

The study reveals that accounting and reporting system of the program does not use automated accounting software even standalone IBEX that the government currently used. On this day government is moving forward to more advanced system which is the Integrated Financial Management Information System (IFMIS) software. Thus, it is highly recommended that the program should use at least a standalone IBEX system to increase the quality of accounting and financial reporting of the program rather than working manual in this Century.

5.3 AREAS OF FURTHER RESEARCH

I suggest that further study should be conducted on other factors that affect the fund management by increasing the implementers of the program and by adding some factors like Internal control, audit and procurement in detail in this program and other donor financed program specifically for those programs with huge resources being allocated.

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APPENDIX I:

QUESTIONNAIRE

**ADDIS ABABA UNIVERSITY
COLLEGE OF BUSINESS AND ECONOMICS
DEPARTMENT OF ACCOUNTING AND FINANCE**

Dear respondent,

The objective of this questionnaire is to gather first-hand information that will help in analyzing **Factors Affecting Fund Management on one WaSH National program-consolidated WaSH account (OWNP-CWA) in Ethiopia.** This study is undertaken as a partial requirement for the completion of the MSc Degree in Accounting and Finance.

All data and information that will be gathered through this questionnaire will be used for the sole purpose of the research and remains confidential. Therefore, you are kindly requested to respond to the questions with utmost good faith, freely and to the best of your knowledge.

Thank you in advance for your time and kind cooperation!

Researcher's Address:

Dereje kassaw

Mobile: +251912079163

E-mail: derejekassaw@gmail.com

General Instruction:

- A. It is not necessary to mention your name.
- B. You are kindly requested to make a tick mark (√) on an item of your choice.

Part I: - General Information

1. Please indicate your gender Male Female
2. Age : 18-30 31-40 -50 60 70 80 90 100
3. What is your position/title in your organization? -----
4. Qualification (educational background)
 Diploma Bachelor's degree Masters' degree PhD other, please specify----
5. Year of experience in this organization in any position
 Less than 2 year's 3 - 5 years 6-10 years' More than 10 years

Part II: - The Questionnaire items (questions)

Please indicate the extent to which you agree/disagree that each of the listed Budgeting, Fund disbursement, Fund utilization and accounting & reporting factors that Factors Affecting Fund Management on one WaSH National program-consolidated WaSH account (OWNP-CWA) in Ethiopia in your organizations by ranking the factors on a five point scale and putting a tick mark“√” where appropriate.

1. Strongly disagree; 2. Disagree; 3. Neutral; 4. Agree; 5. Strongly agree

S.no	Statements	1	2	3	4	5
A. Budget process						
1	Does your organization have an experience on implementing donor -financed project in the past?					
2	Did the project was selected based on GTP II, Objective plan for the budget purpose					
3	Are variance analysis is conducted regularly and explanations is provide for significant variations					
4	Are approvals for variations from the budget required in advance					
5	The budget is allocated for the project is sufficient to achieve Program development objective					
6	Are all stakeholders are participated during budget preparation are involved					
7	The OWNP –CWA budget approved and disseminated to each implementer timely					
8	Budget is allocated based on expenditure category (components)					
9	Any budget adjustment is approved by relevant officials					
10	Is there proper internal control system for the budget?					
B. fund Disbursement						
1	Does cash flow planning is properly prepared and analyzing program activities					
2	Are the fund flow arrangements to transfer the resource is efficiently					
3	Does the PIU have experience in the management of disbursements from donor partners previously					
4	Have there been major problems in the past in receipt of funds?					
5	Do you have a separate bank account open for the program receiving to program resources?					
6	Does the delay of fund is not affected by the procurement process					
7	Has Disbursement were been a factor for poor implementation of the program activities					
C .Fund utilization						
Financial factorshas						
1	All financial transactions of the program are properly documented and recorded.					
2	Does it has adequate supervision of accountants on the fund management of the program					
3	There is an approval system for all transactions by the authorized managers					
4	Do The government and donors are aware to ensure the presence of strong internal control system					
5	Any irregularities in financial management are promptly reported					
6	All assets purchased by program fund are recorded in a fixed asset register					
7	Do the financial management system is compliance with the Government financial management system.					
8	Do all implementing actors work as per the Terms and Conditions					

S.no	Statements	1	2	3	4	5
Technical factor						
9	Does the appropriate technology supplied on time using program funds					
10	Does the financial management system, computerized?					
11	Can the system produce the necessary project financial reports?					
12	Coordination at different levels in making effective use of the integrated technology					
13	Does have Poor data systems and lack of compatibility					
14	All staff has tone on manner quality and timeliness of the fund management affect fund disbursement					
Managerial Factors						
15	Does the current organizational structure is appropriate for the effective program implementation					
16	Does The project lead by effective program implementation unit					
17	Do all staff has adequate technical and managerial knowledge and skills					
18	Does formal training, conduct in the area of donor fund project management?					
19	Implementing sectors have managed to complete all projects, resources for the planned activities					
20	For the purpose of transparency the funds utilization status report reflects the true status of implementation					
21	Does the procurement is conducted on time as per procurement plan					
22	The government and donors have developed a detailed implementation plan, Budget, setting out and how they expect to achieve program development objective					
23	Do you think the program implementation unit (task force) have frequently met and evaluate the status of the program implementation?					
Accounting and reporting						
1	The program has its own separate Financial Management manual					
2	Do payment process is supported by relevant supporting documents					
3	Does the project have an adequate policies and procedures manual to ensure staff accountability?					
4	Is the accounting policy and procedure manual updated for the program activities?					
Cash and Bank						
5	Do internal controls exist for the collection, timely deposit, and recording of receipts					
6	Is bank reconciliation is prepared and cash counts regularly conducted					
7	Bank reconciliation and cash count certificate are attached to the financial report					
Financial Reporting						
8	Are the reports prepared and submit as per the agreed time frame?					
9	Does the project have established financial management reporting responsibilities that specify what reports are to be prepared, what they are to contain, and how they are to be used?					

S.no	Statements	1	2	3	4	5
10	Does the financial reporting system have the capacity to reflect the financial performance with the project's physical progress the program activities?					
11	Do the financial reports contain variance analysis (Budget Vs Actual)					
14	Are financial reports prepared by the automated accounting system?					
	Fund management					
1	Do the budget process is consider physical and financial performance					
2	Budgets are prepared based on detail activities with unit cost & get no objection on time from the donor					
3	Does the agreed program fund is released on time					
4	Donors and government have a system of regularly reviewing expenditures against the plan					
5	Does the Donor funds are utilized for the intended purpose only as per financing agreement					
6	Do you think the program fully utilized the program fund within the project closing period?					
7	Is the financial report prepared for the program In accordance with agreed accounting standards?					
8	Does the financial reporting system designed to reflect the expenditure, source of Finance and budget separately by project components?					

Annex 2

MINISTRY OF FINANCE & ECONOMIC COOPERATION ONE WASH NATIONAL PROGRAM - CONSOLIDATED WASH ACCOUNT

Budget with Consolidated Expenditure (in Birr)

For the quarter ended July 7,2017

Years	Annual budget	Actual expenditure	% age of utilization
2006	118,239,534.01	13,562,231.87	11.47
2007	2,316,012,536.00	452,453,289.00	19.54
2008	2,792,270,068.00	1,432,411,062.47	51.30
2009	3,145,295,790.00	1,780,184,054.53	56.60
Total	8,371,817,928.01	3,678,610,637.87	43.94

Fund utilization

name of implementers	Project life budget	cumulative actual expenditure	% age of utilization
Tigray Region	638,883,316	389,139,223	60.91
Afar Region	222,327,985	57,676,441	25.94
Amhara Region	1,663,107,885	1,133,311,181	68.14
Oromia Region	2,534,863,718	853,341,943	33.66
Somali Region	693,755,329	379,576,852	54.71
B.Gumuze Region	162,473,126	68,171,839	41.96
SNNP Region	1,386,538,342	499,227,978	36.01
Gambela Region	118,978,100	40,961,554	34.43
Harari Region	76,018,896	40,188,368	52.87
Dire Dawa	124,254,927	45,374,192	36.52
MOWIE	632,936,578	136,158,663	21.51
MOE	48,221,960.00	7,027,567.61	14.57
MOH	24,700,319.00	9,163,680.09	37.10
MOFEC	22,443,655.58	19,291,160.01	85.95
Total	8,371,817,928.01	3,678,610,641	43.94

Ending balance

<u>Description</u>	Birr
Cash at MoFEC Held Pool Birr Accounts (662)	6,243,302.94
Designated account IDA Credit (USD)	18,690,312.36
Designated account DFID Grant (USD)	1,875,108.96
Designated account UNICEF Grant(USD)	7,102,492.00
Designated account AfDB Loan (USD)	12,973,374.00
Cash at MoWIE	25,760,948.91
Cash at WRDF	20,045,223.74
Cash at MoE	161,799.91
Cash at MoH	8,078,565.12
Cash at MoFEC	663,772.58
Total cash at Federal level	101,594,920.87
Cash at Region level	563,729,098.73
Total cash	665,324,019.61
Advance	457,203,575.89
Payable	(616,125,618.47)
Ending Balance	<u>506,401,977.03</u>

Raw data

No. of respondent	FM	B	FD	FU	A&R
1	3.1	2.8	4.0	2.8	3.7
2	3.6	3.8	3.4	3.3	3.7
3	2.8	3.3	3.4	2.7	2.8
4	3.9	3.7	3.6	3.8	4.0
5	4.3	4.4	3.3	3.7	4.8
6	2.3	3.1	4.0	2.6	2.1
7	4.1	4.1	4.3	4.0	3.8
8	4.0	4.5	3.3	3.7	4.1
9	2.9	2.7	5.0	3.4	4.1
10	3.5	3.4	3.4	3.1	4.0
11	3.4	3.4	3.7	3.4	3.3
12	3.0	4.0	4.4	4.0	3.8
13	4.0	4.2	4.0	3.9	4.0
14	3.4	4.1	3.6	3.9	2.8
15	3.1	3.8	3.4	3.3	2.1
16	3.6	3.4	3.7	3.9	4.3
17	3.3	3.0	3.4	3.4	4.2
18	3.6	3.8	3.7	4.6	4.8
19	2.8	3.3	3.9	3.2	3.3
20	3.4	3.5	3.7	3.6	3.9
21	4.4	4.2	2.9	4.0	4.1
22	4.3	3.0	3.3	3.8	4.1
23	3.5	3.8	3.4	2.7	3.8
24	3.4	3.3	3.4	2.8	3.5
25	4.1	4.1	3.3	3.5	4.2
26	4.1	4.2	3.3	3.8	4.6
27	3.9	3.5	3.1	3.2	3.5
28	3.8	4.3	3.6	3.4	3.8
29	4.1	3.5	2.3	3.3	4.0
30	3.9	4.0	3.1	3.9	4.3
31	3.8	4.1	3.3	3.0	3.3
32	4.1	3.1	3.3	3.9	3.4
33	2.6	1.8	1.9	2.9	2.3
34	3.4	3.1	2.9	3.3	4.1
35	4.1	4.6	3.7	4.0	4.9
36	4.3	3.5	3.3	3.7	4.5
37	4.3	4.0	3.6	3.8	4.3
38	3.6	3.2	3.1	3.1	4.8
39	3.8	3.4	2.6	3.1	3.6
40	3.5	3.8	3.3	3.9	5.0
41	4.2	4.3	4.0	3.3	5.0

No. of respondent	FM	B	FD	FU	A&R
42	4.1	3.7	2.7	3.8	4.7
43	4.0	4.1	2.7	3.7	4.1
44	4.1	3.8	3.3	3.7	4.1
45	2.5	3.1	3.7	3.1	3.5
46	2.5	2.8	3.0	2.9	3.2
47	2.6	2.8	3.0	3.2	3.2
48	3.3	3.4	3.7	3.2	3.8
49	4.3	4.2	3.7	4.0	4.7
50	3.8	3.4	3.1	3.5	3.7
51	4.3	3.8	3.3	3.7	3.6
52	3.5	3.3	3.1	3.7	4.1
53	3.5	3.3	3.3	3.5	3.6
54	4.0	3.5	3.4	3.8	3.8
55	3.5	4.0	3.0	3.4	3.9
56	4.3	3.8	3.4	4.0	3.9
57	3.9	3.7	3.7	3.6	3.9
58	3.5	3.4	3.4	3.5	3.8
59	3.4	4.0	3.4	3.3	4.0
60	4.1	3.8	3.9	3.5	3.4
61	3.9	4.1	3.4	3.7	3.9
62	4.3	2.8	3.0	3.3	3.7
63	3.0	3.5	3.0	2.7	2.7
64	4.0	4.3	3.3	3.7	3.6
65	4.0	4.1	3.1	3.5	3.9
66	3.1	2.9	2.9	3.3	3.8
67	4.1	4.3	4.3	4.0	4.3
68	4.1	4.3	4.3	4.3	3.6
69	3.8	3.6	2.7	3.4	3.6
70	3.4	3.8	3.1	3.0	3.3
71	3.6	3.6	3.7	3.3	4.3
72	3.0	3.5	3.1	3.4	4.1
73	3.5	3.3	3.1	3.1	3.7
74	3.8	3.6	3.1	3.1	3.9
75	4.0	3.5	2.3	3.6	3.4
76	3.3	2.7	3.1	2.9	3.3
77	3.0	3.1	3.4	3.4	4.0
78	2.9	3.4	3.0	3.0	3.9
79	3.5	3.0	2.9	2.7	3.0
80	3.8	3.7	3.6	3.7	3.6
81	3.5	4.0	3.0	3.8	4.3
82	3.3	3.4	2.7	3.2	3.1
83	2.8	3.0	3.4	3.0	3.8