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ADDIS ABABA UNIVERSITY
COLLEGE OF BUSINESS AND ECONOMICS
DEPARTMENT OF ACCOUNTING AND FINANCE
MSC ACCOUNTING AND AUDITING

ASSESEMENT OF DONOR FUND UTILIZATION IN ETHIOPIA: THE CASE OF
PRODUCTIVE SAFETY NET PROGRAM

A THESIS PRESENTED FOR THE PARTIAL FULFILMENT OF THE REQUIREMENTS FOR THE
DEGREE OF MASTERS OF SOCIAL SCIENCE IN ACCOUNTING AND AUDIRING

BY

DEJENE ADEBA

ADVISER: HABTAMU. B (PhD)

March, 2018

DECLARATION

I, hereby declare that the research entitled “**Assessment of Donor Fund Utilization in Ethiopia: The case of Productive Safety Net Program**” is my original work and is my own effort and study. It has been done by me independently except for the guidance and suggestion from my research advisor. It is presented here, in partial fulfillment of the requirements for the degree of masters of social science in Accounting and Auditing.

Declared by:

Name: Dejene Adeba

Signature _____

Date _____

Confirmed by Advisor

Dr Habtamu Berhanu

Signature _____

Date _____

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By

Dejene Adeba

Approved by Board of Examiners

Name	Signature	Date
Advisor		
Habtamu Berhanu (PhD)	_____	_____
Internal Examiner		
_____	_____	_____
External Examiner		
_____	_____	_____
Chair of Department Graduate		
Program Coordinator		
_____	_____	_____

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ABSTRACT

The purpose of this study is to conduct an assessment of donor fund utilization in Ethiopia taking productive safety Net Program as a case. This study adopted a descriptive research design. The target population was a total of 69 employees working on activities of PSNP in the five organizations. This was from Amhara and Oromia regional states, MoANR, World Bank (in WB those who are working on the position of financial specialist, financial analyst, procurement specialist, M&E specialist and finance coordinator) and MoFEC. The selection of the respondents was determined based on their organizations' high relation with the program. These are significance of their responsibility, the allocation of highest program's funds/budget and proximity to Addis Ababa for data collection. Primary data was collected by distribution of questionnaires to 69 employees working in these five organizations. Descriptive statistics was used for analysis of the research data. The study revealed that (i). Institutional dimensions have a neutral effect on fund utilization with the key factors of : weak coordination between the implementers, involvement of multi sectors in the fund utilization, high staff turnover, long procedure in fund transfer request (ii) Financial management factors have direct relation with fund utilization with key factors of:- delay in budget information notification,, delay in preparation of Procurement plan, delay in procurements , improper budget preparation and (iii) technical factors has shown that it has neutral effect on the fund utilization.

Therefore, it was recommended that:-Institutional arrangement needs to be restructured .That is - to facilitate smooth, proper and timely utilization of PSNP fund, separate and independent (autonomous) project coordination unit that comprises staff from each concerned sectors with multidisciplinary fields of staff with adequate remuneration needs to be established at federal, regional and woreda level . Furthermore, to avoid improper logistic arrangements Specific vehicles have to be assigned and used only for PSNP activities to facilitate timely payments to beneficiaries of the program. Finally, the data base has to be updated to accommodate all types of beneficiaries' payments in a very organized manner to avoid repetitive resetting.

Key words: Institutional factors, financial management factor, technical factors and fund utilization

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ACRONOMYS

APL	Adaptable Program Loan
BoFED	Bureau of Finance and Economic Development
BOA	Bureau of Agriculture
CIDA	Canadian International Development Agency

CFSTF	Community Food Security Task Force
CBE	Commercial Bank of Ethiopia
CAFR	Comprehensive Annual Financial Reports
DAC.	Development Assistance Committee
DA	Development Agent
DFID	UK British (Department for International Development)
DPs	Development Partners
DPPA	Disaster Prevention and Preparedness Agency
DRMFSS	Disaster Risk Management and Food Security Sector
EU /EC	European Union/Commission
FFSCD	Federal Food Security Coordination Directorate
FGE	Federal government of Ethiopia
FSP	Food Security Program
FM	Financial management
GASB	Governmental Accounting Standard Board
GNP	Gross National Product
GC	Gregorian calendar
GOE	Government of Ethiopia
IAES	Institute of African Economic Studies
IBRD	International Bank for Reconstruction and Development
IBEX	Integrate Budget and Expenditure System
ICT	Information Communication Technologies
IDA	International Development Association
IFR	Interim Financial Report
IMF	International Monetary Fund
ICB	International Competitive Bidding
JRIS	Joint Review and Implementation Support

KFSTF	Kebele Food Security Task Force
KG	Kilo Gram
KM	Kilo Meter
LE	Low Effect
MDGs	Millennium Development Goals
ME	Medium Effect
MFI	Micro-Finance Institutions
MoFEC	Ministry of Finance and Economic Cooperation
MoANR	Ministry of Agriculture and Natural Resource
MoLSA	Ministry of Labor and Social Affairs
NBE	National Bank of Ethiopia
NCB	National Competitive Bidding
NDRMC	National Disaster Risk Management
MoU	Memorandum of Understanding
NGO	Non-Governmental Organization
ODA	Official Development Assistance
OECD	Organization for Economic Cooperation and Development
OFAG	Office of Federal Auditor General
PAD	Project Appraisal Document
PASS	Payroll and Attendance Sheet System
PIM	Program Implementation Manual
PSNP	Productive Safety Net Program
SIDC	Secure Identification Credentials
SIDA	Swedish International Development Cooperation Agency
SNNP	South Nation Nationality People
SPSS	Statistical Package for Social Sciences
SE	Strong Effect

UNDP	United Nations Development Program
WB	World Bank
WoFED	Woreda Finance and Economic Development
WAO	Woreda Agriculture Office
ZoFED	Zonal Finance and Economic Development

CHAPTER ONE

1. Introduction

1.1. Background of the Study

Ethiopia has a long history of receiving foreign aid, dating back to the early 1950s. Yet the amount remained very low until the 1980s when the devastating 1984 famine resulted in sharp increase in official development assistance (ODA), mainly in the form of humanitarian aid. Since the 1980s the importance of foreign flows in Ethiopia grew in importance due to recurrent droughts, fast population growth, huge and growing balance of payments deficits, and a largely stagnant economy, among others. Assistance was received for humanitarian and for other development sectors like: Agriculture & Rural development, Road, Energy, Health, Education, Water, Transport & Communication, Industry, Multi-sector (cross-cutting), and Other sectors. Loans and grants are obtained for stabilization, rehabilitation, reform and sector development programs. Foreign aid also supports the budget thus filling the fiscal gap and increases the capacity of the government to meet its development and recurrent expenditure. The Aid has been channeled through NGOs and various sectors (Alemayehu 2011). This study was focused on the program related to humanitarian aids named as PSNP which is financed by multiple donors.

Food insecurity has become one of the defining features of rural poverty, particularly in drought-prone areas of Ethiopia. Poverty is widespread in both rural and urban areas. However, the magnitude is much greater in drought-prone rural areas than in urban areas. The problem of food insecurity in recent years has worsened with around 14 million people requiring emergency food aid. The major causes of food insecurity in Ethiopia include land degradation, recurrent drought, and population pressure and subsistence agricultural practices characterized by low input and low output.(PIM 2006).

Some rural households of the country live below the food poverty line. They are engaged in subsistence farming on small fragmented plots of degraded land .A livelihood increasingly subject to weather fluctuations as a result of climate change. Based on this, the Government of Ethiopia has decided in GC 2003 that there is an urgent need to address the basic food needs of food insecure households via a productive safety net system. This is planned to be financed through multi-year predictable resources, rather than through a system dominated by emergency humanitarian aid. Moreover, the Government seeks to shift the financing of the program from food aid to cash distributions. When possible, cash should be the primary form of transfer. This assists with the stimulation of markets – since people spend their cash in

local markets – and the move away from food aid. Food transfers are provided at times and places when food is not available in the market, or where market prices for food are very high. This protects PSNP clients from food shortages and asset depletion. The national Food Security Program emphasizes to address food availability, access to food and utilization. On this basis, the government has decided to develop a new Productive Safety Net Program. It is a component of the larger Food Security Program of the Government of Ethiopia. It is an integral feature of a coherent food security investment strategy for chronically food insecure Woredas of the country (PIM 2014).

PSNP has contributed to the GoE's pro-poor development agenda of the government .Its contribution is approximately 9 percent to pro-poor spending and 1.1 percent of GDP in recent years (World Bank 2014).

The PSNP program has been implemented in 4 phases. These are: - Phase I (2005-2006) II (2007-2009), Phase III (2010-2014) and phase IV (2015 -2020).The project cost of the 4th phase is estimated at USD 3,625.00 million. In this phase, government is expected to contribute USD 500.00 million within the 5 years implementation of this phase. The government is expected to take over the program through its own fund there after (PIM 2014).

The PSNP program has been implemented at the rural woredas of the country which are considered as chronically food insecure. These are :- Tigray,(31 woredas) Amhara, (64 woredas) , Oromiya (79 woredas), SNNP (79 woredas), Afar,(32 woredas), Somali (28 woredas), Harari and Dire Dawa . The total number of beneficiaries of the program is 7,997,218 (Revised PIM 2010).

The program is implemented by different sectors from federal to kebele level. These are MoANR, MoLSA, and NDRMC & MoFEC . The MoANR is responsible for oversight and coordination of the Program's activities. It also prepares and consolidates work plan, procurement plan and budget of the program by collecting the information from all the implementers. MOLSA ensures the integration of the permanent direct support component with the overall Social Protection Strategy, and oversees activities in the employment pathway. MOLSA will have a Secretariat to coordinate and oversee support to permanent direct support clients .NDRMC plays a critical role in PSNP contingency budget planning and use by providing both accurate and timely early warning information as well as adequate linkages between PSNP federal contingency budget resources activities and other activities related to humanitarian response . MOFEC is responsible for the overall financial management and a suitable accounting system from federal to the Woreda levels (PIM 2014).

Program's activities have been designed and redesigned every five years. To implement the program's activities, financing agreements have been signed between donors and GoE . The cash forecast has been done every 6 months .The fund has been collected from different donors in different currencies .By converting these into Birr; fund has been transferred to implementers from federal to woreda level. Most of the program's fund has been disbursed to the beneficiaries found at the community level. The modalities of the payments are in cash and/or in food .This is based on the availability of the food in the local market. This study was limited to fund utilization issue related to cash distributions (PIM 2010).

Financial transactions of the Program are recorded and reported by implementing agencies at federal, regional and woreda levels. The Program's accounting system is designed in accordance with the FGE's accounting system. The accounting system employs a modified cash basis of accounting (MoFEC 2014).

The financial report of PSNP has been consolidated at MoFEC level. The woredas submit the financial report to the regions. The regions consolidate the reports of woredas and regional sector offices and submit it to MoFEC. The consolidated financial report has been prepared by MoFEC and submitted to DPs. These all has been done on the quarterly basis. The quarterly report is known as IFR .Finally; annual financial report has been prepared and submitted to the auditors. The flow of annual financial report is the same as IFR (PIM 2014).

Based on the researcher's several years work experience in the program as senior accountant, audit findings of every years and donors continuous assessments have ascertained the fund utilization of PSNP have been constrained by many prevailing challenges such as: huge amount of fund has been tied up in hand and at bank, the annual budget has not been fully utilized and there were regions' block grant deduction due to ineligible expenditures which affect project implementation process as well as realization of goals. The causes of all these problems were not identified yet.

Therefore, this study was focused on the assessments related to fund utilization of the program basing the consolidated financial reports and financial actives of PSNP in Ethiopia.

1.2. Statement of the problem

The Productive Safety Net Program lies within the GoE's food security program designed for food insecure households found at the rural parts of the country. It provides cash and/or food transfers to these households. The Program consists of two components:

(i) Public Works component: - is a labor-intensive; which is designed to provide employment for chronically food insecure people who have labor. The activities performed by these labors includes: soil conservation structures, repair of buildings, Community access roads, spring development, river diversions, biophysical soil and water conservation, gully control, forestry/agro forestry, forage development and pasture development, water projects/community and micro level/construction and rehabilitation ,Small-scale irrigation construction or expansion and rehabilitation ,community road construction and rehabilitation, social infrastructure construction (including latrine) and rehabilitation etc.

(ii) Direct support component:- to ensure support to those households who have no labor at all, no other means of support and who are chronically food insecure and do not have any other form of support.

Budgets/costs required to implement the above components includes: - capital budget for the implementation of public works activities, staff salary, administrative expenditures like training, transportation, etc, capacity building which includes office furniture, computers etc (MoFEC 2014) .

Activities of the Program have been designed to achieve certain objectives. To meet these objectives, definite amount of fund/ resource has been required. These resources could be obtained from various sources (domestic and foreign). External resources require negotiations and signing of financing agreement (assistance/ loan) between the recipient and donors. These resources are expected to be utilized effectively and efficiently to deliver the desired output and objectives. Since resources are limited, if not utilized properly and timely, the objective will not be achieved. To facilitate prompt utilization of fund, proper planning, budgeting, internal controls, fund flow, accounting, financial reporting, auditing arrangements, control of resources and expenditures are required (Alemayehu 2011).

Most of the funds advanced by the donor community do not usually end up being used for the intended purposes on a timely basis as it has been agreed with implementers. Ineffective utilization of donor funds has been a major issue among the donor community. This leads to suspension of the donor funding and as the result projects/programs will be delayed or terminated without achieving intended results. It is also

recognized that the successful implementation of development projects and programs depends on several factors including stakeholders' involvement in the project and predictability and timing of their main source of finance. Donor funded projects often experience the problem of disbursement delays not only in the poor countries but in all countries (Kitivi 2011).

Different studies were conducted regarding utilization aspects of donors' fund. For instance, (Daniel 2015) had conducted study on the "Determinants of Donor Fund Utilization: The Case of PSCAP in Oromia. Afande (2013) had conducted a study on "factors affecting use of donor aid by international non-governmental organizations in Kenya. Adan (2013) also had conduct a study on "Factors Influencing Effective Utilization of Donor Funding" in Kenya. In these studies, important factors /variables like, logistics and institutional arrangements (whether different sectors were involved in the implementation of the fund) were missed

The quarterly consolidated financial report of the program is showing that low budget utilization of the program is recurring every period. It is expected that 25% of the budget could be utilized each quarter. The utilization rate at the end of 3rd quarter (for 9 months) is expected to be 75% of the annual budget. Based on the financial statement consolidated by MoFEC, the budget utilization rate of the program for 9 months was prevailing 38%, 44%, 48.57 % and 22% for the EFY 2005, 2006, 2007 and 2008 respectively. The annual utilization rates of these years were between 55 % and 88%. From this, it is to be noted that most of the fund has been utilized (rushed out) at the end of the year (consolidated financial report at MoFEC of these periods/ EFY 2005-2008).

Furthermore, PSNP, with the implementation period of more than 10 years (2005-2017) has been challenged in the timely fund utilization through its life of implementation. As the researcher's preliminary assessment and work experience on the program, no formal study has been conducted on the efficient fund utilization of PSNP. Therefore, this research intends to asses factors affect the proper utilization of PSNP's fund utilization.

1.3. Objectives of Study

1.3.1 General Objective

The main objective of this study is to assess the practice of fund utilization in Ethiopia: in the case of Productive Safety Net Program (PSNP).

1.3.2. Specific Objective

This study was guided by the following specific objectives:-

- To determine the impact of institutional factors on the fund utilization of PSNP,
- To establish the extent to which financial management affect effective use of PSNP's fund.
- To describe the relation between technical factors and fund utilization of PSNP.

1.4. Research Questions

This study was conducted to answer the following questions:-

- How do institutional factors determine fund utilization of PSNP?
- To what extent financial management factors affect fund utilization of PSNP?
- What is the relationship between technical factors and fund utilization?

1.5. Significance of the study

It is hoped that the findings of this study is beneficial to various key stakeholders. It enables the NGOs operating in Ethiopia .It also help them to put in place appropriate corrective mechanisms that would enable them offer services in a more effective manner. The study also assists the government policy makers, who include planners, will gain an understanding of the factors affecting effective use of donor aid, and is therefore undertake a policy review and formulate policies that address the findings of the research.

In addition, this study will help the programs implementers and the donor community in gaining an understanding of the factors affecting effective use of donors' fund and use the research findings to improve on their own performance in managing donor funded program.

Finally, this study can make a significant contribution to the growing body of research on effective use of donors' funds. The findings may also be used as a source of reference by other researchers. In addition, academic researchers may need the study findings to stimulate further research in this area and as such form a basis of good background for further researches

1.6. Scope of the Study

PSNP has been implemented using two resources namely cash and food .Cash/fund management is the role of MoFEC while food management is the responsibility of MoANR . In this regard, this study was limited to cash resource. It is also to be noted that MoFEC is responsible for financial management and MoANR is

responsible for the physical management of the program. This study focused on financial management of the program. Under Channel One Program, about 10 programs/projects are managed. The study was focused only on PSNP fund utilization issues. The implementation of PSNP had started in 2005. For the simplicity and manageability; the study was covered 2010-2015 time span.

1.7. Limitation of the Study

This study has its own limitations which are encountered at various stages. The primary limitation of the study is lack of sufficient material and research done on the area of fund utilization. However, attempts have been made to support the shortfalls of these responses with secondary data.

1.8. Organization of the paper

This research is comprised of five chapters. Chapter one presented introduction of the paper whereas chapter two concentrated on the review of related literature. The third chapter was dealt with the research methodology and design. Presentations and analysis of determinants of PSNP fund utilization were discussed in the chapter four. Finally, chapter five dealt with summary of findings, conclusions and recommendations of the research so far identified.

CHAPTER TWO

REVIEW OF RELATED LITERATURE

2.1. Introduction

As the study focuses on ' **the assessment of donors fund utilization**', in this chapter authoritative, recent, and original sources such as journals, books, theses and dissertations related to the research topic were reviewed that assist as the ground for the study .

The chapter primarily clarified basic concepts and definition relevant to the study .The review was organized according to the specific objectives in order to ensure relevance to the research problem. Most of the sources were engaged in business related to donors fund utilization issues. The literature review also enables a conceptual framework to be developed. In addition, the chapter provides the theoretical aspects of the study. This chapter specifically is made up of : definition of donors, nature of a fund, ,rationale for using fund accounting, disbursement methods of funds by donors ,withdrawal of funds from the financing account by recipient ,meaning of foreign aid , modalities of foreign aid ,components of foreign aid ,determinants in donors fund utilization (institutional factors ,financial management ,technical factors) ,empirical study and the conceptual framework.

2.2. Definition of Donors

According to glossary of aid flows terms of OECD definition (Page 8), Donors are any entity including sovereign governments, intergovernmental institutions, private nonprofit entities, and private for-profit organizations that contributes funds to IDA or to be held in trust by IBRD. A World Bank group entity is considered a donor when making a contribution from its own income or from surplus. Donor funding concept involves giving out funds for projects of a development nature by a donor agency or organization. The function of a donor agency is to provide funding through different channels for example through the official (government) channels as well as private channels. Private funding agencies generally channel funds through NGOs (Radelet 2006).

2.3. Nature of a Fund

To understand the nature of funds, the meaning of fund should be clear. In this regard, according to, GASB Cod. sec. 1100.102 defines a fund as follows: . . . a fiscal and accounting entity with a self balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes there in, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

Fund can be defined from the total resources point of view as the one which involves an external entity, whether the transaction is on a cash or credit basis, and whether long or short term assets and liabilities are involve. The nature of fund can also be related with fund flow statement and cash flow statement (Dufty 1982).

2.4. Rationale for using fund accounting

Fund accounting refers to the method of accounting that reports in terms of funds rather than in terms of organizations. The practical effects of adopting fund accounting depend up on the extent to which different funds are utilized and the form and extent to which the individual fund accounts are consolidated in to one operating statement and one balance sheet (Jones 1996).

GASB Cod. sec. 1300.101 explains that the diversity of activities reported by governments and the need to show legal compliance makes it necessary for most governments to use several (and often many) separate funds, each reporting their own assets, liabilities, and equity. For this reason from an accounting and reporting standpoint, each government is a combination of a broad variety of funds, each having a separate set of accounts and functioning independently of other fund

2.5. Disbursement Methods of Funds by donors

- i. The Donor establishes disbursement arrangements for a project in consultation with the borrower, taking into consideration, among other things, an assessment of the borrower's financial management and procurement arrangements, the cash flow needs of the project, and its disbursement experience with the borrower. Those arrangements are stated in the financing agreement and additional information is provided in the disbursement letter.
- ii. The donors disburses funds from the financing account established for each loan, to or on the order of the borrower, using one or more of the following disbursement methods, as determined by the donors.

(a) Reimbursement: the donors may reimburse the borrower for expenditures eligible for financing pursuant to the financing agreement (eligible expenditures) that the borrower has pre financed from its own resources.

(b) Advance: the donors may advance funds from the financing account into a designated account of the borrower to finance eligible expenditures as they are incurred and for which supporting documents will be provided at a later date

(c) Direct Payment: the donors may make payments, at the borrower's request, directly to a third party (for example, supplier, contractor, or consultant) for eligible expenditures.

(d) Special Commitment: the donors may pay amounts to a third party for eligible expenditures under special commitments entered into, in writing, at the borrower's request and on terms and conditions agreed between the World Bank and the borrower (WB 2017).

2.6. Withdrawal of Funds from the Financing Account by recipient /borrower

a) Authorized signatures. Before funds may be withdrawn or committed from the financing account, the authorized representative of the borrower (as designated in the financing agreement) must furnish to the respective donors, an authorized signatory designation letter, the name(s) of the official(s) authorized (a) to sign and submit applications for withdrawal and applications for a special commitment (collectively, applications), and (b) to receive SIDC from the donors. The borrower must notify the donors of any changes in signature authority.

b) Terms and conditions of use of SIDC to process applications. By designating officials to use SIDC and by choosing to submit the applications electronically, the borrower confirms its agreement to abide by the terms and conditions of use of SIDC.

c) Applications - must be provided to the donors in such form as is required to access funds from the financing account and must include such information as the donors may reasonably request.

d) Necessary supporting documents- should be submitted to the donors, in a manner and on terms and conditions specified by the donors.

e) Minimum Value of Applications. The donors establish a minimum value for applications for reimbursement, direct payment, and special commitment. The donors reserve the right not to accept applications that are below such minimum value.

f) Loan disbursing Period. The donors process applications only after the financing agreement has been declared effective in accordance with the terms of the financing agreement (WB 2017).

2.7. Meaning of Foreign Aid

Foreign aid has been given different meanings by different schools of thought with respect to its structure, its factors such as interest rate determination, repayment period and other modalities. Foreign aid takes place when a recipient country receives additional resources in foreign currency over and above the capacity to import generated by exports. Foreign aid means those additional resources, which are used to raise the performance of the recipient country above the existing level. (Saeed 1995).

The working definition /meaning of Foreign Aid is given by different authors and organization. The standard definition of foreign aid comes from the DAC of the OECD, which defines foreign aid (or the equivalent term, foreign assistance) as financial flows, technical assistance, and commodities that are:- (1) Designed to promote economic development and welfare as their main objective (thus excluding aid for military or other non-development purposes); and (2) are provided as either grants or subsidized loans (Radelet 2006)

2.8. Modalities of Foreign Aid

There are three different kinds of donor funding agencies. The first one is the resources inflow from one government/country to another government which is known as bilateral aid. Secondly, the resources inflow from financial institutions to a government which is considered to be multi-lateral aid/ sources. Lastly there are charitable organizations such as OXFAM, the Ford Foundation amongst others NGOs (Mosley, 1987). Foreign Aid comprises of both bilateral aid that flows directly from donor to recipient governments and multilateral aid that is channeled through an intermediary lending institution like the World Bank (Abuzeid, 2009).

Most aid is given by DAC member countries like Canada, Denmark, France, Germany, Italy, Japan, Netherlands, Sweden, United Kingdom, Switzerland United States, Ireland, European Union etc are known to be major Donor Countries and the Aid given by these countries is known as bilateral sources (WB 2002-03).

The major multilateral institutions include: - the World Bank (IDA), the IMF; the African, Asian, and Inter-American Development Banks, and various United Nations agencies such as the UNDP (Radelet 2006).

The World Bank, as it is known in multilateral assistance institution, it has two arm lengths .In that the 1st is IDA which provides interest-free loans (“credits”) and grants to the poorest developing countries in order to boost their economic growth and improve living conditions. IDA complements the World Bank's other

lending arm. The 2nd is IBRD which makes loans and grants and provides analytical and advisory services to middle-income and creditworthy poorer countries, promoting sustainable development to reduce poverty (OECD). It is known that the aid given by multilateral assistance, which pools resources together from many donor countries, is administered under the trust fund systems. According to OECD definition, trust fund is a financing arrangement in support of defined development objective(s) set up with contributions from one or more donors and in some cases from an entity of the World Bank Group. A trust fund can be country specific, regional, or global in its geographic scope; it can be freestanding, i.e., financing a set of pre-defined activities, or on a programmatic basis.

2.9. Components of foreign Aid

According to (Abuzeid, 2009) ,donor funding or foreign aid refers to ODA. Donor funding is a loan or a grant administered with the objective of promoting sustainable social and economic development and welfare of the recipient country. Components of foreign Aids are:-

i) Grant

It is a kind of a foreign Aid which does not entail the payment of the principal or interest. This means it is a free gift of resources. It has no repayment obligation when utilized for the agreed activities. Grant is also define as a generic term applied to funding or other incentives provided to individuals , community groups, statutory bodies or commercial enterprises. It can be in the nature of incentives, donations, contributions, debts forgiven, rebates, tax relief and other similar funding arrangements, and may be in the form of cash or other property.

ii)Loan

It is a form of foreign Aid which has longer period for repayment principal and interest on agreed up on interest rate and with in time boundaries.

2.10. Determinants of donors fund utilization

Programs have been designed to carry out certain objectives. To meet these objectives, definite amount of fund/ resource has been required. These resources are expected to be utilized effectively and efficiently to deliver the desired output and objectives. The proper and timely utilization of donors fund is influenced by different factors. Based on the researcher's experience and studies /assessments, the study identified and categorized these factors as follows.

2.10.1. Institutional factors

In this study, the institutional factor is referring to institutions, organizations and all other stake holders who play vital role for the proper utilization of donors' fund. It also includes different funding lines (donors) and implementing partners who are involving in the utilization of donors' fund.

These institutions are those in which funds and information related to the program's activities have been flowed vertically and horizontally to implementers'. The structures, accountability and responsibilities of each institution are those factors to be considered as a decisive in the case of donors fund utilization.

2.10. 1 .1.The relationship between donors and recipients

Harmonization between donors and GoE has been a principal feature of PSNP design. This has taken place within a common donor/GoE framework, with joint donor missions, shared and pooled resources, common documentation during concept development and several stages of program design and appraisal. Donors are committed to continuing to develop harmonized approaches to PSNP during implementation. A number of common arrangements have been agreed, including coordinated dialogue with GoE, a common framework in planning, monitoring and evaluation systems, financial accounting and procurement procedures.

A MoU between GoE and donors will form the basis for harmonization. A Joint Government-Donor PSNP Working Group has been established to provide a basis for dialogue on policy and implementation, through increasing transparency and predictability of resource flows, harmonization of aid administration, alignment and mutual accountability.(MoA ,2006,2010 &2014)

A key proposition in aid partnership is that donors-recipients partnership should help to build local capacities so that recipient countries can do things for themselves on the basis of locally-defined development strategies formulated as a result of a dialogue. It also implies the need to redress the power asymmetry between recipient countries and donors, and to progressively transfer responsibility and ownership to the former. Terminology such as 'donor' and 'recipient' has accordingly been replaced by terms like 'development partners', suggesting a more equitable relationship based on a shared agenda for change (Hauck 2000).

Ownership is heavily influenced by the quality of the government-to-government partnership within which the projects emerge, and where ownership can grow. As cited by (Edgren 2003:5) study on SIDA projects in East Africa found that “partnership was particularly strong in Tanzania, where it had enabled SIDA and its Ministry counterparts to develop innovative approaches that were owned by government. By contrast, the partnership with Kenya was strained, which was reflected in several programs and in the approach of working extensively through NGOs.”

Partnership is defined as reciprocal rights and obligations between donors and recipient, and it is operational through aid coordination. The partnership concept provides the framework within which aid coordination is to take place. But while the structure and principles of partnership are important, it is largely the practical experiences of aid coordination that are giving content to the partnership concept (Disch 1999:17-19).

Through transparency, donors and recipients can be held accountable for what they spend and aid can be made more effective by knowing: Who gives money to which recipient, what project is being funded and for what donor aid predictable and reliable. Transparency has been shown to improve service delivery and to reduce opportunities for diversion and therefore corruption (Pranay & Hubbard, 2011).

Developing good relationships and shared understanding is really important if both (the DPS and recipients of the funds) sides are to work together effectively to achieve their goals. But managing relationships between organizations is not easy one will probably have experienced challenges like language and culture differences, lack of understanding or respect for each other, problems with email communication, funds sent late, accountability reports sent late, difficult grant conditions and the messy complexity of implementing aid or development programs all this makes for a challenging environment (Mango, 2014).

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 to the MDGs. Unfortunately; it's these very safeguards which become an impediment to the establishment of a smooth implementation of a sound reporting process. Whether the projects are implemented by governments, local NGOs or the donor's own local management teams, these strict expenditure ceilings within which implementers 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).

2.10. 1 .2. The relationship between implementers of Donors funds

In all governments, resources earmarked for particular uses 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 program is seldom available (Dehn et al., 2003).

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 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 need for coordination and collaboration among various stakeholders to ensure that funds received are made use of efficiently and effectively. Good relationships are crucial when working within an organizations' stewardship business model which allows individuals to specialize and focus on what they do best. Relationship management involves recognizing and respecting the unique competencies of others and working together to achieve common goals (Edwards & Hulm 1995).

The PSNP has some challenges in ensuring that planning, implementation and monitoring is adequately coordinated across key stakeholders at federal, regional and sub-regional levels (World Bank 2014).

The targeting /selection and retargeting of the beneficiaries of the program has been conducted at the kebele community level in collaboration with woreda Agriculture/ Food Security office and aggregated /consolidated by the MoANR for the country level consumption .

In addition to the above, PSNP activity is implemented by the responsibilities of two ministries namely MoFEC and MoANR. MoFEC is responsible for financial management like: fund collection, transfer, payment, recording, financial reporting, auditing and so on. MoANR is responsible for the physical management in planning, implementing, monitoring and evaluation of physical activities of the program. This is also another aspect to be considered in the program's fund utilization.

Implementers of the program from federal to kebele and to community, their roles and responsibilities at all level /structure/line of these ministries are identified and presented in PIM.

2.10.1.3. Timeliness of Fund release

An untimely release of funds disturbs the implementation of the program activities and demoralizes district staff. However, based on their prior knowledge of when funds are likely to be released, managers of implementers adopt a range of informal mechanisms to cope with the situation. These include obtaining supplies on credit, borrowing cash internally, and pre purchasing materials, and conserving part of the fourth quarter donor-pooled funds for the first quarter of the next year. While these informal mechanisms have kept the implementers of the donors' fund are running in the face of persistent delays in funding, some of them are open to abuse and could be a potential source of corruption of the funds. The untimely release of funding has two major effects on implementation or utilization. These are the inability to implement planned programs on time, and the negative impact on staff morale. "Funding from donors doesn't come in time. It throws all plans in disorder. One can do what have been planned to do in the first quarter mostly in the second quarter and the second quarter in the third quarter. As for fourth quarter activities, if it waits for donors fund won't do it because the funds are normally not received Postponing implementation of programs as a result of delays in funding (Asante 2006).

The WB mission (2017) has noted that as there was delay in transferring fund to PSNP's beneficiaries and has elaborated that, there were back payments. For instance January & May 2016 transfers were made to beneficiaries together with the next month's transfers in all the visited Woredas. The mission thus recommends that as per the requirement of the PIM, beneficiary payments should be predictable and finalized within 20 days after end of the relevant month

2.10.1.4. Attention to the PSNP's financial activities at the top management

Program management encompasses the setting or adjusting of policies and the day-to-day management of the fund. Timely commitment of new and recycled funds to projects, investment of idle funds, and decisions to issue debt must be evaluated in financially responsible manner to ensure that funds are used effectively. Continuous program evaluation or assessment provides a check on whether or not current policies are helping to meet the goals of the fund .Foreign aid Management: Simply it is ensuring that you are achieving the goal(s) of the grant or agreed project activities. Grant Effectiveness: Effective grants

management is a process (or result) of adequate overall oversight and monitoring of donors/government assistance awards, that includes project resources, activities, and results (Corey, 2014)

The extent of success of donor funded projects is determined by managerial capacity of the human resources of the implementing agencies .A nation that has a centre for fund management can have certain advantages. According to city business series, the UK has the following advantages due to fund management centre: highly sophisticated and innovative management styles, techniques and strategies; skilled labor force and high quality professional and support services; wide ranging client base: private and institutional, UK and overseas; highly liquid market with the opportunity to trade in large blocks of shares; history of openness with relatively easy access to markets; liberalized operating environment combined with protection against abuses; competitive infrastructure in telecommunications services and air line links; and perception of a proportionate approach to its regulatory environment which facilitates innovation (Arndt 2000).

2.10.1.5. Human resources (staffs) required to implement the program

According to Yankey, (2005), it was described that no part of this structure will function well unless it has the people with the right qualification, experience, skill and attitudes. Also hiring, promotion, training, remuneration, discipline, separation of functions and other key staff management practices should be properly planned and executed. Functional relationship between the various parts of the structure, clear definition of responsibilities of each of the functional parts of the structure and the quality of human resources are components which have taken part in the proper utilization of fund.

It is also to be noted that 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 (Arndt 2000).

Woredas have different capacities to develop and implement cash management systems. To ensure smooth implementation, there must be adequate staffing of woreda Financial Offices to manage the cash flow properly. In addition, each implementing agency will assign sufficient personnel to ensure the proper implementation of the Program. Specifically:-finance and procurement officers, availability of technical staff, required numbers of cashiers at all levels as per the PIM.

The WB mission (2017) has found out that some woredas are not utilizing funds and not producing report because of absence of accountant (as the result of high staff turnover). Due to this, the fund transferred for PSNP implementation purpose to these woredas was kept idle for about 5-6 months period.

2.10.1.6. Planning practice and process for the implementation PSNP.

Once a plan has been developed, the organization needs information to see whether it is keeping to its plan (Sullivan 2003) .The PSNP planning process is a multi-level process that combines a bottom-up and top-down approach, and produces annual safety net plans at each level (Federal, regional, Woreda, Kebele and Community) .Planning is the critical first step in preparing for PSNP implementation. Planning in the PSNP largely takes place annually starting with planning at community level, which then feeds into woreda plans, which in turn fit into regional plans and so on. This planning is complemented and informed by other key preparatory activities including targeting and recertification of program clients (end user of the PSNP's fund), the setting of the wage rate, decisions regarding the mode of transfer/payment and livelihoods-related analyses.

The planning process of PSNP involves the following steps:

It begins with community, with the assistance of the DA produces the Community Plan (by CFSTF)

These plans are reviewed, approved and consolidated at kebele level, and combined with kebele level client selection to produce the Kebele Annual Safety Net Plan (by KFSTF),The Woreda Annual Safety Net Plan consolidates kebele plans and incorporates specific woreda-level activities (by WAO),The Regional Annual Safety Net Plan combines the woreda plans along with activities to be conducted at regional level (by BOA),

The Federal Annual Safety Net Plan is the highest level planning document which summarizes plans across the whole program for the coming year as well as describing specific activities to be conducted at the federal level by (MoANR - FFSCD). In general the preparation of annual PSNP's activities plan has been started from community level and goes to Federal and then to DPs /WB (PIM 2006, 2010 and 2014).

If this plan hasn't been done and consolidated as per the time frame specified in the PIM, the budget preparation will delay and can result in delay in fund request and release. Hence it could be resulted in the low fund utilization of the fund.

2.10.1.7. Monitoring and evaluation

There is a clear consensus that good monitoring throughout the project is essential. This implies that there must be a regular and reliable program of measuring, recording and reporting the progress. This in turn means that there must be close contact with the beneficiaries, and also defined indicators of performance.

Evaluation, like monitoring, is important because it allows lessons to be learned, leading to improvement in future projects. But like monitoring, it is not done with sufficient rigour. For example, "many projects cannot precisely pinpoint who has benefitted and by how much or in what way. This does not indicate the projects are unsuccessful, but that existing methods of appraisal and evaluation are too limited. There is a need for more thinking on how to appraise projects for institutional development, sustainability, and environmental impact (Adhiambo 2012).

The main purpose of monitoring and evaluation in the PSNP is for implementers to assess how the program is doing against its objectives, whether it is working efficiently and effectively, and whether it is having impact and, by analyzing these factors, to learn how to do things better. M&E allows implementers at all levels (woreda, regional, and federal) and across all agencies to understand whether or not plans are working. The PSNP has a variety of M&E tools designed to provide information on the performance of each aspect of the program. These tools range from monitoring reports, which provide regular information on day-to-day implementation at the local level, to resource management audits, to regular reviews of the efficacy of public works planning and implementation, to biannual assessments of program impact directly on households. Together, they aim to provide a full picture of the program's implementation and success in achieving outputs and outcomes (PIM 2014).

Regular program monitoring is based on a combination of narrative and financial reporting, and will increasingly be able to make use of data stored in a computerized management information system

Periodic process assessments of key aspects of the program, which allows for the verification of monitoring information and complements this information with other data to assess progress towards achieving outputs

Periodic household surveys and impact assessments to assess the PSNP's progress towards achieving its stated outcome and the contribution of the PSNP to its higher-level goal (PIM 2010). In this regard, if regular monitoring and evaluation has not been conducted, implementers in most cases are occupied by other of the government's activities and ignore the implementation of PSNP. So that, funds/resources are tied up/stagnant and this also can result in weak utilization of funds.

2.10.2. Financial Management

FM is concerned with accounting for and controlling the sources and uses of the funds that an organization employs in its operation. It aims at providing the needed money in the most economical way from borrowing owner's investments or sale. FM regulates the use of the money to produce the greatest output (Burke 1991).

According to (Nickel 1999), FM is the managing of public and private resources so as to meet their goals and objectives. Its function is to obtain money and then control the use of that money effectively. Financial planning and control are aspects of FM. Financial planning involves analyzing short-term and long term money flows to and from the organization. Financial control is the process in which a firm periodically compares its actual revenues, costs and expenses with its projected ones.

FM consists of all the activities concerned with obtaining money and using it effectively. Proper FM can ensure that financial priorities are established in line with organizational goals and objectives; spending is planned and controlled in accordance with established priorities and sufficient financing is available when it is needed (Pride, 2002).

The very justification for a sound financial management system and good accounting system rests on the assumption that information and reports emanating from there improve the quality of decision making and more relevantly to donor funded projects (Edwards & Hulm 1995).

FM system can be grouped into two branches, which are administrative system and accounting system. Administrative systems play various roles which include: assisting all project coordinators, project managers or accounting officers in decision making, planning, communicating, controlling and evaluating performance objectively (Devarajan;Rajkumar & Swaroop 1998).

Successful utilization of funds requires a well-coordinated financial management system by which an organization or institution manages its finances. A sound financial management system which sees an effective utilization of funds be it donor funds or funds from normal operations can be referred to as a system that is able to provide timely and reliable information, give early warning of problems in projects implementation and allow project implementation and allow the monitoring of a project's progress towards its agreed objectives. (Adan Haji, 2013)

2.10.2.1. Budgeting practice and process for PSNP activities

Financial managers must ensure that their organizations have enough funds on hand to purchase the materials and human resources that they need to produce goods and services. So that budgets are tools of the financial management system used for two central management functions: decision making (planning) and monitoring and controlling. A budget is a plan of action expressed in financial terms (Griffin 1999).

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

According to Rayburn, budgeting is a means of coordinating the combined intelligence of an entire organization into a plan of action based on past performance and governed by a rational judgment of factors that will influence the course of business in the future (Rayburn 1989) .

According to (Hay 2001), a budget is binding on the administrators of a governmental unit. Budgetary accounts are opened as of the beginning of each fiscal year and closed as of the end of each fiscal year; furthermore, (Hoyle 2001) also described, "Financing is an important part of the governmental environment, particularly for governmental types of activities. For those activities, the budget is the primary method of directing and controlling the financial process. "In a chronological sense, the first significant accounting procedure encountered in a state or locality is the recording of budgetary entries. To enhance accountability, government officials normally are required to adopt an annual budget for each separate activity to anticipate the inflow of financial resources and establish approved expenditure levels.

Organizations are facing challenges regarding their budgeting in project management. Pressure to follow through with only the projects that are going to be successful and carry less risk is mounting. As a project manager one needs to keep budgeting queries and be aware of benefits at all times throughout the project life. It is essential that management has current, accurate, and relevant financial data to ensure sound decision-making. It is therefore necessary that financial controls are documented, assessed, revised, tested regularly and strengthened where necessary (Kamwana 2014).

PSNP will follow the government's budget system. The budget for PSNP is determined each year based on a formula mainly derived from the number of clients in each program woreda. The planning process also includes the budget (specific purpose grant) estimation for implementing the planned physical activities.

Accurate budgeting and timely provision of funds support are the key aspects for program implementation, particularly in a safety net program where delays in transfers can undermine predictability and therefore the effectiveness of the program.

In another way, annual budget of the program has been proclaimed in the name of MoANR at Federal level with detailed regional and sub component breakdown for PSNP activities.

MoANR has notified by the formal letter the share of budget of implementers (regions and sector offices) via MoFEC. Based on this allocated budget, MoFEC in its part notify regional BoFEDs by the formal letter (PIM 2006, 2010 and 2014).

Though the budget of PSNP is proclaimed at the federal level, MoFEC will sign a MoU with all regional governments implementing PSNP highlighting the fiduciary and other responsibilities that should be complied with. The MoU will be signed with the office of the regional presidents, hence creating an accountability structure within the region. The compliance to the MoU will be monitored regularly by MoFEC and DPs and will be open for further refinement and adjustment as needed. Each region should prepare a consolidated PSNP work plan and budget for all components and sub components for each budget year based on inputs from the community levels and submit the same to MOA, which shall be consolidated (which can be considered as bottom up approach).

Finally a consolidated budget has been submitted to MOFEC that should be broken down by appropriate project category or components along with quarterly classifications. Based on the Program budget, a detailed and comprehensive fund transfer schedule by Region and prepared and disseminated by MOA to all relevant stakeholders (Sector bureaus and woredas) which can be called as downstream process.

The mentioned systems and processes are the most determinants for the donors' fund utilization if they are smoothly done.

2.10.2.2. Accounting and Financial Reporting

i) Financial Accounting

An accounting system is important for the business in keeping records. It also enables an enterprise to record, classify, analyze, summarize, interpret and present accurate and timely financial data for management purposes. It exists as the daily recording of financial data that is important to the evaluation and monitoring of the firm's economic activities. (Sullivan and Steven, 2003).

ii) Financial Reports

According to (Copley 2004), financial reports of state and local governments are used primarily to compare actual financial results with the legally adopted budget assess financial condition and results of operations assets in determining compliance with financial-related laws rules and regulation; and assist in evaluating efficiency and effectiveness.

Financial report provides on a timely, accurate and picture of the past events as a consequence of proper implementation of the agreed set of activities in accordance of the approved budget. The benefits derived from this kind of practice include; to serve the management with information for control purposes, to serve as reliable framework for projecting and planning for future economic activities and to give the picture that can build the confidence of donors on the safety of their funds (Devarajan;Rajkumar & Swaroop 1998).

The timely submission of quality financial reports is critical to ensuring that cash resources flow to the PSNP as required by the Annual Plan. Financial reports trigger the replenishment of the PSNP pooled account at federal level by Development Partners and also determine whether or not deductions will be made to transfers from federal to regional level to account for carry-over balances. Because of this, it is vital that WOFEDs, BOFEDs, and MOFEC work diligently to submit quality reports on time. If IFRs are not received on the due date and are of insufficient quality, disbursements from the DPs may be delayed until reports of adequate quality are received. This in turn could result in late transfers, undermining program impact (PIM 2016)

a) Nature / characteristics of Financial Reports

According to (Premchand 1995), reports prepared by the government for internal and external uses should be appropriate for the intended users and prepared according to specific standards for their form and content. It has to be understandable to the user. But, because there is no one typical user with defined and immutable characteristics, principle should be primarily viewed as an exhortation to be clear and simple. Financial report has to be expected to be objective and organizations in the public and private sectors would like, indeed expect, the information to serve their needs. It also needs to be relevance that information is provided in response to an explicitly recognized need. Financial reports should identify the users and their requirements in order to have relevance.

b) Forms of Financial report

According to Hay, 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.

i) Annual Financial Reports

It is known that annual financial report is mostly prepared for the activities accomplished for the 12 months of the fiscal year. Different countries are using different fiscal year. For example, the fiscal year for Ethiopia is Hamle 1 to Sene 30 or July 8 to July 7 and for most of European countries is January 1 to December 31 .

According to (Copley 2004), state and local governments are encouraged to prepare a 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.

ii) Interim Financial Reports

According to Hay, 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.

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.

Most companies or organizations hold at least monthly financial review as a way to ensure financial control (Nickel 1999),

It is known that, in Ethiopia monthly financial report is produced by budgetary institution and submitted to Finance and Economic Cooperation /Development at all level of the country for the purpose of monitoring and controlling of resources.

Concerning the PSNP's fund, it is agreed between Ethiopian Government and donors /DPs that consolidated interim financial report (at MoFEC level) on the quarterly basis and presented to donors within 60 days of end of the quarter. Though not submitted to donors, it is also agreed that monthly financial report has been prepared and forwarded to the respective finance office. The delay of this reports resulted in delay in fund release which can constitute in low utilization of donors' fund.

2.10.2.3. Procurement Practice and Procedures related to PSNP

All procurements for the PSNP follow standard Government procedures for the NCB and shopping method of procurement with few exceptions. World Bank procedures will be followed for all ICB, direct contracting methods and selection of all consultancy services, which is carried out at the Federal level only. Performing the procurement plan should be proactive; failure to request the required goods or services early will bring to postpone the work program to subsequent years, it is also a means for under-utilization of the budget. One of the major challenges in public procurement is ineffective planning without thorough procurement planning; the subsequent procurement processes will not yield substantial benefits (Basheka2008).

Regions pass on procurement needs where Federal action is required. Capital items and office facilities procurement takes place at woreda level. However, in times of accessibility/supply problem, woreda delegates Region to implement procurement on their behalf.

Mwende (2015) argues that procurement is time-consuming and can require complex procedures. There are risks of errors and of deliberate abuse of the process for personal gain by officials or by contractors and suppliers. Problems in procurement can lead to delays, poor quality or lack of value-for-money and can undermine the trust of the local community. Thus good procurement practice includes many of the themes of good governance, including efficiency, effectiveness, transparency and accountability. Mwende further notes that depending on the organization and the type of procurement being done, practices like: pre-qualification, advertising, negotiation of price with the winning bid, bid security, tax exemptions, post-qualification, and non-price criteria in bidding, international bidding, and procurement review committee among others vary on usage.

All goods and services required for implementation of public works will be identified by the DA and technical specialists. These procurement requirements will be consolidated, along with any Woreda level procurement requirements for the overall implementation of the PSNP into the Woreda Safety Net procurement plan. Hence procurement for PSNP has been conducted at different level: Federal, Regional and woredas . It is mandatory that each procurement activities to Pass through such procedures at all level : -

Preparation of Procurement Plan, Approval of Procurement Plan, Preparation of bidding documents, approval of bidding documents, Bid/proposal opening Tender Committee, Bid/proposal evaluation Technical/Tender Committee, Approval of evaluation reports, Preparation of contract document and Contract award/signature are things expected to be performed.

Procurements for PSNP have been carried out centrally by FSCD/DRMFSS of MOA and MOLSA, at regional levels by BOAs or Food Security Commissions and at woreda level by the WOFEDs. In May 2014 a capacity assessment of the implementing agencies was carried out using the procurement risk management system, i.e. P-RAMS questionnaires. The assessment showed that while these agencies have past experience in the implementation of Bank financed projects there are still concerns on their procurement capacity owing among other things due to high level of staff turnover. Mitigation measures have been designed to address these (World Bank 2014).

In general, procurement procedure and processes has passed through several layers of government institutions (from kebele to World Bank). The connection of World Bank with the procurement activities is for the approval of consolidate /country wise procurement plan and to provide no objection / a go ahead permission for procurement involve significant amount. In this regard, if there is a delay in procurement

plan in a single woreda , the preparations and submission in the Procurement plan is delayed .Fund will not be released on time .the consequence of this is , it has adverse effect on the fund utilization of the program.

2.10.2.4. Financial Audit of the Program

According to the Ethiopian Constitution, OFAG is responsible for carrying out the audit of all the financial transactions of the Federal Government and subsidies to the Regions. Each region has regional Auditor General responsible for auditing financial transactions in the region. The OFAG may delegate much of its responsibility of auditing to an independent external auditor to carry out the audit of donor-financed projects.

The financial audit of PSNP has been conducted on semiannual and annual basis. The Interim Audit covers six months ending on January 7, and reports are submitted by MOFEC to Development Partners within 90 days (April 7). The annual audit report shall be submitted to the WB and other DPs six months after the end of each fiscal year, which ends on July 7 (FM manual2010)

In both the cases, if there is a delay in the submission of audit report, it has resulted in delay of funds disbursement. The consequence of this is contributed to the low utilization fund for the fiscal period

2.10.3. Technical factors

The technical factors in this context refers to the availability of resources like ICT skill, infrastructure and logistic (car, road, police, etc) for the implementation of the program related to fund utilization.

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 overtime. Important questions include are fund resources being utilized effectively? Does the fund have sound a management? Is sufficient project assistance being made available? Dose the fund have sufficient administrative resources? What is the sustainable funding level from the program? And so on (Adhiambo 2012).

2.10.3.1. ICT skills and ICT infrastructure

ICT skill is the use of information technologies such as the Wide Area Networks, Internet, and Mobile Computing, ICT infrastructures are the availability of office telephones, fax and access to the internet, computers printers and etc.

Most developing countries are characterized by limited computer applications in the public sector, inadequate infrastructure and shortage of skilled manpower .It is notes that “this situation exists not merely

due to lack of financial resources, but largely due to lack of coordination at different levels in making effective use of the technology”. (Audenhove, 2000).

The factors for failure are those occurrences that constraint proper/smooth implementation of ICT projects in government. Some of these factors for failure are: infrastructure; (finance; poor data systems and lack of compatibility; skilled personnel; leadership styles, culture, and bureaucracy; and attitudes (Heeks 2003).

The PSNP envisages using the Government of Ethiopia's financial recording and reporting system, IBEX, for accounting and reporting on PSNP expenditure on a standalone basis. However, at regional and federal level, all BOFEDs and MOFEC will use IBEX to consolidate and produce the financial reports and all PSNP expenditures should be entered into the system and reports are automatically generated. The existing chart of accounts of the IBEX for the PSNP has been customized to fit into specific features of the program.

Another system used in the implementation of PSNP is the Payroll and Attendance Software System. The use of payment software – PASS – is mandatory in all PSNP implementation at woreda level. Once a woreda has the software installed and has received the required training they will be expected to make use of the software to generate payrolls. Should the PASS malfunction, WOFED, in coordination with the WAO, will contact the IT helpdesks at the regional level for assistance.

The finding of the EU verification Mission (2016/17) has identified that; there are still some Woredas which have not yet implemented IBEX and which are still on using manual system. The overall utilization level of IBEX at woreda level by region as at December 2016 is 89%. In addition to this, the EFY 2006 - 2008 financial audit reports of the program has described that, despite the system being good enough for capturing the program data, there is still a challenges in the implementation of PASS . Furthermore, the WB Mission (2017) found that the technical problems with PASS, skills gaps in frontline staff on using PASS, and non- user friendly nature of the software made accommodating PSNP features and its utilization difficult.

If PASS system is not functioning properly, the payment / fund utilization will be delayed. For the next time activities if fund would not transfer on time the, future period activities will be delayed. These can resulted in low utilization of the program fund.

2.10 3.2. Logistics

The logistics concept raised in this paper is that resource required for facilitating /assisting the disbursement/ payments of the program’s fund to the beneficiaries at the community level.

These are availability of means of transport (bicycles, mules, motorbikes, camels, vehicles. Facilitate arrangements for regular and timely repair and maintenance of vehicles. The Presence of sufficient DAs in

Safety Net kebeles is also the required one. In addition, the availability of infrastructure (rural roads, bridges that link woredas to zonal centers are also things to be considered in technical factors .

It is to be noted that availability of banks at zonal centre or certified rural MFIs at woreda level, telecommunications at least at the woreda centre .Woreda and Kebele level , staff and safety net personnel need to have sufficient documentation related to safety nets, PIM, PIM annexes, Procurement Procedures and necessary planning and technical guidelines are also the required infrastructures.

European Commission’s mission (2017) has found that, regions are expected to visit most of the woredas under their jurisdiction. Obstacles such as lack of transport facilities are some of the challenges faced while conducting field trips to woredas. The lack of the above logistics challenges to the management and utilization of donors’ fund.

2.11. Empirical study

Studies conducted elsewhere in Africa established that the lack of training of project team leaders on project management has led to low project completion rates, which is one of the fundamental measures of project management (Rogers, 1990). Other studies revealed that training of key project staff on project management is one of the most significant factors that can increase project success (Thornberry, 1987).

The study concluded by Gaturu (2014) showed that the relationship between regularity of monitoring projects and timeliness of completion of projects was significant with majority of the donor-funded organizations having an established Monitoring & Evaluation (M&E) unit to ensure that projects adhere to their timelines.

Gwadoya (2012) found that there was a shared need for proper understanding of M&E practices in donor funded projects. This is an indication that there was lack of shared understanding of M&E practices in donor funded projects among the various teams.

Mensah, (2008) with the research topic, Assessing financial management and procurement capabilities in donor funded projects with the motive of finding whether financial management and procurement capacities exist in the District Assemblies, found that the District Assemblies lack qualified personnel in the area of financial management and procurement which has affected the implementation of donor – funded projects and disbursement.

Adan Haji (2013), with the research topic “Factors Influencing Effective Utilization of Donor Funding “ found out that Financial management is one of the key paradigms that affect how funds are utilized by any organization. Good practice in financial management is important for the effective utilization of funds in every project. (Belay 2008), with the research topic “Fund Management and Its Utilization in Tigray HIV/AIDS Prevention and Control Office” found that even though the majority of the implementing sector organizations

know the financial grant agreement, few sectors do not know the grant agreement. Being the respondents are from the finance unit of each organization, implementing without the necessary information (that is, without the grant agreement-that specifies each program versus its cost breakdown) can create a problem in the fund management, proper fund utilization, and timely request and utilization report

(Ouma 2012), with the research topic” Factors Affecting the Effective Implementation of Donor Funded Projects in Kenya: a case of World Bank Funded Projects in Kenya”, in his study indicated that there are various factors that affect effectiveness of World Bank funded projects. These include: inadequate funding; wrong timing in funds disbursement, lack of/or inadequate human resource capacity (Knowledge and skills).

(Arndt 2000) and (Afande 2013) argued that 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 complicate the donor fund release, with obvious implications on levels of donor aid effectiveness.

(Mosley 2000) in his findings argument those problems of economic governance and ineffective utilization of development assistance have ranged from lack of coordination between various government agencies; poor monitoring of foreign funded projects. The effectiveness of donor funded projects is determined by both technical and managerial capacity of the human resources of the implementing agencies. In addition, appropriate supportive infrastructure is a necessity issue.

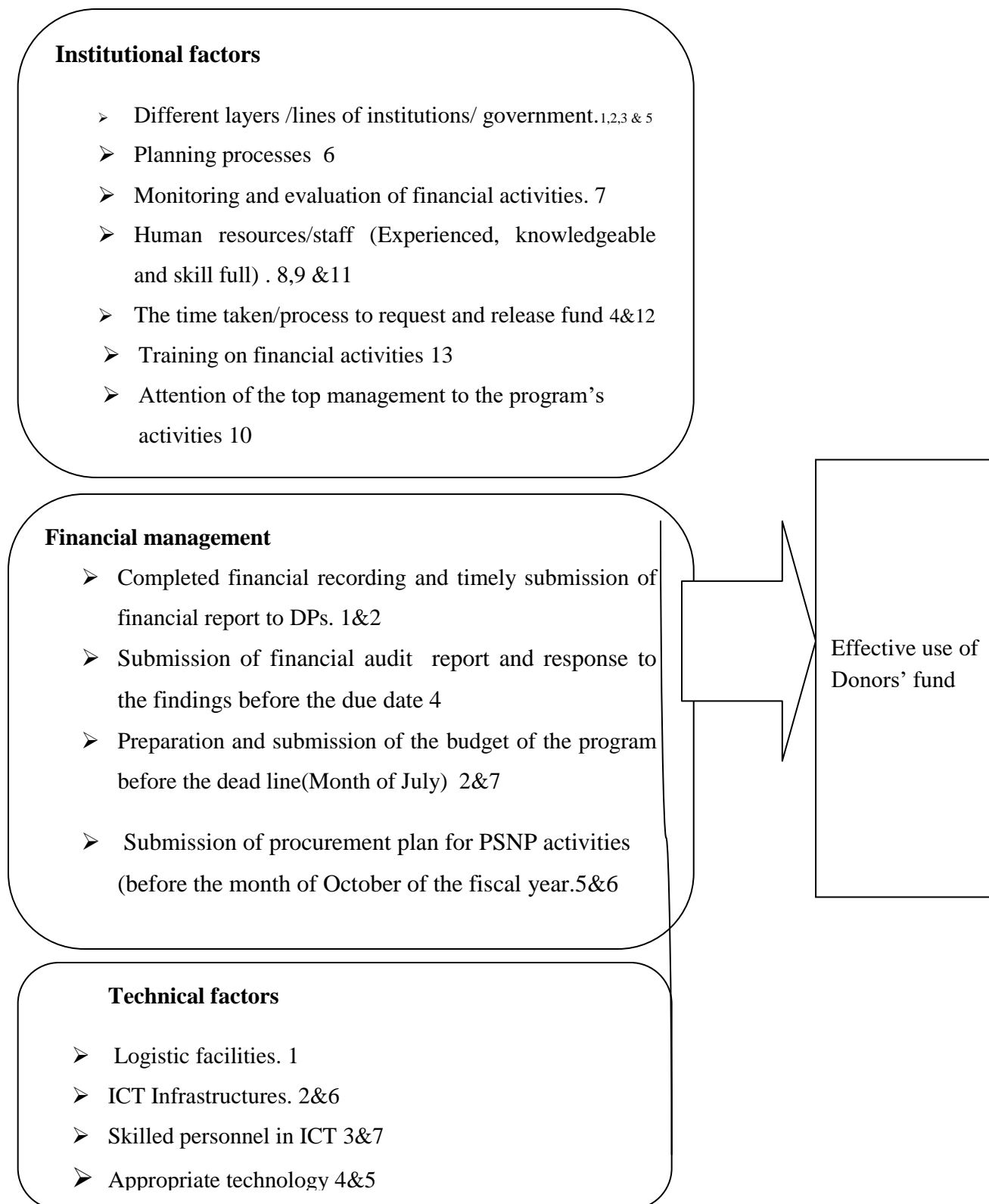
(Yator 2012), with the research topic “Utilization of Donor Funding and its Effects on Economic Development of the Intended Beneficiaries in Kenya” In his study further found out that problems contributed to the under utilization of fund by a combination of factors such as, delays in releasing of the funding by the donors, delays in mobilization of resources by the implementing NGOs themselves.

2.12. The Conceptual Framework

According to Mugenda and Mugenda (2003), a conceptual framework helps reader to quickly understand proposed relationships between variables. The relationship can be shown using graphically or diagrammatically. In this study, Institutional factors, Financial Management and Technical factors are identified as independent variables /factors to be considered in PSNP’s fund utilization .These are influencing the dependent variable that is the timely and proper fund utilization specifically related to PSNP’s fund.

Dependent variable: - timely and proper utilization will be considered as dependent variable. It is influenced by the above factors among the other

Fig. 2.1 Conceptual Frame works of the Research (the Nos. indicate, S/N of the questinarires)



Source: this model is adapted and modified from Afande .F.O. (2013)

CHAPTER THREE

METHODOLOGY AND REASERCH DESIGN

3.1. Introduction

This chapter discussed the methodology and description of study area. 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, Population of the Study, Sample selection strategy, method of data collection and analysis.

3.2. Research Design

The quantitative type research was used. The study was adopted descriptive techniques or a method that was used primarily to discuss and interpret data gathered from Primary and secondary data.

3.3. Population of the Study

For the simplicity and manageability, the following PSNP implementing organizations have been selected as the target population. These are Amhara and Oromia regional states, MoFEC, MoANR, and WB. From these, the total number of target population is 69 employees. The detail is depicted in the following table.

Table 3.1: Target population of the study

S.N	Strata	Relation with the program	targeted population
1	World Bank	Donor	11
2	Ministry of Finance and Economic Cooperation	Implementers	6
3	Federal Food Security Coordinate Director	Implementers	10
4	Oromia Regional state	Implementers	20
5	Amhara Regional state	Implementers	22
	Total		69

Source: Human Resource Department of the above

The selection of these organizations as the target population was based on the organizations' relation with the program. This is because:-

1. The annual program's budget allocated for Amhara region is significant when compared to the others' budget. This is evidenced by the budget information depicted in the following table.

Table 3.2: Five years annual budget of PSNP's implementing regions

S/N	Name of the regions	Budget year (EFY) and amount in Birr (in millions)				
		2004	2005	2006	2007	2008
1	Oromiya Regional State	982.81	799.99	1,048.43	798.39	1,065.74
2	SNNP Regional State	1,206.08	1,119.85	1,278.47	707.04	1,206.39
3	Amhara Regional State	1,645.57	1,494.04	1,669.07	1,244.16	1,981.57
4	Tigray Regional State	877.88	686.15	935.04	419.57	753.41
5	Harari Regional State	12.86	16.81	21.84	12.38	15.80
6	Somali Regional State	95.11	115.91	135.25	124.04	267.59
7	Afar Regional State	66.61	80.32	126.34	105.58	126.29
8	Dire Dawa City	16.19	16.59	23.80	18.82	41.12
		4,903.11	4,329.66	5,238.24	3,429.98	5,457.91

Sources: - Annual financial reports of PSNP of these years consolidated by MoFEC

2. Since PSNP is the food security program, MoANR is actively responsible and involved in the physical activities of the program..3. A case team has been organized at the World Bank Ethiopia country office that assists and follows up the physical and financial activities of the program. In addition World Bank is the

administrator of the whole financial management of the program. It is also to be noted that, the financial activities has been governed by the manual of the World Bank.

4. MoFEC is responsible for the whole financial activities of the program and financial statement has been consolidated at MoFEC .

5. Because of its proximity to Addis Ababa to collect data and for cross referencing with the Amhara region's data, Oromia regional state has been selected and was included in the sample size.

3.4. Sampling Size and Techniques

The number of target population is small. Due to this, all (N=69 (100 %).) has been considered as sample size of this study.

3.5. Method of Data Collection and Analysis

Methods of data collection that was used involved both primary and secondary data. Primary data was collected via questionnaires (five point liker-scales). 27 closed ended questions/statements were presented on a Lickert scale. The Likert scale, commonly used in business research was used because they allow participants to respond with degrees of agreement or disagreement. These questions were taken from (Afande 2013), with research topic of "Factors Affecting use of Donor aid" with some amendment to the nature of PSNP. The questionnaire was pre-tested on 6 selected respondents to enhance effectiveness and hence data validity. These were distributed to employees of stakeholders or implementing sectors of PSNP which are grouped as financial and physical implementers and donors and were selected based on the proximity for collecting date for the sake of the simplicity/manageability. The questionnaire was administered by the researcher. The collection and distribution of the questionnaires was conducted through physical and individual email based on its convenience.

The secondary data such as work plans, operational guide lines, records, manuals, and annual reports (audited), mission reports/ findings, financial audit reports, FM assessments, supervision reports books and budget and utilization was reviewed and used for triangulation purpose. The secondary data also consists of journals, books, theses and dissertations related to the research topic were reviewed that assist as the ground for the study. Based on the data gathered using five point likert-scale questionnaires, the data were analyzed using quantitative techniques such as descriptive statistics (percentage, mean, and standard deviation. The Statistical Package for Social Sciences (SPSS) version 20 was used to analyze the quantitative data

CHAPTER FOUR

DATA ANALYSIS, DISCUSSION AND PRESENTATION

4.1. Introduction

This chapter presented results arising from the analysis of data collected using questionnaires. The data collected was analyzed using descriptive method for each variable and the findings were presented in tabular summarized, and their implications discussed.

Out of questionnaires distributed to 69 employees, all (100%) were fully collected with the required information. So the analysis was based on the primary data collected from these respondents and secondary data (previous assessments and reports) were used to assist the findings related to fund utilization issues .

4.2. Profile of Respondents

The biographical variable that is presented in this research is gender and age of the respondents whereas the organizational variables are educational level, job level/position/, and experience of the employees which are described in the following table.

Table 4.1: Profile of the Respondents

Gender of the respondent		
Description	Frequency	Percent
Male	58	84
Female	11	16
Total	69	100
Level of Education		
Description	Frequency	Percent
Diploma	1	1
Bachelor	35	51
Master	33	48
Total	69	100
Age of the respondents		
Description	Frequency	Percent
18-29	6	9
30-40	34	49

41-50	19	28
51-60	7	10
61-70	3	4
Total	69	100
Experience of the respondents		
Description	Frequency	Percent
1-2	7	10
3-4	14	20
5-10	35	51
11-15	13	19
Total	69	100
Job Position of the respondents		
Description	Frequency	Percent
Senior program M&E specialist	11	16
Financial management specialist	6	9
Procurements specialist	4	6
Expert of Planning on the program's activities	4	6
Information center expert	4	6
Finance coordinator	10	14
Finance Management team leader	10	14
Senior accountants	16	23
Program coordinator	4	6
Total	69	100

Source: Researcher's Survey report

4.2.1. Gender of the Respondents

As indicated in table 4.1 above, of the total number of 69 respondents, 84 % were male and 16 % were female.

4.2.2. Age of the Respondents

With respect to the age of the employees, 9% of the respondents were between 18 and 29 years of age, 49 % were aged 30 to 40, 28 % were age of 41 to 50, 10% were aged between 51 to 60 and 4% were included in 61-70 years of age.

4.2.3. Educational Level of the Respondents

Concerning the educational level, 1% (n=1) of respondent held diploma, 51% (n=35) were with first degree graduates and 48% (n=33) had second degree or masters. In general, 99 (n=68) of the respondents held degree and above.

4.2.4. Job Position of the Respondents

From the table: 4.1, one can note that data was collected different employees with different job position/title working on PSNP and whose jobs are related to fund utilization. The result indicated that the majority of the respondents which has a share of 23% (n=16) were senior accountants, while Senior program M&E specialist 16% (n=11), Financial management specialist 9% (n=6), Procurements specialist 6% (n=4), expert of planning on the program's activities 6% (n=4), information center expert 6%(n=4), Finance coordinator 14% (n=10), Finance Management team leader 14% (n=10) and the rest was Program coordinator 6% (n=4).

4.2.5. Experience of the Respondents

In the case of work experiences, 10% (n= 7) of respondents worked up to 2 years, while 3-4 service years has the share of 20% (n=14) , 51% (n=35) had service of 5 - 10 years , while those with the 11-15 service years has a share of 19 % (n=13)

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 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 determinants of PSNP fund utilization. The range was 'Strongly agree - (5)' to 'strongly disagree - (1)'. According to Kajuju (2012), the scores of strongly agree /agree have been taken to present a variable which had a mean score of 3.5 to 5 on the continuous Likert scale; ($3.5 \leq S.E < 5$). The scores of 'neutral' have been taken to represent a variable with a mean score of 2.5 to 3.4 on the continuous Likert scale; ($2.5 \leq M.E < 3.4$). The score of disagree/strongly disagree have been taken to represent a variable which had a mean score of 0 to 2.5 on the continuous Likert scale; ($0 \leq L.E < 2.5$). A standard deviation of > 0.8 implies a significant difference on the impact of the variable among respondents.

Table 4.2: Descriptive statistics for institutional Factors

N	Statements/variables	N	Mean	Std. Dev.
1	There is a strong coordination between physical and financial implementers of PSNP at all level.	69	1.93	0.71
2	Funds pass through several layers of government bureaucracy down to service facilities (DPs MoFED -BoFED-WoFED-Kebele-Community (beneficiaries) which has no influence on fund utilization of PSNP	69	3.35	1.27
3	There is smooth relationship between donors and implementers /government.	69	3.96	0.65
4	Fund of PSNP has been disbursed as per the schedule specified in the Program Implementation Manual(PIM) :-	69	3.22	0.98
5	The involvement of multi /different sector offices in the implementation of PSNP has adverse effect on fund utilization of the program.	69	4.04	0.55
6	Planning processes / structures (from community to Federal) have adverse effect on PSNP's fund utilization.	69	2.81	1.22
7	Continuous monitoring and evaluation is in place on financial activities of PSNP at all levels.	69	3.36	1.14
8	Experienced, knowledgeable and skill-full human resources/staff are available to execute financial activities of PSNP.	69	3.72	1.00
9	There is a staff turnover in PSNP which has contributed to low utilization of the program fund.	69	4.00	0.89
10	There is a strong commitment and cooperation of top management/officials in implementing PSNP.	69	2.86	1.20
11	Financial expertise /technical staff of PSNP are highly empowered (independent) and influential at all levels in facilitating and finalizing the financial activities of the program	69	2.48	1.12
12	The procedure followed in fund transfer request of PSNP has no relation with is timely fund utilization.	69	1.78	0.42
13	Adequate training has been given on financial management and PIM to implementing PSNP's activities.	69	3.77	0.89

Overall average score	69	3.175	0.93
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Source: - Researcher’s Survey Report

As one can see from table 4.2 above the statement ‘there is a strong coordination between physical and financial implementers of PSNP at all level’ revealed the mean score of 1.93 which is the least score. This shows that majority of respondents disagreed or didn’t support the statement /idea. This indicated that there is inadequate coordination between physical and financial implementers /sectors of PSNP. The physical implementers are expected to prepare annual budget and all fund transfer request letter of the program. If one of the activities has been delayed, there has been resulted in untimely and improperly utilization of fund.

The other statement of institutional factors /dimension is ‘the involvement of multi /different sector offices in the implementation of PSNP has adverse effect on fund utilization of the program’ had scored a mean of 4.04. This means majority of the respondents have strongly agreed or supported the statement .This shows that the involvement of multi sectors in the implementation of the program has adverse effect on fund utilization of PSNP. Based on the researcher’s several years work experience in the program, fund of the program has been allocated for different (6-10) sectors offices from federal to woreda level. In this case, most of these organizations have focused on their regular activities and ignore the activities of the program behind. In this regard, the program’s fund has been tied up in the bank account and this resulted in low utilization of the program’s fund.

There was strong agreement of the respondent that, ‘there is a staff turnover in PSNP that has contributed to low utilization of the program fund’ has scored a mean of 4.00. The financial reports of every period of the program have accompanied by the narratives and reviews describing that there were instances in which the resigning of accountants have increased from time to time. In these organizations, no fund has been utilized and no financial report was prepared as well. This has contributed to the low utilization on the whole program fund.

In addition, ‘the procedure followed in fund transfer request of PSNP has no relation with timely fund utilization’ scored a mean of 1.78 which indicates majority of respondents strongly disagreed/ disagreed with the statement. This showed that the procedure followed in fund transfer request of PSNP has strong relation with a timely fund utilization of the program. The procedures involved in fund transfer request are:- 1st MoANR requests MoFEC to transfer fund to the implementers . Based on this, MoFEC writes

fund transfer request letter to NBE. 2nd BoA requests BoFED to transfer fund to bureaus and woredas. Based on this BoFED prepares fund request letter to CBE found at region and 3rd WoFED instructed by WAO to conduct payments to beneficiaries. WoFED withdrew fund and payments has been conducted to the beneficiaries of the program. If one of the institutions is inefficient /lags in fund transfer request, the whole system of fund movement and utilization becomes stagnant. This has adverse effect on timely and proper utilization of the program fund that resulted in the low utilization of the fund.

However, the overall average score of institutional factors has shown a grand mean score of 3.175 and standard deviation of 0.9269 indicating the neutrality which means medium effect of institutional factor on fund utilization of PSNP. However, the above four findings which are decisive for proper fund utilization have been identified which has to be addressed well for the proper fund utilization of PSNP.

Table 4.3: Descriptive statistics for financial management Factors

S/N	Statements/variables	N	Mean	Std. Dev.
1	There is a timely (within 30-60 days) settlement of receivables and payables in PSNP.	69	2.55	1.01
2	The approved/revised budget for the implementation of the program has been notified on timely basis (during month of July).	69	1.70	0.46
3	There is good quality and timely submission of Financial report of PSNP at different level that assist the timely release of fund from DPs.	69	3.13	1.20
4	The delay in submission of financial audit report and response to the findings existed in PSNP which have been resulted in delay of fund release/ disbursement from DPs.	69	2.87	1.00
5	Procurement plan related to PSNP has been submitted on time (before the month of October of the fiscal year)	69	1.75	0.43
6	Most of procurement of goods and services for the implementation of PSNP has been conducted time frame specified in the PIM.(before the month of January of the fiscal year)	69	2.29	0.96
7	There is a proper budget preparation for PSNP	69	1.74	0.44
	Overall average score	69	2.29	0.78

Source: - Researcher's Survey Report

As it is described on the above table 4.3 ‘the approved/revised budget of the program has been notified to the implementers on timely basis (during the month of July)’ revealed the mean score of 1.70. This showed that majority of respondents disagreed or didn’t support the statement. This indicated that the approved/revised budget of the program has not been notified on timely basis (during month of July). This showed that there is a delay in notification of annual budget to the implementers as per specified in the PIM. In this case, the delay in budget notification has resulted in the delay in fund transfer and the delay in commitments (start of payments) for the program’s activities.

In this regard, fund has been tied up at MoFEC and hence has contributed to the low utilization of the program’s fund.

It is also to be noted from the above table that the statement ‘Procurement plan related to PSNP has been submitted on time (before the month of October of the fiscal year)’ revealed the mean score 1.75. This showed that the respondents strongly disagreed or disagreed to the idea. From this, one can conclude that procurement plan has not been prepared and submitted as per deadline established in the PIM. Procurement plan is required to be prepared by all implementers and submitted to the FFSCD and then to the World Bank as early as possible. If not, no procurement activities can be initiated. So, this could result in the low fund utilization of the program. Moreover, Statement with ‘most of procurement of goods and services for PSNP has been conducted in the time frame specified in the PIM (before the month of January of the fiscal year)’ has scored a mean of 2.29. This showed that the respondents disagreed and didn’t support the idea. This showed that, the delay in procurement of goods and services for PSNP’s activities existed .The consequence of this causes the low utilization of the program’s fund. Furthermore, the respondent strongly disagreed or didn’t support the statement ‘there is a proper budget preparation for PSNP’ and has a mean score of 1.74. This revealed that annual budget of the program hasn’t been prepared well. This issue has been supported by WB Africa Region (2017), Financial Management Supervision Mission. The mission’s report described that annual budget of PSNP of EFY 2008 has subjected to 3-5 times revisions. Based on the researcher’s several years work experience in the program, implementers were waiting for the next budget revision and couldn’t start the payments within established time frame. The budget revision involved in addition or deduction of the previously notified budget .and this has an adverse effect on the utilization of the program’s fund.

Generally, the overall average of the financial factors has shown a grand mean score of 2.29 and standard deviation of 0.78 indicated that the respondents strongly disagreed /disagreed with the statements presented

to assess financial factors. This has shown that financial management factors strongly affect the effective use of PSNP’s fund.

Table 4.4: Descriptive statistics for technical Factors

SN	Statements/variables	N	Mean	Std. Dev.
1	To implement PSNP, proper logistic /facilities (vehicles, motor bicycles, etc) are in place which are properly utilized for the program’s activities.	69	1.77	0.43
2	To implement PSNP, necessary infrastructures (road, bridge, electric light etc) are available.	69	2.70	1.12
3	Proper skilled personnel are in place in PSNP to implement ICT like PASS, IBEX and Microsoft excel.	69	3.72	0.94
4	There are lack of appropriate technology, inadequate IT infrastructure and equipment (computers, printers, fax machine etc) to support the implementation of PSNP.	69	2.55	0.95
5	A strong coordination is in place at different levels in making effective use of the technology related to PSNP.	69	2.97	1.01
6	There exists poor data systems and lack of compatibility (PASS & IBEX).	69	4.13	0.34
7	Adequate training has been given on Software that assists in implementing PSNP activities.	69	3.28	0.98
	Overall average score	69	3.02	0.82

Source: - Researcher’s Survey Report

Findings of the study in table 4.4 indicated the following:

i) ‘To implement PSNP, proper logistic /facilities (vehicles, motor bicycles, etc) are in place and are properly utilized for the program’s activities’ scored the mean of 1.77. This showed that the respondents either disagreed or strongly disagreed to the statement .Based on this, it is to be noted that the program has got shortage of logistic facilities in conducting fund payments to run the program’s activities. Out of the program’s activities, the critical one is conducting payments to the program’s beneficiaries who are found

at the kebeles /community level found at the distant of about 30-60 km far and at multiple directions from the woreda town. If vehicles aren't assigned at the required time, payments can't be effected. Hence fund could be tied up at the hands or in bank. .This could result in the low/no utilization fund of the program.

ii) Statement with 'there exists poor data systems and lack of compatibility in implementing PASS' has scored a mean of 4.13. This indicated that majority of the respondents either agreed or strongly agreed to this idea. This means, there is poor data systems and lack of compatibility in implementing PASS. The PASS software was established to produce payroll sheet of the beneficiaries of the program. The beneficiaries of the program are categorized as public works and permanent direct supports. Two data bases have been established for preparation of payroll sheets that serve for these beneficiaries. Due to poor data system of PASS, it was customarily that while preparing payroll sheet of the PW beneficiaries the data base of PDS required to be detached and vise versa. This is backed up by the May2016 JRIS panel discussion .In this panel discussion, it was elaborated that, the detached/attached process has distorted the whole software and the payroll couldn't be produced on time. If the disturbed has not been managed by the accountant, IT technicians have ben called from the respective regions. This resulted in the delay of preparation of payroll which has adverse effect on the timely payment to the beneficiaries .This contributed to the low utilization of funds of the program.

However, the overall average findings related to the technical factors has shown a grand mean score of 3.02 and standard deviation of 0.823 indicated that, the neutrality which means medium effect of technical factor on fund utilization of PSNP. Two important statements which are decisive for proper fund utilization have been found out and described above required to be addressed well to facilitate proper utilization the program fund.

CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATIONS

5.1. Introduction

This chapter presented summary of major findings of the research, conclusion and suggested recommendations that assist in proper fund utilization of PSNP in Ethiopia.

5.2. Summary of Findings

The ultimate purpose of this study is to assess fund utilization of PSNP in Ethiopia. In conducting this study, total number of target population was 69 employees. The sampled selected respondents were from Amhara and Oromia regional states, MoANR, WB and MoFEC.

The study revealed that (i). Institutional dimensions have a neutral effect on fund utilization (grand mean score of 3.175 and standard deviation of 0.9269) with the key factors of : weak coordination between the implementers, involvement of multi sectors in the fund utilization, high staff turnover, long procedure in fund transfer request (ii) Financial management factors have direct relation with fund utilization(a grand mean score of 2.29 and standard deviation of 0.7860) .Its key factors are delay in budget information notification,, delay in preparation of Procurement plan, delay in procurements , improper budget preparation and (iii) technical factors has shown the overall average mean score of 3.02 and standard deviation of 0.823 . This revealed that it has neutral effect on the fund utilization. Its key area include: - lack of logistic like vehicles and poor data systems and lack of compatibility are found out as factors contributed to low utilization of PSNP fund.

5.3. Conclusions

The findings of this study concluded that there are various factors that affect proper and timely utilization of PSNP's fund. In this study, it was found out that, there is high staff turnover in the program that has adverse effect on the utilization of the program fund. The finding was also in line with the arguments by (Arndt 2000) that the effectiveness of donor funded projects is determined by the availability and capacity of the human resources of the implementing agencies. The study by (Thornberry, 1987) revealed that training of key project staff on project management is one of the most significant factors that can increase project success. The study conducted by (Afande 2013) showed that the officers in the donor funds projects chain may lack the formal training in foreign aid management. I have included the training element in the

institutional factor and the study revealed that adequate training has been given on financial management and PIM to implementing PSNP's activities. Hence, no issue was revealed regarding training in its impact on fund utilization of PSNP.

The study also found that there is inadequate coordination between physical and financial implementers /sectors of PSNP. This resulted in untimely and improper utilization of the program fund. This finding is in line with the arguments by Mosley (2000) that there was lack of coordination between various government agencies that result in the low utilization of fund.

It is also revealed from the study that, the involvement of multi sectors in the implementation of the program existed. In this, fund of the program has been allocated for different (6-10) sectors offices from federal to woreda level. Most of these organizations have focused on their regular activities and ignored the activities of the program behind. In this regard, the program's fund has been tied up and that resulted in low utilization of the program's fund.

The study also further showed that, there is high staff turnover in PSNP that resulted in low utilization of the program fund. This statement has been supported by financial report review of every quarter.

The study concluded that, there is long procedure in fund transfer request of PSNP. In this, different organizations are involved in the fund transfer request in which one is waiting for the request of the other. If one of the organizations is failed to request on time, the whole fund movement has been adversely affected. This has contributed to the low utilization of the program's fund.

The study showed that there is a delay in preparation of Procurement plan and delay in procurement activities. These have been evidenced by the finding of the EU verification Mission (2016/17) which revealed that ,Procurement Plan for the EFY 2008 of Agriculture Bureau of Oromia regional state was approved late in February 2016. Furthermore, financial audit report of EFY 2007 of the program had also indicated that 50%of the procurement activities were conducted at the end of the year (4th quarter). The delays in these activities have resulted in the low utilization of fund.

Moreover, the study concluded that improper budget preparation and delay in budget information notification have occurred in the financial activities of the program. These resulted in the delay of the commitments (start of payments) for the program's activities. In this regard, fund has been tied up and hence has contributed to the low utilization of the program's fund.The study further concludes that there is

lack of logistic like vehicles, poor data systems and lack of compatibility related to the program that has adverse effect in fund utilization process and this also contributed to the low utilization of the program's fund.

5.4. Recommendations

Three major factors (institutional, financial management and technical) in relation to their impact on fund utilization were assessed.

In view of the fact that, institutions are organizations through which funds and information are disseminated vertically and horizontally. The procurement and budget information has been collected from multi sectors. Any setbacks occur from a single sector, will affect the whole activities of the program

Therefore, the researcher recommended that:- Institutional arrangement needs to be restructured, That is - to facilitate smooth, proper and timely utilization of PSNP fund ,separate and independent (autonomous) project coordination unit that comprises staff from each concerned sectors with multidisciplinary fields of staff needs to be established at federal, regional and woreda level .In order to reduce turnover of staff, adequate remuneration should be allocated

To avoid improper logistic arrangements Specific vehicles have to be assigned and used only for PSNP activities to facilitate timely payments to beneficiaries of the program.

Finally, the data base has to be updated to accommodate all types of beneficiaries' payments in a very organized manner to avoid repetitive resetting.

If the above recommendations have been implemented, most of the challenges related to fund utilization of the program could be solved.

5.5. Areas of Further Research

There is need to carry out further studies (1) on this issue to establish whether there are other factors that influence the effectiveness of donor fund utilization at federal level and the study has to be replicated to regions with significant fund allocation and (2) In the implementation of PSNP, significant cash (finance) resources and food (commodity) resources (in billion Birr) have been distributed /paid to the beneficiaries /households found at the rural area of the country to secure their food gaps for more than 10 years. In this case, no formal study has been conducted. As it could be seen from food audit of different years and verification missions reports, the food management has been constrained by different problems like: - improper food dispatch, recording, utilization and reporting .Hence, the formal study could be conducted on the challenges in food managements of PSNP.

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APPENDICES

APPENDIX I: Questionnaires

Dear Respondent,

Ref: Request for response to questionnaires constructed for the thesis paper

I am studying MSC Program in Accounting and Auditing at Addis Ababa University. Currently, I am doing research on the topic **“Assessment of Donor Fund Utilization in Ethiopia: the case of Productive Safety net Program (PSNP).**

For the additional suggestion, space is provided. It is also important to note that the study is limited to the fund /cash utilization. The case of Food /commodity utilization of the program will be proposed for the future research. The information given will be treated with confidentiality and used only for the purpose of this study. Your contribution in this study is highly appreciated.

Thank you very much in advance, for your commitment in responding and taking your precious time

Yours faithfully

Name:- Dejene Adeba

Telephone:- Telephone 0911991662

Email: - djadaba@gmail.com/ dejeneadeba@yahoo.com

PART I: PERSONAL INFORMATION

1. Gender: M Fe

2. Age: 18 30-40 41 51 60

3. Education level: Cert Di a a

4. Organization-----

5. What is your responsibility/position in PSNP -----

6. How long have you been working on the Program?

Less than 2 years

5-10 years

2-4 years

11-15 years

Part II

Please indicate the extent to which you agree/disagree on these variables: - **I. Institutional factors**, **I. Financial management** and **III. Operational factors** that determine the timely and proper fund utilization of PSNP by ranking the factors on a five point scale and putting a tick mark“√” where appropriate.

(SD=Strongly Disagree, D=Disagree, Ns=Not sure, A=Agree, SA= Strongly Agree) .

S/N	statement	SD	D	NS	A	S
I	Institutional factors					
1	There is a strong coordination between physical and financial implementers of PSNP at all level.					
2	Funds pass through several layers of government bureaucracy down to service facilities(DPs –MoFED-BoFED-WoFED-Kebele-Community(beneficiaries)) which has no influence on fund utilization of PSNP					
3	There is smooth relationship between donors and implementers /government.					
4	Fund of PSNP has been disbursed as per the schedule specified in the Program Implementation Manual(PIM) :-					
	From DPs					
	From MoFEC					
	From BoFED					
	From WoFED					
	(SD=Strongly Disagree, D=Disagree, Ns=Not sure, A=Agree, SA= Strongly Agree					
5	The involvement of multi /different sector offices in the implementation of PSNP has adverse effect on fund utilization of the program.					
6	Planning processes / structures (from community to Federal) have adverse effect on PSNP’s fund utilization.					
7	Continuous monitoring and evaluation is in place on financial activities of PSNP at all levels.					
8	Experienced, knowledgeable and skill-full human resources/staff are available to execute financial activities of PSNP.					
9	There is a staff turnover in PSNP which has contributed to low utilization of the program fund.					
10	There is a strong commitment and cooperation of top management/officials in implementing PSNP.					

11	Financial expertise /technical staff of PSNP are highly empowered (independent) and influential at all levels in facilitating and finalizing the financial activities of the program					
12	The procedure followed in fund transfer request of PSNP has no relation with is timely fund utilization.					
13	Adequate training has been given on financial management and PIM to implementing PSNP's activities.					
II	Financial management factors	SD	D	NS	A	S
1	There is a timely (within 30-60 days) settlement of receivables and payables in PSNP.					
2	The approved/revised budget for the implementation of the program has been notified on timely basis (during month of July).					
3	There is good quality and timely submission of Financial report of PSNP at different level that assist the timely release of fund from DPs.					
4	The delay in submission of financial audit report and response to the findings existed in PSNP which have been resulted in delay of fund release/ disbursement from DPs.					
5	Procurement plan related to PSNP has been submitted on time (before the month of October of the fiscal year)					
6	Most of procurement of goods and services for the implementation of PSNP has been conducted time frame specified in the PIM.(before the month of January of the fiscal year)					
7	There is a proper budget preparation for PSNP					
III	Technical/ Operational factors	SD	D	NS	A	S
1	To implement PSNP, proper logistic /facilities (vehicles, motor bicycles, etc) are in place which are properly utilized for the program's activities.					
2	To implement PSNP, necessary infrastructures (road, bridge, electric light etc) are available.					
3	Proper skilled personnel are in place in PSNP to implement ICT like PASS, IBEX and Microsoft excel.					
4	There are lack of appropriate technology, inadequate IT infrastructure and equipment (computers, printers, fax machine etc) to support the implementation of PSNP.					
5	A strong coordination is in place at different levels in making effective use of the technology related to PSNP.					
6	There exists poor data systems and lack of compatibility (PASS & IBEX).					
7	Adequate training has been given on Software that assists in implementing PSNP activities.					

Part III

The above statements might not accommodate all important factors regarding fund utilization of PSNP. Therefore, you are kindly requested to include below, comments and ideas that you think are important for my assessment.

APPENDIX II (A): Annual budget and expenditures of PSNP for five consecutive years

S/N	Budget Years	Annual budget	Annual expenditure	Budget utilization rate
1	2004/ 2011/12	7,976,943,505.00	5,914,794,805.88	74%
2	2005 /2012/13	6,563,958,879.00	5,796,521,161.59	88%
3	2006/ 2013/14	7,376,756,643.00	5,302,802,015.16	72%
4	2007/2014/15	6,026,949,118.23	5,190,453,079.68	86%
5	2008/ 2015/16	13,810,874,910.00	7,624,612,257.20	55%
	Total	41,755,483,055.23	29,829,183,319.51	71%

Source :- Annual financial Report of the years consolidated by MoFEC

APPENDIX II (B): :- Income /Fund Collected for PSNP for five consecutive years

S/N	Description donor	Budget Years and Collection in Birr					Total
		2011/12 or EFY 2004	2012/13 or EFY 2005	2013/14 or EFY 2006	2014/15 or EFY 2007	2015/16 or EFY 2008	
1	DFID	1,636,866,000.00	1,162,448,000.00	623,414,000.00	-	3,173,740,385.46	6,596,468,385.46
2	IDA	977,241,995.11	1,118,299,411.28	468,679,553.16	35,622,241.40	-	2,073,257,067.98
3	IDA	1,096,015,072.87	2,968,720,316.82	3,845,524,008.92	1,077,625,490.71	8,872,862,900.00	17,860,747,789.32
4	IRISH AID	269,370,400.00	-	281,304,381.98	260,566,004.02	235,479,261.82	1,046,720,047.81
5	Trust fund	1,973,225,983.68	547,461,891.04	271,845,943.06	2,197,970,258.93	1,192,489,610.48	6,182,993,687.20
6	UNICEF	-	-	-	-	14,089,616.05	14,089,616.05
7	Gov't contribution	-	-	-	-	300,000,000.00	300,000,000.00
Total		5,952,719,451.66	5,796,929,619.14	5,490,767,887.11	3,571,783,995.05	13,474,572,157.76	34,286,773,110.73

Source :- Consolidated Financial report prepared by MoFEC