

BUDGET MANAGEMENT AND CONTROL:

SEPECIAL EMPHASIS ON MINISTRY OF NATIONAL DEFENCE



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DECLARATION

I, Tilahun Bogale, declare that this project paper is my original work and has not been presented for a degree in any other University, and that all source of materials used for the project have been duly acknowledged.

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Addis Ababa University
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*BUDGET MANAGEMENT AND CONTROL:
SPECIAL EMPHASIS ON MINISTRY OF NATIONAL DEFENCE*

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Preface

The planning, programming and budgeting process is the central feature of defence management for providing resources to the defence force to ensure the defence and protection of the state in alignment with national security and defence policy. Thus, defence budgets should be the result of good short, medium, and long-term plans that are based on open and clear defence and national security policy.

This study was conducted on budget management and control, as a case in Ethiopian ministry of national defence. The lack of research, especially under the Ethiopian defence context, coupled by the sign of improper budget management has been a major motivation to carry out this study. Thus, the paper tried to investigate weaknesses observed in budget holders during budget process.

Both primary and secondary data have been employed to explore the existing problems. Thirteen budget holders were taken with a total of 64 respondents. Moreover, budget and audit experts were included in collecting primary data through structured questionnaire.

In Ethiopian defence, although budget guideline has been issued on how to prepare budget request, execute, and control budget by the budget holders, the guideline alone is not sufficient to bring the desired outcome unless budget executing bodies within the institution are directly involved and made accountable for all expenditure.

Descriptive and qualitative analyses demonstrate that there was no strict accountability, which allow creating sense of institutional budget perception. There is no reasonable cost estimation practice. Lack of adequate and experienced budget workers is other issue that contributes to worsen the problems. These are not the only causes.

Therefore, in order to improve budget management and control in defence, it calls for taking any possible and remedial actions to rectify the problems and avoid the repetition of the problems in the subsequent years.

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List of Acronyms

FDRE ---- Federal Democratic Republic of Ethiopia

MoFED -- Ministry of Finance and Economic Development

OFAG -- -Office of Federal Auditor General

MoND -- Ministry of National Defence

PBD----- Planning and Budget Department of defence

OECD ---Organization for Economic Co-operation and Development

Budget Management and Control:

Special Emphasis on Ministry of National Defence

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

Sound financial management of a country's entire security sector is essential if the country is to have effective, efficient and professional security forces that are capable of protecting the state and its population against internal and external threats.

From the perspectives of public policy and budgetary process, the defence sector shares many of the characteristics of other sectors of government. This means that the citizens of any country will benefit from a military sector that is subject to the same broad set of rules and procedures that are applied to other sectors. In that respect, military budgeting should be no different from budgeting for other governmental sectors (Omitoogun and Hutchful, 2006).

According to Le Roux (2004(b)), militaries in Africa are generally a power unto themselves, not transparent to civil society and inefficient. Defence budgets are closed to public scrutiny and very little control is exercised over defence expenditure. In general, defence management is not aligned with the principles of defence in a democracy. For budgeting and expenditure control processes to be efficient and economic, they must be based on well-argued and elaborated plans and programmes.

Contemporary studies show that governments which have effective fiscal rules have stronger budget discipline. These rules focus on formal and informal procedures for preparing, adopting, and implementing the budget (Schick, 2007).

Le Roux (2004(a)) noted that the challenge to the defence establishments of Africa is to ensure maximum efficiency in the use of the resources allocated to them. This cannot be

done if defence policy, planning, budgeting and expenditure control processes are unclear and non-accountable. The writer further expressed that Africa's defence planning, budgeting and expenditure control processes and practices are poorly developed and non-transparent. Off-budget military spending is widespread and a significant portion of military spending is concealed from public scrutiny. One of the main reasons why governments prefer not to reflect this information is the data is simply not available or accurate due to poor national and defence budgetary and fiscal control processes, procedures and practices.

The major deception used to disguise military expenditure in African countries are the misuse of contingency funds, top-up budgets not discussed in parliament, poor breakdowns of defence programmes and budgets that cause poor visibility on the intended use of funds and the budgeting for military expenditure under other national departments.

The bigger the budget, the more important it is that strict accounting discipline is adhered to. Otherwise massive waste and fraud will be a likely outcome. Competent financial management practices do not ensure that everything is fine, just that the major flaws can be found (Chan, 2008).

As the worldwide demand is for decreased defence spending and more spending on social and developmental priorities, the most efficient management of the scarce resources available for defence becomes increasingly important (Le Roux, 2004(a)).

For instance, the Ethiopian government was, in recent years, praised for having overseen, with the reduction of military spending, an increase in funding aimed at the battle against poverty reduction and at economic development. However, according to various analysts, the spending trend cannot be deemed stable considering the critical state of the situation in the region, which is characterized by tensions with Eritrea and Somalia, the primary addressees of illegal arms trafficking.

The different ideological orientations of the Ethiopian governments, from the monarchical regime via the government of Dergue to the current government, suggests that there have been different conceptions of the military—its role, mission, size and strategic importance to the state. The size of the country's military budget has been determined by these changes in ideology as much as by the perceived external and internal threats (Omitoogun and Hutchful, 2006).

In light of this information, the project paper, thus, investigates how the Ethiopian Ministry of national defence budget is managed and controlled by its units as elaborated in the next problem statements.

1.2 Statements of the Problem

An institution sustains for a lengthy period of time so long as it accomplishes its activities in accordance with stated missions. In order to achieve these missions and objectives, the organization must build a strategy according to the existing situations. It should also prepare annual plan and budget based on the strategy. One of the responsibilities of budget users is controlling costs and constantly improving the ways of doing things.

In Ethiopian defence level, a five year strategic plan has been prepared and is under operation since 2007. Accordingly, step by step and year after year, different stages of activities have been improved and coordination has been enhanced in the defence force.

However, at the same time several problems remain unsolved with regard to the budget preparation, execution, and control in various defence units. Therefore, the paper focused on investigating the gaps in budget management and control of defence budgetary units. These problems can be categorized in two level of the Ministry: on successive units of the institution which are budget users and on Planning and Budget Department of the defence Ministry.

In many of the budget users, gaps are observed in organizing their plans as per the strategy of the Ministry; and in preparing budget without submission of annual work plan. Even the proposed budget is inconsistent with fiscal calendar and not in line with the real existing situation.

Accounting standards in the military sector should not deviate from those in nonsecurity sectors. Cash flow and expenditures should be monitored closely. With this regard, there are problems in budget execution and report presentations. For instance, lax follow up and control by successive leaders; unable to report comparisons of spent and unspent budget including the reason why it is not consumed. Besides, accumulation of huge amount of cash, i.e. idle cash, is observed that can be used for other developmental activities.

On the other hand, the Planning and Budget Department, which controls budget of the defence Ministry, has a lion's share role to follow-up the implementation of defence budget whether it is utilized for the intended purpose or not. In this regard, some people say that the problems resulted from the budget users are due to weak budget management of this department.

In brief, the paper focused on the following main research questions.

- ❖ What are the causes for mismatch between plan and budget in the units?
- ❖ What are the causes for idle cash in the budget users?
- ❖ What weaknesses are observed in budget execution?
- ❖ Are there suitable control mechanisms for budget execution?
- ❖ What deviations are observed in budgetary records compared to the country's rules and regulations?
- ❖ Is there performance auditing practice to evaluate the effectiveness and efficiency of the Ministry's budget utilization?

- ❖ Does Planning and Budget Department have a means to take corrective action on the weaknesses of budget reports?

Therefore, this project paper tried to address the above critical issues to improve the Ministry's budget management and control mechanisms.

1.3 Objective of the Study

Because the armed forces generally absorb the majority of resources allocated to the security sector and tend to have a high political attention, this paper centred on the process by which military budgets are developed, implemented, recorded and monitored. As a result, the primary objective of the study is to obtain, assess, and analyze publicly available data on the budget management and control of Ethiopian defence Ministry; as well as to locate the key problem areas that seek attention and improvement.

The specific objectives are:

1. To assess the relationship between plan and budget;
2. To identify the causes of mismatch between plan and budget;
3. To review mechanisms used to ensure the effectiveness and efficiency of budget utilization in the Planning and Budget Department and users;
4. To identify budget control gaps and budgetary record departures;
5. To indicate whether there is performance audit practice as a means to control budget; and
6. To suggest possible recommendations on the observed problems and gaps.

1.4 Research Design and Methodology

1.4.1 Research Design

Based on the objective of the study, the research has been designed to include questionnaires and interview. The questionnaires were composed of close and open-ended questions. They were filled by budget users, Defence Planning and Budget Department, and OFAG audit experts. In addition, interview questions were used to expand clear data which could not be explained in the structured questionnaires.

1.4.2 Population and Sample of the Study

The population of the study is all budget holders of Ministry of national defence. From the nature of the organization, defence units are inhabited all over the corners of the country. There are 28 (twenty eight) budget holders in the Ministry with hundreds of budget user units in each budget holder. It was not possible to consider all budget holders in the sample due to the spread and remoteness of the population. Thus, the study focused on part of the population settled around the Headquarter, Addis Ababa. Moreover, most of the budget users are homogeneous in nature except the proportion of budget allotted to them. Accordingly, the sample has been selected purposely. Of these budget holders, 13 (thirteen) were taken as a sample with a total of 64 (sixty four) respondents, as illustrated in the appendix.

Besides, as the size of Defence Planning and Budget Department budget experts is manageable, the sample size has been taken to be the total population, i.e. 8 (eight) budget experts. On the other hand, 10 (ten) audit professionals have been taken from OFAG based on the organizational structure of the Office. OFAG is organized into seven line departments. Of these, Administration and General Service Audit Department is responsible for the audit of Ministry of national defence. Among the audit experts found in this department, only 10 (ten) professionals have audited Ministry of national defence

in different years. Thus, it was appropriate and convenient to take all these professionals as a sample.

1.4.3 Sources and Instruments of Data Collection

Once the total sample size from each population was determined, possible techniques have been employed, that are both primary and secondary methods in order to gather relevant data. The primary data were collected through a structured questionnaire as well as personal interview. The questionnaire was distributed to 64 (sixty four) budget users, particularly to personnel and heads in the Ministry. Other questionnaires were also sent out to 8 budget experts of Planning and Budget Department of defence Ministry and 10 audit experts of the Federal Auditor General (OFAG). Personal interview was conducted with the officials of Planning and Budget Department. Documents were also reviewed at OFAG and PBD.

The study questionnaires for defence budget users contained general information, questions related to planning, budget preparation, implementation, control and records. Most of the questions were designed to be closed-ended. Likert scales of questionnaire data were applied to collect the data from all respondents. The scale was levelled as: “Strongly Agree”, “Agree”, “Neutral”, “Disagree”, and “Strongly Disagree”. Moreover, “Yes” and “No” forms were used. The questionnaires also included open-ended questions. The questionnaires for OFAG were related with expenditure control and audit findings on the Ministry.

The secondary data were collected from books, internet (i.e., e-journals, web articles), manuals, audited annual reports, proclamations, and regulations.

1.4.4 Methods of Data Analysis and Interpretation

The type of data collection method is of great value to interpret them properly. The data gathered through primary and secondary methods were analyzed using both mixed data analysis methods. The data collected in the course of questionnaire were analyzed and presented using SPSS application and descriptive statistics such as tables, graphs, and percentages. Qualitative method of data analysis was also employed for feedbacks obtained using open-ended questionnaires, and interviews.

The literature review entirely depended on secondary sources whereas; the analysis part relied on primary data that has been collected through structured questionnaire and personal interview. It also depended on secondary data collected from the sources indicated above in 1.4.3.

1.5 Significance of the Study

The researcher believes that the result of this research project would have the following significances.

- ❖ At large, the study may be employed by Ethiopian Ministry of National Defence in addressing some of the problems related to budget control.
- ❖ The study may contribute to create awareness among the armed force members, military leaders, and any other concerned body on the role of defence budget management and control to the success of military vision.
- ❖ This project paper could be used as an initiation for those who are interested to conduct a detailed and comprehensive study on such similar topics.

1.6 Scope and Limitation of the Study

1.6.1 Scope of the Study

All government organizations need effective budget management and control mechanisms. However, for the sake of effectiveness and efficiency, and to manage the limited project time and budget, this study focused only on defence budget management and control problems. The study did not cover the other federal government organizations, regions, and city administrations.

Ministry of national defence (MoND) was selected as a study area because such research has not been done so far in this level. What is more, budget control problems are observed and increasing from time to time. This lack of research, especially under the Ethiopian defence context, has been a major motivation to carry out this study. This paper can be regarded as the first attempt to explore the existing budget management and control of Ethiopian defence ministry.

1.6.2 Limitation of the Study

Owing to the nature of the subject area, i.e., excessive confidentiality, and because of limited access, it was not easy to get all relevant information from respective offices. Besides, lack of research studies and availability of sufficient current literature on the topic were some of the constraints. However, the researcher hopes that readers will get some valuable ideas on the subject area.

1.7 Organization of the paper

This project paper is divided into four chapters. Apart from this first introductory chapter, which contained the background of the study, statement of the problems, objectives of the study, research design & methodology, significance, scope and limitation of the study; the second chapter describes literature review in defence budget, which is relevant to the topic under investigation. It includes practice of military budgeting in some African countries. The data presentation, analysis, and interpretation have been presented in the third chapter. The last chapter provides summary of findings, conclusion and recommendations for budget users and for the Defence Planning and Budget Department on the observed problems.

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CHAPTER TWO

LITERATURE REVIEW

Introduction

Failure to follow sound budget management procedures in the military sector is often justified by the need for secrecy to protect national security. It is clear that some degree of confidentiality is necessary in the area of national security.

As in any other part of the public sector, military budgets should be prepared against a sectoral strategy. Once a budget has been approved by the legislature and monies appropriated, the goal is to ensure the efficient and effective use of resources to implement sectoral priorities. This requires careful monitoring and evaluation of operational performance both within the armed forces and by civil servants.

It is known that the level of budget allocation to ministries is determined through the prior setting of ceilings by the MoFED. This does not contribute to budget discipline or efficient management of the budget or the defence system in general.

As far as the administration of the budget is concerned the overriding emphasis is on control: not enough attention is paid to efficiency. In fact, there does not even appear to be a mechanism that could contribute to achieving efficiency (Omitoogun & Hutchful, 2006).

The chapter deals with the following main points: defence planning; defence budget process; budget records, reports and audit; and studies carried out on defence budget practices of some selected African countries. Finally, it reviews Ethiopian budgetary process wrapped up by defence budget practice.

2.1 Meaning and Definition of Budget

The English word “budget” derives from the Middle French *bougette*, which is the diminutive of *bouge*, a leather bag. At its most basic, therefore, a budget is a small leather bag. During the middle Ages in England, letters of particulars about taxes and spending were brought before Parliament by putting them in a small leather bag (a *bougette*), which was placed on a table before the assembly. As centuries passed, the word came to be applied to the contents as well as to the bag itself, though originally only in the sense of a group of things (Quick et al., 2001).

The meaning of the term has, of course, changed since the days when a country’s resources were deemed to be the personal property of the king, along with the political evolution from absolute monarchies to constitutional governments. In most countries today, including a majority of African countries, approval of the budget (the “power of the purse”) is the main form of legislative control over the executive, with public money spent only under the law (Shah, 2007).

2.2 Importance of Defence Strategic Planning

No meaningful programming or budgeting can be done without the existence of a long-term or strategic defence plan, just as no meaningful plan can exist in the absence of a guiding policy. The defence plan is essentially the document that specifies the measurable outputs that defence will produce in pursuit of government’s objectives against the identified financial allocation within the medium term expenditure framework. It incorporates the strategic plan, the defence programmes and the budget. The defence plan provides the framework for the performance agreement between the Minister of Defence and the Head of Departments (Le Roux, 2002; Omitoogun and Hutchful, 2006).

The primary outputs that must be specified in the defence plan are:

- Defence Administration - the top-level administrative outputs required for the management of the defence function. This includes the provision of defence policy, strategy, plans, programme and budgets.
- Defence Commitments - the identified short to medium term operational force employment tasks and objectives.
- Defence Capabilities - the force design with required readiness states as well as the supporting force structure. (Defence Capabilities are the main cost-drivers of defence.)

Defence administration outputs are determined by an appreciation of the legislative, policy and management framework within which defence must function. It is strongly influenced by the demands and requirements of government, specifically the Minister of Defence and other national departments such as the departments of finance and public service and administration. This programme function identifies specific objectives to be reached within a one to three year timescale.

Le Roux (2002) stated further that in the defence plan the determined force design and structure of the Defence Force must be clearly stated in terms of quantity (number of units) and quality (readiness states and preparedness). The development and maintenance of this force design and structure constitute a specific objective for the department. The staff work for the determination of this objective is primarily done and coordinated by the policy-and-planning and (joint) operations divisions at the defence ministry/headquarters.

On the whole, the defence plan, which should be a stable but flexible document over time, should include the following elements:

- The strategic profile of the Defence Force consisting of its mission, vision, critical success factors and value system.
- The analysis and critical assumptions underlying the strategic plan.
- A clear statement of the required defence capabilities of the Armed Forces.

- A clear statement of the required supporting force structure.
- The supportive capital acquisition plan, the facilities plan and the personnel plan.
- The administrative outputs required for the management of the defence function including the provision of defence policy, strategy, plans, programme and budgets.
- The identified short to medium term operational force employment tasks of the Armed Forces (Le Roux, 2002).

2.3 Defence Budget Process

As Law (2006) stated defence budgeting is the process of allocating financial resources for defence ministry equipment, personnel, infrastructure and programs. Its final product is the defence budget, which provides an itemized estimate of projected resources and operating expenses for the Ministry of defence and associated agencies over a set period of time. In some countries, foreign military and other security assistance is also included as part of the defence budget. Defence budgets help ensure that: public funds are earmarked for defined priorities; funds are spent accountably; and domestic constituencies, neighbouring states and other international actors are appropriately informed about the intentions of the government in defence matters.

The defence budget often includes activities like: personnel (all expenditures on current personnel, military and civil, retirement pensions of military officers, social services for personnel and their families, etc); operations and maintenance; arms procurement; military research and development; military construction; and military aid (Born, 2008).

2.4 Determinants of Defence Budget Apportionment

Gyimah-Brempong (1998) discovers that military budget allocations in African countries are, in part, determined by political economy considerations. Military budgets are protected during periods of austerity partly because of the fear that “excessive” cuts in

these budgets may be interpreted as an attack on the corporate interest of the military. At the general level, Alesina and Spolaore (1996) find that military budgets are determined by, among other things, the perceived break-up of countries and the threat of international conflict.

Military budgets are in part, determined by “national security.” Another related issue is whether military budgets are related to any long-term national defence strategy. An important issue in military budgeting is the composition of military budget, an issue that is closely related to the issue of national security objectives. The objectives of national security will determine how to combine inputs to efficiently achieve those objectives. For examples, regardless of the size of the military budget, if the entire budget is spent on personnel, a nation will not have a credible military capability. However, this pattern of resource allocation in the military sector makes sense if the objective of military policy is job creation.

2.5 Preparing the Defence Budget

The defence budget is the sum-total of the business plans expressed in monetary (financial) terms. It is the department’s income and spending plan for a set period of time. It is a quantitative expression of the proposed plan of action for the reaching of defence objectives for that time period (Le Roux, 2002). Moreover, Ball (2002) noted that as in any other part of the public sector, military budgets should be prepared against a sectoral strategy.

Ball (2002) added that in order to identify the needs and key objectives that the military forces will be asked to undertake, it needs to carry out assessments of the security environment and, based on that, develop a formal defence policy framework. Few governments in Africa have undertaken thoroughgoing, participatory strategic review processes. However, fiscal discipline is weak in many African countries.

Preparing a budget proposal that suggests a set of recommended policies and stays within whatever financial limits are considered politically realistic has been a prominent issue in public budgeting (Bunch and Straussman, 1993). One approach is to set specific dollar ceilings on budget requests. This approach has the distinct advantage of making agencies prepare requests that include only financially feasible options (Lee, 1992). This method is often called fixed-ceiling budgeting. The opposite approach is to provide no ceilings of any sort, allowing agencies to recommend funding programs at levels they consider appropriate.

Budget ceilings instruct agencies to request next year's budgets based on certain assumptions, such as their set of priorities regarding rankings. Another approach is for the governor to provide policy guidance in terms of overall priorities and/or guidance by major program.

Ethiopia has a well established legal framework governing its budget system that derives from the 1995 Constitution of the Federal Democratic Republic of Ethiopia. As per FDRE (1996) Article No. 23, one of the powers and duties of the Defence Minister is to submit budgetary requirements to the concerned government organ and supervise allocations thereof are put to work.

The parliament reviews the executive's budget proposal. Most parliaments have the power to make amendments to this proposal during the review. After the review, the budget is enacted into law. In most countries, the annual defence budget is a part of the overall state budget law, but sometimes it consists of a number of special laws, as for example in the United States (Law, 2006).

The budget is the financial mirror of government policies. According to Schiavo-Campo and Tommasi (1999) and Allen and Tommasi (2001), the main starting points for the preparation of the annual budget should be a clear definition of fiscal targets and a strategic framework consisting of a comprehensive set of objectives and priorities.

Thereafter, budget preparation is an iterative process between the Ministry of finance and spending ministries. Therefore, it should comprise a combination of the following three approaches:

- ❖ A top-down approach, consisting of: (i) establishing initial sectoral spending ceilings that fit government priorities; and (ii) notifying these spending limits and guidelines for the preparation of the sectoral budgets to line ministries.
- ❖ A bottom-up approach, consisting of formulating and costing sectoral spending programmes, and preparing sectoral budgets within the sectoral spending limits (ceilings). This part is placed under the responsibility of line ministries.
- ❖ Iteration and reconciliation mechanisms.

Although the process must be tailored to each country, it is generally desirable to start with the top-down approach, before moving to the second and third approaches later in the budget cycle.

Shah (2007) expressed some bad practices in budget preparation as the absence of a hard expenditure constraint at the start of the process, which forces early decisions, will invariably lead to one or more of a number of dysfunctional practices in budgeting.

According to Le Roux (2002), budgeting is done at unit level where all inputs that are required to execute the delegated activities must be accurately determined and cost from zero. These input costs (budget items) may include: personnel expenditure such as salaries, allowances, bonuses and gratuities; administrative expenses; stores including ammunition and explosives, spares and components for normal maintenance, construction and building material, office supplies, fuel and clothing; equipment such as vehicles, weapons, machinery and furniture; rental of land and buildings; and professional and specialist services such as consultation, outsourced services, and research and development.

2.6 Managing Defence Budget Execution

While budget preparation and approval is mainly about planning, budget execution primarily involves management. Budget execution is the phase where resources are used to implement policies incorporated in the budget. Schiavo-Campo and Tommasi (1999) noted that it is possible to execute badly a well-prepared budget; it is not possible to execute well a badly prepared budget.

Good budget preparation comes first, logically as well as chronologically. However, budget execution requires more than simply assuring compliance with the initial budget. It must also adapt to intervening changes, and enable operational efficiency. Procedures for controls are needed, but should not hamper efficiency nor lead to altering the internal composition of the budget, and must focus on the essential while giving spending agencies flexibility to implement their programs.

Once a budget has been approved by the legislature and monies appropriated, the goal is to ensure the efficient and effective use of resources to implement sectoral priorities. This requires careful monitoring and evaluation of operational performance both within the armed forces and by civil servants (Ball, 2002).

As per Allen and Tommasi (2001), successful budget execution depends on numerous factors, such as the ability to deal with changes in the macroeconomic environment, and the implementation capacities of the agencies concerned. Budget execution involves a great number of players than budget preparation, and calls both for assuring that the “signals” given in the budget are correctly transmitted, and for taking into account feedback from actual experience in implementing the budget.

Hence, efficient budget execution calls for: (i) ensuring that the budget will be implemented in conformity with the authorizations granted in the law; (ii) adapting the execution of the budget to significant changes in the macroeconomic environment; (iii)

resolving problems arising during implementation; and (iv) managing the purchase and use of resources efficiently and effectively.

Budget execution system should ensure rigorous expenditure control, but also effective and efficient uses of resources in accordance with budget priorities. Keeping budget execution under control requires effective management control systems, not excessively detailed compliance controls. The budget system should assure effective expenditure control.

In addition to a realistic budget to begin with, a good budget execution system should have complete budgetary/appropriation accounting system. It is necessary to track transactions at each stage of the expenditure cycle (commitment, verification, payment) and movements between appropriations or budget items. Effective controls are at each stage of the expenditure cycle (Schiavo-Campo and Tommasi, 1999).

Moreover, a budget implementation and a cash plan must be prepared, but should be based on budget estimates and take into account existing commitments. Internal controls are generally preferable and a strong monitoring and auditing system is mandatory. When payment processing and accounting controls are decentralized, a central control on cash is required. When payment processing and accounting controls are centralized, a system is needed to assure that payments are made in a timely manner and according to the budget and the cash plan, without superimposed prioritization by the central agencies.

Notwithstanding those efforts, financial control of commitments is not sufficient to keep expenditures under control.

2.6.1 Overspending and Underspending of Budget

Overruns are sometimes caused by non-compliance of budget managers with the spending limits defined in the budget, when committing expenditures. Since cash

allocated to spending units for appropriated expenditures is generally controlled, these overruns generate spending arrears.

Allen and Tommasi (2001) stated that overruns are often the result of off-budget spending mechanisms (payment from special accounts, etc.). In some countries, payments made through exceptional procedures are not controlled against the appropriations and are therefore an important cause of overruns. Lack of compliance can be addressed through strengthening the audit system, and reporting system, and ensuring the effectiveness of the basic budget execution controls. Moreover, overruns can be caused by deficiencies in budget preparation. Sound budget preparation processes and adequate institutional arrangements are a prerequisite for avoiding overruns.

On the other hand, Allen and Tommasi (2001) expressed that in a number of countries, the official budget is under spent, particularly its non-wages expenditure items. This does not necessarily mean that there is good fiscal discipline in these countries. In some countries with poor governance, underspending of the official budget may coexist with large amounts of off-budget spending.

On the whole, in most cases, underspending, as well as overruns, is related to insufficiencies in budget preparation and programme preparation. An overestimated budget and unrealistic projections of revenues may lead to budget revisions during budget execution and to a practice known as “repetitive budgeting”.

Peters (1998) identified the following weaknesses in resource allocation and use: poor planning; no links between policy making, planning and budgeting; poor expenditure control; inadequate funding of operations and maintenance; little relationship between budget as formulated and budget as executed; inadequate accounting systems; unreliability in the flow of budgeted funds to agencies and to lower levels of government; and poor cash management.

As per FDRE (2009), in managing unspent funds, the unspent balance of an appropriation granted for a fiscal year should lapse and be credited to the treasury account of MoFED.

In general, Le Roux (2002) stressed that the defence planning, programming and budgeting process is a repetitive process involving negotiation between all levels of defence management. Planning is largely top-down based on an analysis of requirements and environmental factors as well as an estimate of available resources. As it goes down in the organization, through performance agreements between superiors and their subordinates, more and more accurate costing is done until, at unit level, accurate zero base budgeting can be done. These unit level budgets, in turn, are added from bottom up to constitute the total defence budget.

2.6.2 Causes of Deviations Between Budgeted and Actual Expenditure

According to Omitoogun and Hutchful (2006), there are a number of factors that can explain why actual expenditure deviates from the levels approved at the beginning of the financial year in any sector. The reasons for deviations may vary over time. Some of the more common causes are: deviation in aggregate expenditure; reallocation of fund during budget implementation; policy changes during the year; an inability to implement policies, programmes and projects; and a lack of financial discipline.

2.6.3 Managing Cash Flows

According to Allen and Tommasi (2001), control of cash is a key element in macroeconomic and budget management. However, for budget management purposes, it must be complemented by an adequate system for managing commitments, and it is not a substitute for sound budget preparation. Cash management has the purpose of: controlling spending in the aggregate; implementing the budget efficiently; minimizing the cost of government borrowing; and maximizing the opportunity cost of resources.

Ball (2002) stressed that cash flow and expenditures should be monitored closely. Methods of verifying the number of individuals employed in the armed forces and the Ministry of defence and of linking salary and wage payments to individual employees facilitates this monitoring process. As per Allen and Tommasi (2001), often in the past, governments did not pay sufficient attention to issues related to efficient cash management. Budget execution procedures and the management of cash flows focused on issues of legal regularity and compliance, while daily cash needs were met by the central bank.

One of the measures used in Swedish budgetary system in order to improve cash management allows spending agencies to carry forward their unused appropriations. This is designed to avoid end-of-year spending surges; increase discipline among managers, since any overspending in the year gets carried over as well; and give rise to efficiency gains in agencies.

To prepare monthly cash plans it is necessary to monitor both payments and commitments, in order to avoid arrears generation or delays in payment. Except under special circumstances, cash planning must be in line with budget forecasts.

In some countries, the budget department prepares a budget implementation plan, which shows forecasts of expenditures by quarter or six-month period, and then the treasury department prepares a cash plan. In other countries, there is only one financial plan prepared by the treasury. Whatever the method used, the budget implementation plan and cash plan should be prepared for the entire fiscal year, and regularly updated and rolled over. The cash plan must be consistent with the budget implementation plan and should be updated every month. To avoid arrears generation, monthly cash limits should be consistent with quarterly cash and annual commitments limits (Allen and Tommasi, 2001).

According to FDRE (2009), subject to the directives of MoFED, no disbursements are made out of the approved budget unless the head of the public body or his/her authorized representative submits to the Ministry cash flow and cash requirements. Payment instructions based on the cash flow requirements of the public body may only be given to a bank taking into consideration the revenue collected by the Government and the work program of the public body.

2.7 Budget Records, Reports, and Audit

As per Schiavo-Campo and Tommasi (1999), accounting and reporting systems are crucial for budget management, financial accountability, and policy decision making. Traditionally, government accounting was aimed at assuring compliance and proper use of public monies. For this purpose, the cash budget, and cash and commitment accounting provide an adequate framework.

Moreover, accounting standards in the military sector should not deviate from those in non-security sectors. Defence ministries should have their own internal audit offices and the government's auditor general should audit defence accounts on a regular basis. The results of the auditor general's audits should be reported to the legislature in a timely fashion and irregularities addressed expeditiously (Ball, 2002).

On the other hand, auditing, together with internal controls and evaluation, consists of processes and mechanisms that are designed to ensure that planning, budgeting and use of public resources conform to a country's laws, pursue the objectives defined by parliament and government and are linked to the real world of programme operations (Allen and Tommasi, 2001).

2.7.1 Budgetary Accounting

To keep budget execution under control, a comprehensive and timely system for monitoring budget transactions is required. It is necessary to systematically register and track the uses of appropriations. Budgetary (or appropriation) accounting should cover appropriations, apportionment, increases or decreases in appropriations, commitments/obligations (including special procedures to monitor forward commitments), expenditures at the verification/delivery stage, and payments (Allen and Tommasi, 2001).

In Serbia, for instance, the Treasury is responsible for keeping a record of all transactions executed from the treasury single account. In this treasury ledger, there is a full record of all payments according to an organizational, functional, and source-of-financing classification. In addition to the treasury ledger, first-line budget-users are required to keep accounting records of their own operations and the operations of subordinate second-line budget-users. Through this records, it is possible for budget-users to submit a report on the basis of the charts of accounts for the budget system, and, consequently, to satisfy the requirement for specific information. Finally, the Treasury produces reports on the execution of the budget (OECD, 2009).

Schiavo-Campo and Tommasi (1999) added sound budgetary accounting requires a double-entry bookkeeping system to record movements between budgetary accounts, namely, budgetary resource accounts (e.g. appropriation, apportionment, allotment); commitments; expenditures at the verification stage; and payment accounts. A double-entry bookkeeping system ensures that outflows match inflows.

In countries that monitor only payments, an immediate action could be to implement an obligation register and a subsidiary book for outstanding payments. However, the objective should be to implement a comprehensive budgetary accounting system eventually.

2.7.2 Financial Reporting Systems

Regardless of the accounting system and the quality of the accounts and financial records, certain minimum reporting standards should be met in any country. Such reports might include some or all of the following elements: major policy issues in the Ministry or agency concerned; goals and objectives of the Ministry and policy measures undertaken or proposed to meet these objectives; programmes, projects, and activities of the Ministry; fiscal performance and financial statements; and performance indicators and targets (Allen and Tommasi, 2001).

With regard to Ethiopia, the head of each public body keeps financial records for the responsibilities of the public body, in a form directed by MoFED. It is also required to provide monthly reports showing the financial transactions of the public body; and close its accounts and report to MoFED within three months after the end of the fiscal year (FDRE, 2009).

2.7.3 Auditing Defence Budget Practices

Audit in the public sector has the important function of giving the ultimate decision-makers (parliament and government) and/or citizens' regular assurance of the quality of reports of how taxpayers' money has been spent, and the management of assets and liabilities under public control (Allen and Tommasi, 2001).

Nowhere in the world is the relationship between auditor and auditee an easy one. By definition, their respective interests generate the potential for conflict. Within government administrations, those activities which are secret or politically sensitive are most likely to expect exemption from, or special treatment in, the conduct and reporting of outside audits (OECD, 1996). Furthermore, defence expenditure can be fully audited. However, a

small number of highly sensitive data has to be omitted or information has to be generalized before reporting publicly.

FDRE (2009) states that each public body is required to close and submit its account to the Office of Federal Auditor General (OFAG) within three months from the end of the fiscal year. It also submits to the House of Peoples' Representatives the audit report together with its performance report of the period within one month from the receipt of the last year audit inspection report.

2.8 Studies on Some African Countries' Defence Budget Process

Despite the interest in military budgeting in Africa, very little work has been done, or is known about the military budgeting process in African countries. The little that may be known about the military budgeting process in Africa is based on anecdotal evidence. Yet understanding the process that determines military resources is crucial to understanding the military budgets and resource allocation within the military (Gyimah-Brempong, 2002). Moreover, conducting research on military spending anywhere in the world is difficult. The difficulties are compounded in Africa by institutional, cultural, and resource scarcity factors.

A major weakness of military expenditure data in Africa is the low level of information available. Many African states are unwilling to be open about the exact cost of their expenditure on their military establishments and regard such information as official secrets. Many African countries have weak accounting systems that allow many gaps in accounts reconciliation (Omitoogun, 2001). Moreover, fiscal discipline is weak in many African countries (Ball, 2002).

In the allocation of resources, Ball (2002) noted that once the overall resource envelope is agreed, resources must be allocated according to priorities both within the military sector and between the military sector and other sectors. Sectoral strategies and information on

performance are critical components of the allocative process. The central budget office should assess the appropriateness of the defence Ministry's budget. The armed forces must compete fully with other sectors for funding. However, in many African countries, these conditions do not hold. Human and institutional capacity for military budgeting is weak in both the executive and legislative branches of government.

Besides, in part, the capacity for financial management in the military sector is weak in Africa because overall financial management capacity is weak. At the same time, different standards are frequently applied to the military sector. The degree of transparency and accountability is often considerably lower in the military sector than in the government as a whole. Efforts are rarely made to identify deviations between approved and actual resource use, but where these are identified, problems are rarely corrected.

The study conducted by Omitoogun and Hutchful (2006) on some of African military budgetary processes are summarized as follows.

Military budgeting in Ghana has many historical weaknesses, but there have also been some recent improvements, both in terms of the size of the budget and in terms of the budgetary process. The budgetary process has traditionally been driven by financial imperatives, and hence by the Ministry of Finance, rather than by strategy or doctrine. There have been efforts to correct some of the shortcomings of the budgetary process. The most notable recent developments are the introduction of the MTEF and the reintroduction of parliamentary oversight.

With regard to Kenya, Military budgeting cannot be looked at in isolation from the country's economic and political weakness. In the absence of an officially articulated and recognized defence policy, the strategic evaluation phase has been vulnerable to a high degree of arbitrariness. The audit system is functional, although not at optimal levels of efficiency. The military budget does not appear to account for all the financial operations

of the Department of Defence. The cost of military equipment seems not to be included in the budget.

In Mali, there is a gap between formal rules and procedures and the actual conduct of public affairs. This gap is evidenced by the breaches in the organization and implementation of the military budget. Some of the weaknesses in the budgetary process of the armed and security forces are: limited transparency and accountability, weak parliamentary oversight. These weaknesses are not specific to the sector but are common across the Malian political and administrative systems. The general accounting principles and budgeting guidelines are compromised by informal practices that persist mainly because of weak hierarchical control.

In Nigeria the level of off-budget military expenditure is significant. There is a practice of providing for arms purchases outside the approved budget and without legislative approval. Although extra-budgetary spending in Nigeria does not apply to the military sector alone, military off-budget spending has been going on since the era of military rule and does not appear to have been mitigated by the return to democracy in 1999.

Exceptional to the sample countries, National defence in South Africa is regulated by clear constitutional provisions and a substantial policy framework. Defence planning, programming and budgeting takes place against these fiscal and defence policy frameworks. There is a clear formal planning and budgeting process in the South African Department of Defence and this process is aligned with the national medium term expenditure framework (Omitoogun and Hutchful, 2006; Le Roux, 2004(a)).

Moreover, oversight and control over the implementation and execution of the military plan and budget is ensured both internally and externally. Internal control measures include the normal control function of superiors over their subordinates, regular assessment of the in-year execution of the budget against the plan, and an internal audit by the Defence Inspectorate that reports to the Secretary for Defence. External oversight

and control is exercised by the Minister of Defence, the National Treasury, and the Auditor-General.

Le Roux (2004(a)) further noted that the military planning and budgeting process in South Africa is largely transparent. Defence policy was developed in an exceptionally transparent manner. There are no paramilitary forces in South Africa and as such no military expenditure can be concealed in this manner. There are some sources of income to the Department of Defence outside the defence budget but these are relatively small.

Defence planning and programming are fundamental to the making of a meaningful military budget whose output can be easily measured. However, based on the study of Omitoogun and Hutchful (2006), Ethiopia, Ghana, Kenya, Mali, Mozambique, and Nigeria lack clearly defined defence policies from which well-developed strategic defence plans can develop since 2003. Most of the states do not make adequate threat assessments.

In general, Le Roux (2004(a)) noted that most of African defence planning, budgeting and expenditure control processes and practices are poorly developed and non-transparent.

2.9 Ethiopian Budgetary Process

Ethiopia has a dual budgeting system in which recurrent and capital expenditure are considered separately. Until recently these two budgets were prepared separately by the Ministry of Finance and the Ministry of Economic Development and Cooperation, respectively. In October 2001 these two ministries were merged to form the Ministry of Finance and Economic Development. The new Ministry determines budget ceilings for federal ministries and agencies and for the regions (Omitoogun and Hutchful, 2006).

MoFED is the major clearing house for the preparation of the federal budget in Ethiopia, although this is done in consultation with the various ministries that are the beneficiaries of the budget. The responsibilities of the Minister of Finance and Economic Development, as stipulated in the Council of Ministers Financial Regulations No 17/1997, consist of formulating and issuing directives that detail government financial policies in all areas of government finances; developing and maintaining appropriate standards of work and conduct for application throughout all public bodies; internal auditing functions; and preparing a financial plan for the country.

Each public body needs to take the initiative to commence budget preparations before they receive the budget call letter from Ministry of finance and economic development (MoFED) with their budget ceilings, such as development of unit costs (where appropriate), a midyear program review, and the preparation of work plans.

Various steps are involved in the process of budgeting in Ethiopia. The first step in the process is the sending of Budget Calls and ceiling notifications to line ministries by the MoFED. The various line ministries submit their budget request as per the established regulations. After the budget hearing and defence process at the MoFED, the final budget will be submitted to Parliament by the Prime Minister for approval.

It is important to distinguish between the approved budget and the annual appropriations. The budget that is approved by the Council of Peoples Representatives is a detailed budget, i.e., by public body, sub-agency, project, expenditure item, etc. However, the appropriations are at a more aggregate level. An appropriation is a legal mandate to spend money out of the consolidated fund. After the Council of Peoples Representatives has approved the budget, it is the responsibility of the civil service to implement that budget. Implementation of the approved budget is also known as budget execution (MoFED, 2006).

The implementation phase of the budgetary process covers not only measures for disbursing funds already allocated but also the monitoring of how funds are spent to ensure that they are used judiciously and for the intended purposes.

It is the responsibility of Ministry of finance and economic development to inform all public bodies of their approved budget. It uses forms to notify each public body of their approved recurrent and capital budget respectively; and between July 8 and 15 (MoFED, 2006).

Funds are dispersed to ministries each month on the basis of the allotted budget. Every Ministry is required to submit a monthly disbursement request in which it reports the previous month's expenditure, detailing what was spent and how it was used, and makes a request for the next month's allocation through a work plan. The Ministry's Fund Disbursement Department handles the process of fund disbursement for the ministries and keeps records of all transactions. The budget registrar in the Disbursement Authorization Department records the original budget, all transfers and supplementary budgets, the disbursements made and any undisbursed allocation.

Each public body is required to enter details of its approved budget onto their budget expenditure subsidiary ledger cards for each budget institution, sub-agency, or project. The cards are used to keep track of approved budget, budget adjustments/transfers, supplements, and commitments.

Although planning and budget processes should be thorough and attempt to anticipate needs of the next year, not all future circumstances can be foreseen with accuracy. When the situation demands, the approved budget can be legally adjusted during the year to adapt to unforeseen circumstances. Budget adjustments are not desirable and can be avoided by proper planning and budgeting. There are two types of budget adjustment permitted by law: budget transfer and budget supplement.

- ❖ **Budget transfer**-moving budgeted funds between public bodies, budget institutions, projects or items of expenditure, without changing the total approved budget.

Budget transfers between public bodies, budget institutions, projects or items of expenditure are authorized by the Financial Administration Proclamation No. 648/2009 and the Financial Regulations No. 17/1997, subject to certain restrictions and the required level of approval or authorization. These include:

- No transfers are permitted from other recurrent expenditure to salaries, wages or allowances;
- No transfers are permitted from the capital budget to the recurrent budget;
- All other transfers must be approved by the authority specified in Part Four of the Financial Administration Proclamation No. 648/2009 and the Financial Regulations No. 17/1997.

On the other hand, MoFED is empowered to transfer funds within items of expenditure of the recurrent budget; and budget from one capital project to another within a public body (FDRE, 2009).

- ❖ **Budget supplement**-the total approved budget can be increased with the approval of the Council of Peoples Representatives on recommendation of the Council of Ministers. It is additional authority to spend beyond the original approved budget.

During a budget year, while an approved budget is in the process of being implemented, it is possible that:

- ✓ An unforeseen or urgent need for increased expenditures arises, (e.g. a natural disaster); or
- ✓ A new project, not included in the original approved budget, is approved for commencement during the budget year;

- ✓ Additional resources become available (e.g. from external assistance or loans) that can fund increased total expenditures, including any new projects.

Any of these circumstances may require additional expenditures during the budget year by a public body beyond those in the approved budget. In these situations a supplementary budget and appropriation are required. These are also authorized by Part Four of the Financial Administration Proclamation No. 648/2009 and the Financial Regulations No. 17/1997.

Supplementary budgets are coordinated and prepared by MoFED, based on requests or proposals received from public bodies. Public bodies are required to prepare their supplementary budget requests in writing and submit to MoFED Budget Department. Then, MoFED notifies public bodies of their approved supplementary budget. Subsidiary ledger card must be kept up to date by public bodies so as to show the correct adjusted budget and to prevent any overspending or over commitment of funds available.

MoFED coordinates the management and control of public funds in Ethiopia. It is this Ministry that keeps the accounts of the federal budget and prescribes regulations on financial management and control for ministries and government agencies.

In addition, ministries are required to manage and control funds allotted to them following the central regulations and directives on financial management set out by MoFED. The regulatory mechanisms of the budget include requirements that:

- a) Budgetary receipts be recorded in the appropriate budgetary account as prescribed in the financial regulations and in a timely manner;
- b) Collected revenue be recorded under the appropriate revenue account;
- c) Expenditure only be made in compliance with the financial regulations;
- d) All books of accounts be closed each month and a monthly receipt and disbursement be prepared and submitted to MoFED at the centre and regional finance bureau in the regions;

- e) Periodic financial statements be prepared and submitted to the Council of Ministers and regional executive committees by MoFED at the centre and regional finance bureau in the regions;
- f) A consolidated annual report be prepared and sent to the Council of Ministers and regional executive committees by MoFED and regional finance bureau.

MoFED can be seen to play a central role in the budgetary process of the country. It controls the formulation and implementation of the budget of line ministries at various levels. During the writing of the Budget Calls, it can make changes in the budget allocation of line ministries after review and analysis of the budget estimate submitted by the ministries. It decides the level of the budget to be recommended to the Council of Ministers. During implementation, it has the power to disburse funds. Through the monthly accounting reports, it scrutinizes the performance of the ministries in budget implementation, and it can decide on the level of funding to be authorized for disbursement. It can also approve transfers and recommend supplementary allocations.

2.10 Ethiopian Defence Budgetary Process

The military budgetary process in Ethiopia is an integral part of the annual national budgetary system of the country. The line Ministry for the military is the Ministry of National Defence. According to MoFED budget classification, MoND is classified as a programme and the whole military budget is classified as recurrent expenditure.

There is little or no difference between the budgetary process for the military and those of the other ministries. The military budget begins at zero every year; in other words, the sector undertakes only annual budgeting.

Table 1- The financial calendar of Ethiopian Ministry of National Defence

Activity	Calendar	
	Ethiopian	Gregorian
Budget Call from MoND to sub-programmes	15 Meskerem–15 Tikmt	15 Sep.–15 Oct.
Budget preparation in sub-programmes	16 Tikimt–30 Tahisas	16 Oct.–8 Jan.
Budget analysis and review by MoND	1 Tir–15 Tir	9 Jan.–23 Jan
Budget hearing at MoND headquarters	20 Tir–30 Tir	28 Jan.–7 Feb.
Budget compilation in MoND	1 Yekatit–30 Yekatit	8 Feb.–9 Mar.
Budget hearing at MoFED	23 Megabit–29 Ginbot	1 Apr.–6 June
Start of the financial year	1 Hamle	8 July
Budget approval by government	1 Hamle–8 Hamle	8 July–15 July
Recast of approved budget	1 Hamle–9 Nehassie	8 July–15 Aug.
Budget implementation	9 Hamle–30 Hamle	16 July–6 Aug

Source: MoND- Plan and Budget Department, 2009

According to Omitoogun and Hutchful (2006), the Ethiopian military budgetary system suffers from a number of deficiencies that hamper efficient allocation and use of resources. Among these are: a lack of continuity in the process; the lack of a well-articulated defence policy and strategic plan; inefficient implementation of the budget; and emphasis on input rather than output. Moreover, while multi-year budget planning has been introduced in all other sectors based on sectoral policies, defence is excluded from the multi-year plan. Instead, military sector budgeting is based on ‘zero budgeting’, which means that budgets have to be prepared from scratch every year, driving out any medium-term perspective. Thus, there is little continuity and long-term planning.

Their study focused mainly on the military budgetary processes of a sample of eight African states (including Ethiopia) with a view to identifying the main actors and institutions in the budgetary process and their roles. It was observed from the view point of political situations and government structure of defence policy, planning and budgeting processes; and in line with the principles of democratic activities. And, the study of

Omitoogun and Hutchful (2006) is the recent investigation which deals with Ethiopian defence budget as long as the researcher of this project is aware of.

In general, the researchers raised several issues on Ethiopian military budget process. Among them: there are no medium- or long term strategic budget plans. Equally, there is no evidence of the existence of mechanisms for coordinating the planning organs and the Budget Department of MoND. However, the research did not try to look the details of each budget holders, that is, it did not show how each defence budget user prepares, executes and controls its budget. Therefore, this project paper attempted to focus on these issues of budget users, draw conclusion, and recommend suggestions on the observed problems to the concerned body in the defence Ministry.

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CHAPTER THREE

DATA PRESENTATION AND ANALYSIS

This chapter discusses the analysis of data collected from various sources related with Ethiopian defence budget management and control. The data were presented and analyzed according to the flow of budgetary process starting from planning and budget preparation, followed by implementation, execution, and control. The presentation started with overview of the current budget process and pursued by structure of the Ministry's budget executing bodies.

As indicated in the introductory part of the paper, statistical package for social science (SPSS) application has been applied to analyze the data. The descriptive analyses were also supported by the open-ended responses given during the collection of data, interview responses, reports, and literature reviews.

3.1 Characteristics of Respondents

The sample respondents used in this paper are classified into three categories: first, budget users selected from samples of all the budget holders; second, budget experts of defence Planning and Budget Department; and third, audit experts from the Office of Federal Auditor General (OFAG).

Structured questionnaires (attached in Appendix 2) were sent to 64 respondents in samples of 13 budget holders as listed in Appendix 1. Fifty six of the respondents (87.5%) have filled and returned the questionnaires properly. The questionnaires were distributed to and filled by budget workers, budget heads, and finance workers in each budget holder. The samples of respondents taken from each budget holder were the same as the population.

Below are the characteristics of these respondents in terms of gender, education level, and service year.

Table 2: Gender Vs Level of Education –respondents from budget holders

		Level of Education					Total
		12th Grade or less	Certificate	Diploma	Bachelor Degree	Masters Degree	
Gender	Male	1	1	10	20	1	33
	Female	1	1	10	11	0	23
Total		2	2	20	31	1	56

Source: Survey data

As observed from the above response table, the number of male respondents (58.9%) was moderately higher than that of female (41.1%). In addition to this, the number of male with bachelor degree outweighed that of female by nearly half. However, there was equal number of respondents with diploma level and gender category, i.e. 10 (ten).

Table 3: Level of Education Vs Service Year - respondents from budget holders

		Service Year				Total
		less than or equal to 5 years	6 to 10 years	11 to 15 years	above 16 years	
Level of Education	12th Grade or less	1	0	0	1	2
	Certificate	0	0	0	2	2
	Diploma	6	6	3	5	20
	Bachelor Degree	11	9	2	9	31
	Masters Degree	0	0	1	0	1
Total		18	15	6	17	56

Source: Survey data

From table 3 above, 19.6% of respondents were first degree holders with service experience of more than 11 years. Respondents with 5 or less year service were 32% compared to 26.8% for service year between 6 to 10, 10.7% for between 11 to 15 years, and 30% for more experienced. Around 36 percent of the respondents were bachelor degree qualifiers with more than 6 years of service experience.

Other than to defence budget holders, further questionnaires were distributed to 10 (ten) audit experts of the Office of Federal Auditor General, who have examined Ministry of national defence in recent years.

Table 4: Service Year Vs Level of Education- respondents from OFAG

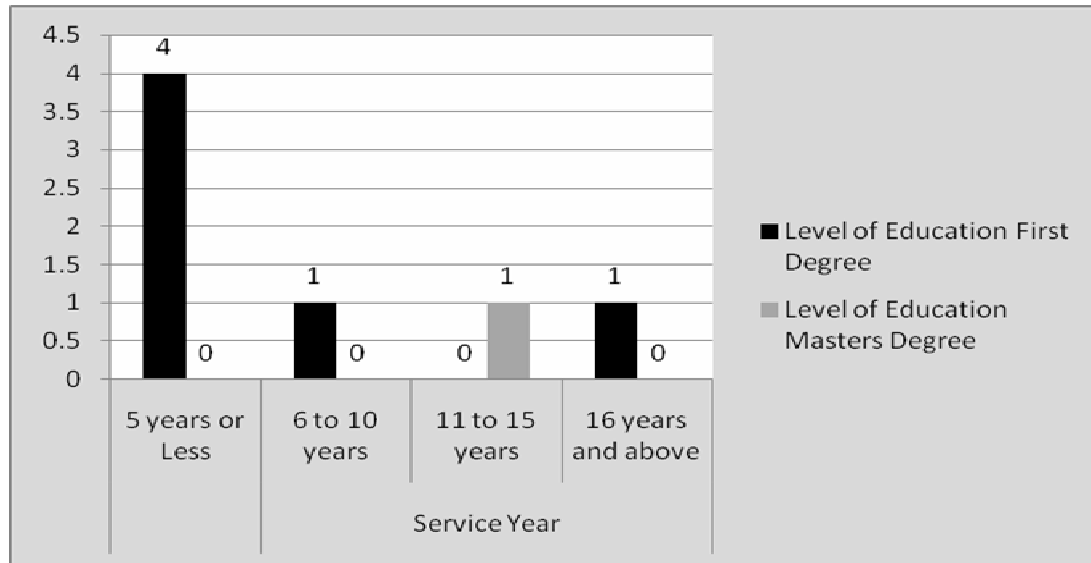
		Level of Education		Total
		Diploma	Bachelor Degree	
Service Year	5 years or Less	0	1	1
	16 years and above	4	5	9
Total		4	6	10

Source: Survey data

Among the 10 respondents who audited defence units, 90 percent were experienced with service of 16 years and above, but 4 (44.4%) diploma holders and 5 (55.6%) first degree owners. 60 percent of the whole respondents were qualified with Bachelor Degree.

Finally, the researcher sent 8 questionnaires (7 were responded) to be filled by budget experts who work in Defence Planning and Budget Department (which has the role of managing defence budget) with the aim of gathering the overall picture of the defence budget management. Moreover, these questionnaires were supported by secondary data collected from documents and annual reports of budget holders.

Figure 1: Service Year Vs Level of Education- respondents of PBD budget experts



Source: Survey data

As per Figure 1, it seems that the Department is occupied with more educated professionals and with moderate sound of experiences. Six of the seven respondents were BA holders and one with masters.

3.2 Overview of the Current Defence Budget Process

Ministry of national defence is one of the ministerial offices that hold the highest recurrent budget of the country to implement its national mission. Its annual budget is appropriated based on the institution's five year strategic plan set up on 2007 (1999 EC).

As a result of the institution's limited budget ceiling and in order not to create burden on the economy of the country, the budget system gives priorities to those works that need urgent accomplishments.

Ministry of national defence has prepared a budget guidebook, called Ministry of Defence Budget Preparation, Execution, and Control Working Manual, in December 2007 (Tahisas 1999 E.C) that constitutes how to: prepare budget request, execute, and control

the allocated budget. The directive gives successive senior officials the power to administer and control their own budget. The guide is applied to all budget holders within the Ministry of national defence.

3.2.1) Structure of Budget Executing Bodies in Defence

According to the budget guide, Ministry of national defence has identified the following budget executing bodies based on the five year strategic plan.

1. Defence Human Resource Development Program,
2. Defence Industry Development Program,
3. Defence Logistics Program,
4. Defence Military Training Program,
5. Defence Military Intelligence Program,
6. Defence Military Operation Program,
7. Air Force,
8. Commands,
9. Colleges, and
10. Other various units.

These budget executing bodies are not the same as the twenty eight budget holders. The executing bodies are regarded as the major bodies that hold the direction of the institution in terms of activities and programs based on the strategy of defence that the Ministry needs to achieve within five years. These activities and programs are implemented through the twenty eight budget holders. For example, under Colleges, there are more than seven military and academic institutions engaged in building the capacity of the armed force. The institutions obtain financial resources to attain the intended capacity building and are, thus, considered budget holders.

In general, the budget guideline is one of the issues of the five year strategic plan which was designed to contribute its share towards the development of an armed force that deters any internal and external threats of the country.

3.3) Defence Planning and Budget Preparation

In principle, there are different types of budget presentation systems. However, defence customarily uses zero-budget system. It is a mechanism that begins with a new scratch of budget request every fiscal year rather than adding on the previous one. Defence annual budget ceiling is decided by the Federal Democratic Republic of Ethiopia government.

While the Ministry prepares leading strategic plan at institutional level, budget holders are required to set up their own leading plan based on the Ministry's strategy. The successive units follow the same procedure to prepare their budget. Finally, the whole budget demand is consolidated and sent to Ministry of finance and economic development by defence planning and budget department. Note that, the consolidated budget is not merely the sum of budget holders' request, but it is tuned to the strategic plan.

As per the 2007 defence budget guideline, the Ministry's budget is categorized based on three main expenditures, namely: human resource expenditures, operation and maintenance expenditures, and capital (capacity building) expenditures.

- i. Human resource expenditures- salaries, per diem and pension
- ii. Operation and maintenance expenditures- include
 - ✓ Supplies, uniforms cloths, sanitary materials, medical items and printing, stationery, and educational materials,
 - ✓ Military equipments and vehicles repair,
 - ✓ Administrative activities,
- iii. Capacity building expenditures- include
 - Training in abroad and at home

➤ Weapon, machinery, and vehicles procurement

In general, the guide requires budget holders to: give priority to those works which can play essential role in defence capacity building through minimum cost, support their request with justification, present only within the permitted budget standard, and consider previous year budget performance. Such practice coincides with the concept given by Law (2006) stated as defence budgets help ensure that: public funds are earmarked for defined priorities; funds are spent accountably; and domestic constituencies are appropriately informed about the intentions of the government in defence matters.

Having said the objective of budget in principle, let us see the response of the sample budget holders in relation to plan and budget preparation. Fourteen questions were forwarded on the preliminary part of budget process-plan and budget request. The summary of the response looks like in the following table 5.

Table 5: Budget users' response rate on Plan and Budget Preparation

No.	Questions	Measurement					Total
		Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree	
1.	You have adequate understanding to prepare plan and budget	26	25	2	3	0	56
2.	Your office has adequate number of professionals (budget officers) who prepare plan and budget	18	27	3	8	0	56
3.	Your office prepares its annual plan based the strategic document of national defence.	24	21	5	6	0	56
4.	Your office revises its plan frequently in relation to budget.	14	33	6	3	0	56
5.	Budget preparation is linked to	19	34	2	1	0	56

	strategic policy of defence.						
6.	Plans of your office are systematically linked to the annual budget.	26	21	2	7	0	56
7.	The budget demand prepared by your office is based on approved plans.	21	26	2	7	0	56
8.	Budget is prepared based on reliable data and estimates.	18	33	2	3	0	56
9.	Plan and budget is prepared for each program.	22	29	3	2	0	56
10.	The amount of budget prepared for each program line item is overestimated.	5	7	9	29	6	56
11.	There is a tendency of submitting budget request without plan.	5	11	3	33	4	56
12.	Your office prepares its annual budget based on the financial calendar of the institution.	20	33	3	0	0	56
13.	There is problem of matching plan with budget in your office.	5	23	3	23	2	56
14.	Your office has strong relation with Defence Plan and Budget Department.	39	14	3	0	0	56

Source: Survey data

The result of the table indicates in majority the existence of positive relationship between plan and annual budget preparation in each of the selected budget holders except in some aspects. In the question of budget revision, 84 percent of the respondents (i.e. 47 of 56) agreed that they revise their plan frequently in relation to annual budget. On the other hand, the same number of respondents agreed on the existence of systematic linkage plan

with annual budget. Most of the responses contradict with each other. The relationship of the previous two extracted responses is depicted in table 6 below.

Table 6: Frequent revision of plan Vs Existence of systematic linkage with annual budget

		Plans of your office are systematically linked to the annual budget				Total
		Strongly Agree	Agree	Neutral	Disagree	
Your office revises its plan frequently in relation to budget	Strongly Agree	12	2	0	0	14
	Agree	12	15	1	5	33
	Neutral	1	3	1	1	6
	Disagree	1	1	0	1	3
Total		26	21	2	7	56

Source: Survey data

Even if majority of the respondents replied a positive relationship between the two variables (plan and budget) on table 5, an office that has plans which are systematically linked to the annual budget does not generally make frequent plan revision in relation to budget. Of the respondents, from table 6 above, the 21 percent (12 strongly agree in common) strongly agreed to both the presence of systematic linkage between plan and annual budget and frequent revision in their units. The other measurements also confirmed this value. Therefore, the responses were given arbitrarily without considering or knowing the real situation of their office, or they were not voluntary to reveal the exact problem.

On the other hand, the open-ended data indicated that there were mismatch between plan and annual budget. According to the respondents, due to the mismatch between plan and budget, they would be forced to revise plan to include new activities. Less attention is given to the preparations of plan and budget. The cause for the revision of budget was

mainly attributable to failing to consider the current market price at the beginning of the budget year. Such practice has resulted in preparing budget without the basis of reasonable estimates and data. The effect was reflected on purchase process. During procurement, budget shortage occurred at the time of bid. Moreover, the shortage of skilled manpower or plan expert exacerbated the problem.

As recognized from their written response, some units present their annual budget by coping simply from the previous year budget request because of inexperience. Further, what the budget users plan does not consider the appropriated budget of the institution and economic situation of the country. Adequate orientation is presented rarely about plan and budget preparation by the concerned bureau.

Plan and annual budget preparation are two faces of a cent. To achieve mission of the institution, flexible strategic plan has great value. What is complained by the budget users is infrequent revision of the strategic plan (or rigidity) periodically has put in burden on annual plan of units. Nevertheless, according to Le Roux (2002), the defence plan should be a stable but flexible document over time that comprises the administrative outputs required for the management of the defence function including the provision of defence policy, strategy, plans, programme and budgets. Budget users are provided additional duties (which are new and outside of the annual plan) to be executed from their budget without supplementary funds. It, thus, produces further burden on the available budget.

According to the report revealed by the Planning and Budget Department of defence in 2002 E.C third quarter, the following problems were observed by budget users in connection with plan and budget preparation for successive budget years.

- The plan and budget was prepared without the participation, discussion, and approval of concerned units and persons. As a result, presenting exaggerated budget, overlooking programs, excess number of budget transfer and adjustments happened;

- The prepared budget did not include the relevant issues and the institution's strategic plan fully;
- Presentation of budget demand without work plan;
- Not following fixed budget calendar in presenting budget demand are some of the main problems mentioned in this process.

Literatures indicate that bad practices in budget preparation will invariably lead to a number of dysfunctional practices in budgeting (Shah, 2007).

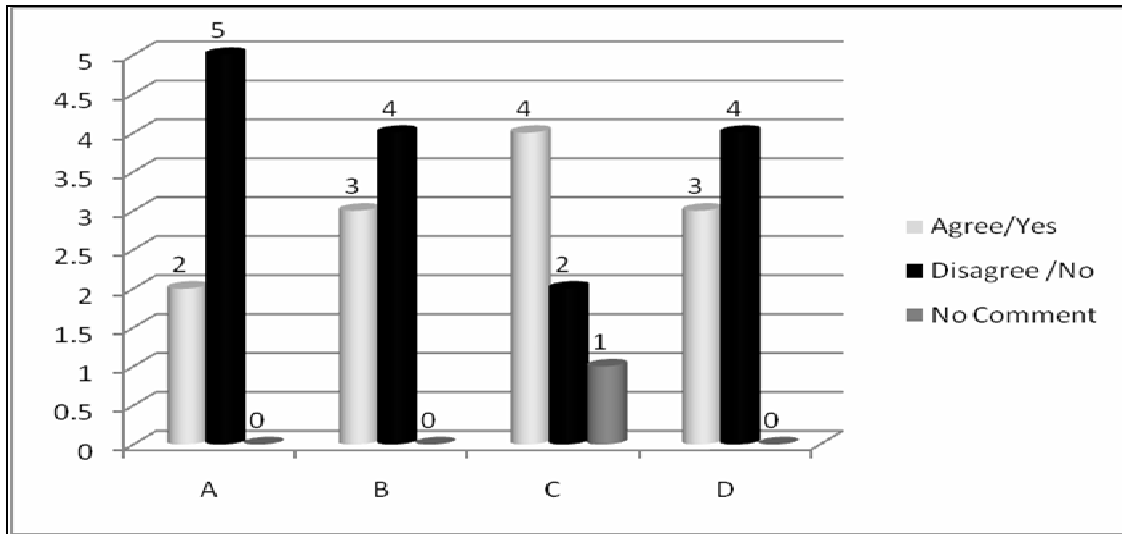
Besides, according to the response of budget experts working in Planning and Budget Department, they confirmed in majority that budget users have limitations in: budget preparations, timely submissions of budget requests, and on the validity of assumptions taken in preparing the annual budget.

Questions were forwarded to budget experts accompanied by the response in Figure 2.

- A. Do you believe that budget holders give serious attention when they prepare their budget request?
- B. Do you think that the department has adequate number of skilled persons?
- C. Do you agree that there is a wide mismatch between plan and budget in budget users?
- D. Are the plans and budgets of budget users realistic, based on valid assumptions, and developed by knowledgeable individuals?

The results are summarized as follows in figure 2.

Figure 2: Responses of budget experts on plan and budget preparation



Source: Survey data

The Figure indicates that greater part of budget experts agreed on the existence of weaknesses in budget preparation even though there are others who do not agree on the subsistence of the problems. The former explained that some budget holders prepare their annual budget ambitiously. They do not give priority of activities while preparing the financial plan.

Besides, most of the time the amount of budget requested for each line item is deliberately exaggerated. The reason is due to the assumption that the office responsible for budget approval allocates budget by reducing some percentage from the initial request. Therefore, according to their intention, if they submitted actual demand without overestimation, the amount approved for that budget year would be less than what is expected. However, as per MoFED (2009) and Lee (1992), budget ceilings instruct agencies to request next year's budgets based on certain assumptions, such as their set of priorities regarding rankings.

Of the 7 budget experts, 4 stated that defence planning and budget department has no adequate number of skilled persons to conduct budget analysis effectively. The less number exacerbated the difficulty in compiling and analyzing budget requests of the

institution. Moreover, the majority do not agree that budget holders prepare their financial plan based on realistic, valid assumptions, and by knowledgeable individuals.

In general, the practice of budget users is not in line with the institution's principles. Moreover, it contradicts with what literatures mention to have good budget preparation. For instance, according to Schiavo-Campo and Tommasi (1999) and Allen and Tommasi (2001), the main starting points for the preparation of the annual budget should be a clear definition of fiscal targets and a strategic framework consisting of a comprehensive set of objectives and priorities. Moreover, good budget preparation comes first, logically as well as chronologically. Ball (2002) also noted that as in any other part of the public sector, military budgets should be prepared against a sectoral strategy.

3.4) Defence Budget Utilization, Evaluation and Follow-up

As per Allen and Tommasi (2001), successful budget execution depends on numerous factors, such as the implementation capacities of the agencies concerned.

Every budget user unit has the obligation to register daily inflow and outflow budget movement and maintain the balance on the ledger prepared for this purpose. It has also the responsibility to submit monthly report to defence planning and budget department. Further, the budget holder is required to utilize the allotted budget for the specified period only.

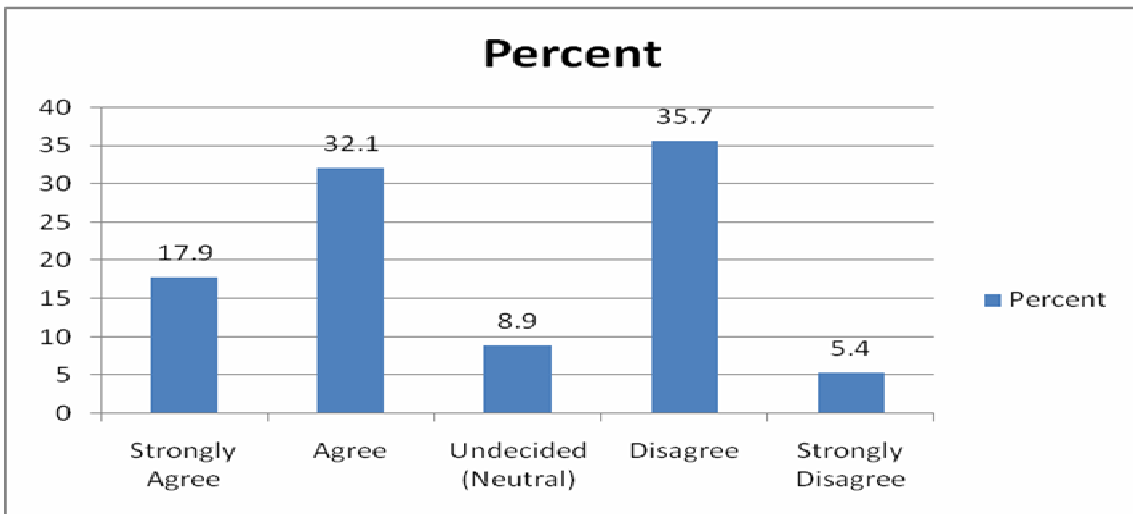
With regard to budget transfer, it is the authority of MoFED. However, defence planning and budget department may allow the transfer for those budgets having similar expenditure account codes within the Ministry.

However, according to the report revealed by the Planning and Budget Department of defence in 2002 E.C third quarter, the following problems were observed in budget execution for successive budget years.

- Little supervision and control by the budget user leaders and their successive subordinates;
- Unable to present decision comments on performance evaluation;
- Unable to make continuous and expansive evaluation in order to correct the observed problems.

On the other hand, according to the respondents' reaction, on average 50 percent of budget users agreed on the existence of frequent budget transfer proposes to defence Planning and Budget Department as depicted in Figure 3 below.

Figure 3: Request to Budget Transfer frequently



Source: Survey data

The reaction of respondents is somehow different from the department's reports. As per MoFED (2009), although the approved budget can be legally adjusted through transfer and supplement during the year to adapt to unexpected circumstances, these budget adjustments are not desirable and can be avoided by proper planning and budgeting.

According to the survey result, majority of the respondents in the sample budget holders have denied the existence of budget implementation and follow-up weaknesses in their respective offices. The outcome of the survey has been indicated as follows in table 7.

Table 7: Budget users' response rate on budget implementation and evaluation

Questions	Measurement					Total
	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree	
Your office utilizes the approved budget based on its plan.	20	28	3	5	0	56
Your office prepares monthly cash flow demand based on its plan.	22	23	5	6	0	56
Your office has the practice of regular follow-up on its balance budget.	34	20	0	2	0	56
Your office returns unspent cash to Defence Finance Department on time.	21	28	6	1	0	56
Your office requests frequent budget transfer.	10	18	5	20	3	56
Your office requests supplementary budget frequently.	11	25	5	14	1	56
Your office has adequate capacity to evaluate budget with its main activities.	22	27	4	3	0	56
Your office is criticized for accumulation of idle cash in bank/safe.	4	11	7	29	5	56
Your office executes surge expenditures at the end of the budget year.	5	22	5	22	2	56
Your office faces budget shortage during the budget year.	13	28	3	12	0	56
Your office has strong budget control mechanism.	23	25	2	6	0	56
Your office submits repeatedly a	5	19	4	26	2	56

request for adjustment of budget allotments after it is approved.						
There is a tradition of overspending of budget in your office.	5	8	4	32	7	56
There is underutilization of budget in your office.	3	12	6	30	5	56
The current budget implementation and control of your office is sufficient.	11	22	5	17	1	56

Source: Survey data

In order to verify whether the above responses are factual or not, 85.7 percent of the respondents agreed for the utilization of approved budget based on the annual plan. On the other hand, 48 percent of them assure the execution of surge expenditure towards the end of budget year. From this point, these responses contradict to each other. Thus, the researcher realized that the report of the department was correct.

More than 50 percent of the respondents confirmed as there were requests for budget transfer (50 percent) and supplementary budget (64 percent) frequently. The problem is not in the request but in the repetitiveness of the application. Such problems must have been derived from the initial budget formulation.

A little more than quarter of the respondents have the same opinion with the underutilization of budget during the period. Apart from this, about 23 percent of the respondents agreed on the contrary to underutilization instead they indicated the existence of overspending. Accordingly, Allen and Tommasi (2001) expressed in most cases, under spending, as well as overruns, is related to insufficiencies in budget preparation and programme preparation. An overestimated budget and unrealistic projections of revenues may lead to budget revisions during budget execution and to a practice known as “repetitive budgeting”.

Still, the Federal Government of Ethiopia Financial Administration Proclamation No. 648/2009 prohibits not to make disbursements out of the approved budget unless the head of the public body or his/her authorized representative submits to the MoFED cash flow and cash requirements.

Besides, the rate of response to each question indicates the existence of implementation and control problems although they are less compared to the response given to positive agreements. The reality of the minors' response rate was supported by the department's reports. Thus, the reply provided in line with the questions can be an indicator for the presence of gaps. For instance, 32 percent of the respondents disagreed (leaving the level) on the sufficiency of the current budget implementation control methods employed in their offices. Therefore, the researcher stands on the side of the report and solutions should be derived to overcome these problems before they become worse in general to the institution, and particularly to each office.

Table 8: Existence of strong budget control mechanism Vs Sufficiency of current budget implementation control

		The current budget implementation and control of your office is sufficient					Total
		Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree	
Your office has strong budget control mechanism	Strongly Agree	10	11	0	2	0	23
	Agree	1	9	2	13	0	25
	Neutral	0	0	1	1	0	2
	Disagree	0	2	2	1	1	6
Total		11	22	5	17	1	56

Source: Survey data

From the above table 8, 15 of the respondents (26.8 percent) agreed on the existence of strong budget control mechanism, on the other hand they disagreed on its sufficiency by

the same rate. However, the researcher believes that if there is strong budget control mechanism in an office, the question of sufficiency should not arise because just it has been already designed to be strong. Thus, there are contradictory responses. With regard to control, literatures indicate that keeping budget execution under control requires effective management control systems, not excessively detailed compliance controls. The budget system should assure effective expenditure control.

Moreover, according to the response compiled from the open-ended questions, majority of the respondents admit occurrence of idle cash at bank or in safe due to lateness in payments until purchase processes are finalized. During this time, cash will be put idle. Sometimes, suppliers delay to provide the service or the item after they won the bid. Other respondents reacted that the problem arises from the lack of proper monthly cash flow plan and purchase program. Sometimes, purchase is not executed on the basis of time table. That is why rush expenditure occurs towards the end of the budget year (48 percent of the respondents have agreed on the presence of surge expenditure in Table 7).

As supporting to the respondents opinions, Peter (1998) identified that the main weaknesses in resource allocation and use are: poor planning; deficient links between policy making, planning and budgeting; poor expenditure control; inadequate funding of operations and maintenance; little relationship between budget as formulated and budget as executed; inadequate accounting systems; unreliability in the flow of budgeted funds to agencies and to lower levels of government; and poor cash management.

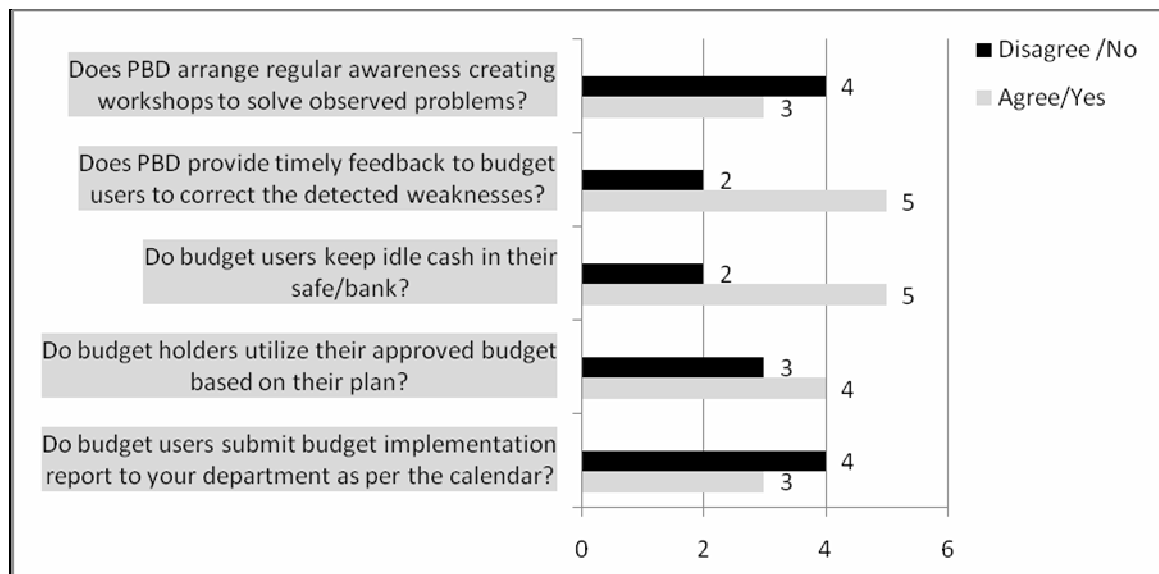
Apart from this, respondents mentioned that many problems related to budget implementation and control which have not been reflected in the close-ended questions. Of these difficulties, many of the respondents consent that what is planned is not implemented properly. Besides, lack of awareness on the importance of budget control, less attention to internal periodic evaluation, lack of coordination between budget and finance sections, lack of skilled manpower, untimely expenditure (such as towards the

end of the period), and nonexistence of strict accountability were other reasons for the occurrence of implementation weaknesses.

Literatures indicate that it is possible to execute badly a well-prepared budget; but it is not possible to execute well a badly prepared budget. Besides, successful budget execution depends on the implementation capacities of the agencies concerned and it involves a great number of players than budget preparation, and calls both for assuring that the signs given in the budget are correctly transmitted, and for taking into account feedback from actual experience in implementing the budget.

The major duties and responsibilities of defence Planning and Budget Department are: budget formulation, preparation, allocation, distribution and control. With this aspect, budget experts have stated their perceptions on budget execution, monitoring and evaluation to budget users as depicted in the following Figure.

Figure 4: Responses of budget experts on budget execution, monitoring, and evaluation



Source: Survey data

The figure revealed clearly the existence of discrepancies on budget executions, especially in idle cash. Experts explained the same reason with budget users for the

deposit of idle cash, i.e. delay in purchase process and program. Researchers point out that in order to prepare monthly cash plans, it is necessary to monitor both payments and commitments, in order to avoid arrears generation or delays in payment. Except under special circumstances, cash planning must be in line with budget forecasts.

Further, the experts clued that the department does not arrange regular workshops and short-term training to improve the skill of budget personnel engaged in budget holders. Field visit is also rarely accomplished by the department. 4 of the 7 respondents witnessed the weakness of the department in arranging periodic workshops.

In general the professionals mentioned that continuous budget change adjustment requests, idle cash, networking problems with budget holders, lack of skilled manpower and experience are among the deriving forces that fetch discrepancies in budget utilization. Their justification is maintained with the reasons given by Omitoogun and Hutchful (2006) who identified the more common causes of expenditure variations as: deviation in aggregate expenditure; reallocation of fund during budget implementation; policy changes during the year; an inability to implement policies, programmes and projects; and a lack of financial discipline.

Moreover, occurrence of idle cash creates burden on: controlling of spending, efficient implementation of budget, minimizing cost of government borrowing and exploiting opportunity cost of resources.

Audited budgetary revenue and expenditure reports of Ministry of national defence are depicted as follows for five consecutive years (from 1995 EC to 1999 EC).

Table 9: Audited Revenue and Expenditures of MoND (1995 to 1999 EFY)

Ethiopian Fiscal Year	Approved Budget (Birr)	Adjusted Budget (Birr)	Actual Expenditure (Birr)	Over (-) or Under (+)
1995	3,000,000,000	2,601,525,045	2,537,829,759	(+) 63,695,286
1996	3,000,000,000	2,646,019,900	2,494,000,899	(+) 152,019,001
1997*	--NA--	--NA--	--NA--	--NA--
1998	3,000,000,000	3,004,913,577	2,648,051,488	(+) 356,862,089
1999	3,000,000,000	3,006,272,296	2,563,814,722	(+) 442,457,574

*Source: MoFED-Central Accounts Department Report, 1995-1999 E.C (Put together by the researcher) *NA- stands for Not Available*

The entire approved budget of defence is set for recurrent expenditures. According to the above table, unspent budget has risen from year to year. Relevant reports explained that such underutilization arose from delay of foreign procurements; incompleteness of documents, particularly in construction contracts; and low capacity. On the other hand, although Ministry of national defence is said to be appreciative for efficient utilization of its budget, under spending of the official budget may coexist with large amounts of off-budget spending. As per Allen and Tommasi (2001), under spending does not necessarily mean that there is good fiscal discipline in the country. Sound budget preparation processes and adequate institutional arrangements are a prerequisite for avoiding these discrepancies.

3.5) Budgetary Records, Reports and Audit

Defence budget guidebook requires each budget user to submit quarterly expenditure report on the basis of the following points: main objective of the budget year; key and major activities; and their performance. The quarterly report should also indicate performance comparing with the same operational plan. Further, the report should specify budget shortage, error, or surplus. The budget evaluation is also expected to show how much the expenditure is economical.

On the contrary, reports of Planning and Budget Department indicate that some budget holders are unable to: present the budget performance report according to the plan (such as achieved, not achieved, and the reason for not achieving) and submit timely and uniform report.

The third category of sample used in the data collection was OFAG audit experts. The response rate is given in the subsequent pages on how budget holders keep their budgetary records and reports, and what the audit opinion looks like; preceded by the response rate of budget users on this section.

Table 10: Budget users' response rate on budgetary records, reports and audit

Questions	Measurement					Total
	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree	
All expenditures are sufficiently documented.	37	18	1	0	0	56
All expenditures are charged to the proper accounting period.	25	24	3	4	0	56
Your office keeps complete budgetary records in accordance with the country's financial administration proclamation and regulations.	25	27	3	1	0	56
Expenditures are shown in appropriate account codes.	37	18	1	0	0	56
Payment is executed always based on full documents and evidences	31	21	2	2	0	56
Your office presents timely, explanatory, and complete budget	30	24	1	0	1	56

implementation report.						
Budget implementation reports are consistent with plans.	12	29	8	7	0	56
Budget implementation report is presented based on term of reference.	19	28	6	3	0	56
The financial statement of your office is audited regularly by an independent auditor.	17	22	7	10	0	56
Performance audit is conducted in your office by OFAG.	7	12	17	20	0	56

Source: Survey data

Table 10 revealed confirmatory responses almost to all of the questions. However, the extent of their accuracy is in doubt, as per the researcher's view, because some of the answers differ from what is stated in open-ended written responses and the report issued by the budget controlling body of the institution, PBD. In their opinions for the open-ended questions, most respondents stressed that delays of letters (to order expenditure) create burdens on the recording system. Thus, it is not possible to say that payment is executed always based on full documents and evidences. Moreover, if records were supported by computerized systems, repetitive manual errors would not occur though corrected later by cross checking.

3.5.1 Audit Report of the Institution

According to FDRE (1997), the Office of the Federal Auditor-General is tasked with the responsibility of undertaking financial and performance audits of the offices and organizations of the federal government. It does this by auditing the accounts of all federal ministries and agencies. The proclamation stipulates the penalties for anyone who

obstructs the work of the Auditor-General through deliberate presentation of false documents or denial of access to required information.

The role of the Office of the Federal Auditor-General in the budgetary process of the military sector is to audit its financial accounts annually and at other times when it deems it necessary. The auditing, as in other ministries, is performed at three levels: internal audit by the Ministry, auditing by the MoFED and auditing at the federal level by the Auditor-General's office.

Keeping this in mind, the researcher sent questionnaire to 10 auditors who have examined Ministry of national defence in various times. Short interview was also made with the head who is concerned to defence audit. The analyses of these responses are provided as follows.

Table 11: OFAG Audit Experts' response rate

No.	Questions	Measurement			Total
		Agree/Yes	Disagree/No	No Comment	
1.	Does OFAG conduct performance auditing in Ministry of national defence?	1	8	1	10
2.	Do you think that efficiency and effectiveness of budget implementation can be ensured only by financial (compliance) auditing?	1	9	0	10
3.	Does Ministry of defence maintain adequate accounts and records as per the financial regulations of the country?	8	1	1	10
4.	Do you think that Ministry of defence implements the audit opinions of OFAG appropriately?	6	4	0	10

5.	Do you think that OFAG has established a mechanism to address common budget implementation problems of defence?	4	3	3	10
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Source: Survey data

As observed from the table, the respondents replied that OFAG has not conducted performance audit in Ministry of national defence. On the other hand, referring to table 10, 19 respondents (34 percent) witnessed on the execution of performance audit in their respective offices. As a result, this contradicts with the existing reality of OFAG activities.

From the open-ended responses, the researcher understood that OFAG believes financial audit does not ensure efficiency and effectiveness of budget implementation. Performance audit is preferable but it is not easy to manage. Financial audit focuses on reviewing of financial statements whether they are prepared in compliance with the financial rules and regulations of the country. Still now performance audit is not functional due to shortage of skilled manpower. The Office is considering introducing performance audit in the near future.

Although table 11 indicates that Ministry of national defence is better at maintaining its accounts and records in line with the country's financial regulations, respondents mentioned in the open-ended question that the overall audit opinion given to the Ministry was 'Except For' or 'Qualified Opinion' in 1999 E.C and 'Adverse Opinion' in 2000 E.C.

The audit opinions were the result of combined effects of the Ministry's activities. Of the explanations given to the opinions, the following were related to budget management and control. The Office explained that most offices do not make cash count which is available in safe, only the lump sum is indicated as a balance. Instead of transferring to MoFED, unpaid salaries are retained in the offices. Moreover, no record is kept to who is to be paid when requested. Even others utilize the money for internal purposes. On the other

hand, relevant follow-up and decision is not put together for accounts when there is a structural alteration.

The other unexpected reason was that some low level units of the institution still apply single entry recording system. Ministry of national defence adopted modified cash basis of accounting system in 2002/03, but the implementation has not got to all its units. The reason was due to lack of skilled personnel. Such inconsistent practice distorts financial reports of the institution.

Most of the time single entry system is implemented to monitor only payments. However, as per Schiavo-Campo and Tommasi (1999), sound budgetary accounting requires a double-entry bookkeeping system to record movements between budgetary accounts, namely, budgetary resource accounts (e.g. appropriation, apportionment, allotment); commitments; expenditures at the verification stage; and payment accounts. The system ensures that outflows match inflows.

In general, the analysis comprises mixtures of various budget management and control practices. The conclusions and recommendations are presented in the next chapter.

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CHAPTER FOUR

FINDINGS, CONCLUSION AND RECOMMENDATION

This chapter presents summary of findings, conclusion, and forwards recommendations derived from the previous data presentation and analysis.

4.1 Summary of Findings

As it has been clearly indicated in the introduction part, the main objective of this project paper was to evaluate budget management and control mechanisms of Ethiopian Ministry of national defence and to locate the key problem areas that seek attention and improvement. Therefore, the following major findings were obtained on the basis of the analysis.

- ❖ MoND has prepared a budget guidebook on December 2007 (Tahisas 1999 E.C) that constitutes how to prepare budget request, execute, and control budget by the budget holders.
- ❖ It was found that 84 percent of budget user respondents witnessed on the revision of their plan frequently in relation to annual budget.
- ❖ Even if majority of the respondents replied a positive relationship between plan and budget, it was invalidated that 21 percent of them strongly agreed to both the presence of systematic linkage between plan and annual budget and frequent revision in their respective offices.
- ❖ There has been a practice of preparing budget without considering the current market price at the beginning of the budget year and without the basis of reasonable

estimates and data. The problem was exacerbated by shortage of skilled manpower or plan expert.

- ❖ It was confirmed that budget users were provided new duties outside of their annual plan to be executed from the existing budget without supplementary funds.
- ❖ The plan and budget was prepared without the participation, discussion, and approval of concerned units and persons, and was not fully based on the strategic plan.
- ❖ Although most of the respondents denied the existence of budget implementation and follow-up weaknesses in their respective offices, it was found that their responses were contradictory to each other.
- ❖ It was revealed that there were budget users that spent their budget below and above the appropriation. The institution had been utilizing below the approved budget.
- ❖ It was disclosed the occurrence of idle cash at bank or in safe due to lateness in payments until purchase processes are finalized.
- ❖ Nonexistence of strict accountability was one of the main reasons for the occurrence of budget implementation weaknesses.
- ❖ Planning and Budget Department does not arrange regular workshops and short-term trainings to improve skill of budget personnel.
- ❖ OFAG has not conducted performance audit in Ministry of national defence unlike the responses given by budget users.
- ❖ It was discovered that the overall audit opinion given to the Ministry was 'Except For' or 'Qualified Opinion' in 1999 E.C and 'Adverse Opinion' in 2000 E.C.

4.2 Conclusion

As it has been stated, the study focused on budget management and control of defence considering the budget holders. For this reason, it reviewed relevant literatures and documents, and collected data from thirteen budget holders taken as a sample.

With the intention of building uniform budget administration and implementation control in the institution, Ministry of national defence set up budget guideline in 1999 E.C. The principle serves as a benchmark to control expenditures of budget holders and create sense of institutional budget perception. It is also believed that rules and regulations contribute to the success of the desired objectives. But, they do not ensure efficiency and effectiveness of budget utilization unless the responsible budget holders show commitments and sense of accountability.

Nevertheless, the intentions of the institution are somehow impaired by poor practices of some budget users. The researcher concluded the following points based on the analysis.

- Even if Ministry of national defence issued budget guideline, the concerned body did not move to enforce the practicability of the rule. If it were, the above summary findings would not occur.
- Unavailability of adequate and experienced manpower has added for the worsening results of plan and budget preparations disparities.
- Lack of awareness of budget users about the role of plan and budget to the institution.
- Budget holders have various understandings during budget preparations.
- Budgets are prepared without considering reasonable estimations and current market prices.

- The researcher concluded that the causes for idle cash are mainly due to the lack of consistent purchase programs which lead to rush expenditure towards the end of the budget year.
- Although the nature of the institution forces to consider unforeseen situations, additional duties of budget users are not usually backed up by supplementary budgets.
- Planning and Budget Department does not arrange regular workshops and short-term training to improve the skill of budget personnel engaged in budget holders. Apart from accountability of the specific budget users, the Department takes the lion's share of responsibility for budget preparation and implementation problems.
- Although much deviation has not been observed in budgetary records, the adoption of modified cash basis of accounting system has not been implemented fully.
- There is no carrot-and-stick strategy. No incentive mechanism is employed for good performers, and punishment as well for poor achievements unlike what is observed in other counterparts.
- Audit opinions given by OFAG are signals of the institution's weak compliance with the rules and regulations of the country.

4.3 Recommendations

The main intention of this project paper is to identify the fundamental causes of defence budget management and control weaknesses observed in budget users, and suggest possible recommendations to overcome such problems. Therefore, the following recommendations are suggested to the concerned body under Ministry of national defence.

1. With regard to plan and budget preparation, the following actions should be taken.

- The institution should assign appropriate individuals who have adequate knowledge on the field, i.e. the right person should be sent to the right place.
- Short-term trainings should be arranged periodically to develop uniform skills among budget workers. This is mainly the responsibility of Planning and Budget Department.
- Budget workers should be participated during budget preparation instead of putting only leaders who are organized in the form of committee.
- Contingent budgets can be reserved at the centre to entertain unforeseen situations instead of creating pressure on the allotted budget of users.

2. With respect to budget execution and control, the researcher suggested the subsequent recommendations

- According to Allen and Tommasi (2001), budget execution involves a great number of players than budget preparation. Thus, the role of decision making should be given to lower level units to build responsiveness and accountability on efficient utilization of their budgets.
- Purchase program should be noticed as integral part of annual plan to minimize idle cash and rush expenditure at year end.
- Various techniques, such as carrot-and-stick rule and merit-based incentives, should be employed to strengthen accountability and responsibility of commandants and experts.
- Different performance improving tools should be implemented, such as business process reengineering (BPR).

- Planning and Budget Department (PBD) should introduce IT networks to improve quality and facilitate works. It should also arrange workshops periodically to improve uniform budget preparation and implementation process in the institution. Field visit is another means that should be taken into consideration too.
- Share experience from other equivalent ministerial offices and adopt it according to the nature of the institution.
- Modified cash basis of accounting system should be implemented soon where gaps are observed.
- The opinions suggested by the Office of Federal Auditor General should be considered thoroughly.
- Finally, the current budget preparation and execution system of MoND is budget control based, i.e. it is on the basis of account code control. Program-based budget should be implemented considering the development level of the country.

In general, Ministry of national defence should take all possible and remedial actions to rectify the observed weaknesses, and to avoid repetition of the problems in subsequent years. As a result, the vision of the institution to build competent armed force with efficient cost utilization will be undoubtedly achieved provided that its budgetary process is fully internalized among budget holders.

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List of Appendices

Appendix 1: Sample of Budget Holders with number of questionnaires distributed, collected, and response rate

No.	Selected Budget Holders	Population (Sample taken)	Responses
1.	Training Main Department	5	5
2.	Maj. Gen. Hayelom Araya Military Academy	3	3
3.	Logistics Main Department	10	7
4.	Infrastructure and Construction Sector	3	3
5.	Defence Land Ownership & House Admin. Centre	2	2
6.	Defence Administration & Finance Service	19	15
7.	Defence Resource Management College	3	3
8.	Maj. Gen. Mulugeta Bulli Technique College	4	4
9.	Ethiopian Defence Peacekeeping Centre	2	2
10.	Ethiopian Defence Command and Staff College	4	4
11.	Defence Health Science College	3	3
12.	Defence Communication and Information Centre	2	2
13.	Defence Combat Engineering Centre	4	3
T o t a l		64	56
Total Response Rate		87.5%	

Appendix 2: Questionnaires distributed to defence budget users (English)

General Instructions

Please indicate your choice by putting the symbol mark (√) where you think is appropriate in the boxes provided to each preference, and comment where necessary.

PART I- Demographic Information

1. Please indicate your Gender: Male Female
2. Level of Education: ≤ 12th Grade Certificate
 Diploma Bachelor Degree Masters Degree
3. Please indicate your Service Year: ≤ 5 years 11 to 15 years
 6 to 10 years above 16 years

No.	Part II : Plan and Budget Preparation	Measurement				
		Strongly Agree	Agree	Undecided (Neutral)	Disagree	Strongly Disagree
4.	You have adequate understanding to prepare plan and budget.					
5.	Your office has adequate number of professionals (budget officers) who prepare plan and budget.					
6.	Your office prepares its annual plan based the strategic document of national defence.					
7.	Your office revises its plan frequently in relation to budget.					
8.	Budget preparation is linked to strategic policy of defence.					
9.	Plans of your office are systematically linked to the annual budget.					
10.	The budget demand prepared by your office is based on approved plans and programs.					
11.	Budget is prepared based on reliable data and					

	estimates.					
12.	Plan and budget is prepared for each program.					
13.	The amount of budget prepared for each program line item is overestimated.					
14.	There is a tendency of submitting budget request without plan.					
15.	Your office prepares its annual budget based on the financial calendar of the institution.					
16.	There is problem of matching plan with budget in your office.					
17.	Your office has strong relation with Defence Plan and Budget Department					
	Part III: Budget Implementation, Follow-Up, and Evaluation	Measurement				
		Stro ngly Agre e	Ag ree	Undeci ded (Neutr al)	Disag ree	Stron gly Disag ree
18.	Your office utilizes the approved budget based on its plan.					
19.	Your office prepares monthly cash flow demand based on its plan.					
20.	Your office has the practice of regular follow-up on its balance budget.					
21.	Your office returns unspent cash to Defence Finance Department on time.					
22.	Your office requests frequent budget transfer.					
23.	Your office requests supplementary budget frequently.					
24.	Your office has adequate capacity to evaluate budget with its main activities.					
25.	Your office is criticized for accumulation of idle cash in bank/safe.					
26.	Your office executes surge expenditures at the end of the budget year.					
27.	Your office faces budget shortage during the budget year.					
28.	Your office has strong budget control mechanism.					
29.	Your office submits repeatedly a request for adjustment of budget allotments after it is approved.					
30.	There is a tradition of overspending of budget in your office.					

31.	There is underutilization of budget in your office.					
32.	The current budget implementation and control of your office is sufficient.					
	Part IV: Budget Records, Reports, and Audit of Budget Users	Measurement				
		Strongly Agree	Agree	Undecided (Neutral)	Disagree	Strongly Disagree
33.	All expenditures are sufficiently documented.					
34.	All expenditures are charged to the proper accounting period.					
35.	Your office keeps complete budgetary records in accordance with the country's financial administration proclamation and regulations.					
36.	Expenditures are shown in appropriate account codes.					
37.	Payment is executed always based on full documents and evidences					
38.	Your office presents timely, explanatory, and complete budget implementation report.					
39.	Budget implementation reports are consistent with plans.					
40.	Budget implementation report is presented based term of reference (TOR)					
41.	The financial statement of your office is audited regularly by an independent auditor.					
42.	Performance audit is conducted in your office by OFAG.					

Part V: Open-Ended Questions

43. What would you suggest about the causes of the mismatch between budget and plan in your office, if there is any? What about the solution?
44. What would you suggest about the causes of idle cash in a bank/idle, if there is any in your office? What about the solution?
45. In your suggestion, what weaknesses does your office face with regard to budget and account records?

ተ.ቁ.	ክፍል ሁለት: ስለ ዕቅድና በጀት አዘገጃጀት	መለኪያ				
		በጣም እስማማለሁ	እስማማለሁ	አስተያየት የለኝም	አልስማማም	በጣም አልስማማም
4.	ስለ እቅድና በጀት አዘገጃጀት በቂ እውቀት አለዎት።					
5.	ክፍልዎ እቅድን ከበጀት ጋር አቀናጅቶ የሚያዘጋጅ በቂ የበጀት ሙያተኛ አለው።					
6.	ክፍልዎ አመታዊ እቅዱን በመከላከያ ስትራቴጂክ ሰነድ (እቅድ) መሰረት ያዘጋጃል።					
7.	ከበጀት ጋር በተገናኘ እቅድዎን አዘውትረው ይከልሳሉ።					
8.	ክፍልዎ በጀቱን ከመከላከያ ፖሊሲ ጋር በማቀናጀት ያዘጋጃል።					
9.	ክፍልዎ እቅዱን ከበጀት ጋር በማቀናጀት ተንትኖ ያዘጋጃል።					
10.	በክፍልዎ የሚዘጋጀው የበጀት ፍላጎት በፀደቀ እቅድና ፕሮግራም ላይ ተመስርቶ ነው።					
11.	በጀት ሲዘጋጅ ተአማኒነት ባላቸው ዳታ እና ግምቶች ላይ ተመስርቶ ነው።					
12.	ክፍልዎ ለአያንዳንዱ ፕሮግራም በጀት ያዘጋጃል።					
13.	ክፍልዎ ለአያንዳንዱ ፕሮግራም የተጋነነ በጀት ያቀርባል።					
14.	ክፍልዎ ያለ እቅድ የበጀት ጥያቄ የማቅረብ ዝንባሌ አለው።					
15.	ክፍልዎ አመታዊ በጀቱን በተቋሙ የጊዜ ሰሌዳ መሰረት ያዘጋጃል።					
16.	በክፍልዎ እቅድ ከበጀት ጋር ያለማዛመድ ችግር ይታያል።					
17.	ክፍልዎ ከመከላከያ ፕላንና በጀት መምሪያ ጋር የጠበቀ ግንኙነት አለው።					
	ክፍል ሶስት: ስለ በጀት አፈፃፀም፣ ክትትልና ግምገማ	መለኪያ				
		በጣም እስማማለሁ	እስማማለሁ	አስተያየት የለኝም	አልስማማም	በጣም አልስማማም

18	ክፍልዎ የተፈቀደለትን በጀት በእቅዱ መሰረት ይጠቀማል።					
19	ወርሃዊ የጥሬ ገንዘብ ፍላጎት በእቅዳችሁ መሰረት ታዘጋጃላችሁ።					
20	ክፍልዎ ከወጪ ቀሪ በጀቱን በየጊዜው የመከታተል ልምዱ አለው።					
21	ክፍልዎ በስራ ላይ ያልዋለ ገንዘብ ወደ መከላከያ ፋይናንስ መምሪያ በወቅቱ ይመልሳል።					
22	ክፍልዎ ተደጋጋሚ የሆነ የበጀት ዝውውር ይጠይቃል።					
23	ክፍልዎ ተጨማሪ የበጀት ጥያቄ አዘውትሮ ያቀርባል።					
24	ክፍልዎ በጀትን ከተያዙ ዋና ዋና ስራዎች ጋር አቀናጅቶ ለመገምገም የሚያስችል አቅም አለው።					
25	ክፍልዎ በሳፕን/በባንክ ውስጥ አላስፈላጊ የሆነ ጥሬ ገንዘብ (cash) በማከማቸት ይተቻል።					
26	ክፍልዎ በበጀት አመቱ መጨረሻ ወቅት የተጣደፈ የግዢ ወጪ ይፈጽማል።					
27	ክፍልዎ በበጀት አመቱ ወቅት የበጀት እጥረት ያጋጥመዋል።					
28	ክፍልዎ ጠንካራ የበጀት ቁጥጥር ስርአት አለው።					
29	የበጀት ድልድል ከፀደቀ በኋላ ክፍልዎ ተደጋጋሚ የሆነ የበጀት ማስተካከያ ጥያቄ ያቀርባል።					
30	በክፍልዎ ከተፈቀደ በጀት በላይ የመጠቀም ተግባር አለ።					
31	ክፍልዎ ከተፈቀደለት በጀት በታች ይጠቀማል።					
32	አሁን በክፍልዎ ያለው የበጀት አፈጻጸምና ቁጥጥር ስርአት በቂ ነው።					
	ክፍል አራት፡ ስለ በጀት አመዘጋገብ፣ ሪፖርትና ኦዲት	መለኪያ				
		በጣም እስማማለሁ	እስማማለሁ	አስተያየት የለኝም	አልስማምም	በጣም አልስማምም
33	ሁሉም የወጪ ሰነዶች በጥንቃቄ ይያዛሉ።					
34	ሁሉም ወጪዎች ለተፈቀደው የበጀት					

	አመት ብቻ ይውላሉ።					
35	ክፍልዎ በአገሪቷ የፋይናንስ አስተዳደር አዋጅና መመሪያ መሰረት የተሟላ የበጀት አመዘጋገብ ስርአት ይከተላል።					
36	የክፍልዎ ወጪዎች አግባብ ባለው የሂሳብ መደብ ይሰፍራሉ።					
37	ሁልጊዜ ክፍያ የሚፈፀመው በተሟላ ሰነድና ማስረጃ መሰረት ነው።					
38	ክፍልዎ ወቅቱን የጠበቀ፣ ገላጭ የሆነና የተሟላ የበጀት አፈፃፀም ሪፖርት ያቀርባል።					
39	የክፍልዎ የበጀት አፈፃፀም ሪፖርት ከእቅድ ጋር የተጣጣመ ነው።					
40	ክፍልዎ የበጀት አፈፃፀም ሪፖርቱን በሚላከው ቢጋር መሰረት ያቀርባል።					
41	የክፍልዎ ሂሳብ በየጊዜው በኦዲተሮች ይመረመራል።					
42	በክፍልዎ በየጊዜው በፌደራል ዋና ኦዲተር መ/ቤት የክዋኔ ኦዲት ይካሄዳል።					

ክፍል አምስት: ክፍት ጥያቄዎች

43. በክፍልዎ ዕቅድ ከበጀት ጋር አለመዛመድ ችግር ካለ መንስኤዎቹ ምንድናቸው ብለው ይገምታሉ? መፍትሄውስ?
44. በክፍልዎ በባንክ/ሳጥን ውስጥ አላስፈላጊ የሆነ የጥሬ ገንዘብ ክምችት የሚታይ ከሆነ መንስኤው ምንድነው ብለው ይገምታሉ? መፍትሄውስ?
45. ከበጀትና ሂሳብ አመዘጋገብ ጋር በተያያዘ በክፍልዎ የሚታዩ ድክመቶች ካሉ ምንድናቸው?
46. በእርስዎ አስተያየት፣ በክፍልዎ ውስጥ በእቅድና በጀት አዘገጃጀት ሂደት የሚታዩ ዋና ዋና ችግሮች ምንድን ናቸው?
47. በክፍልዎ ውስጥ በበጀት አጠቃቀም ፣ አፈፃፀም እና ቁጥጥር ዙሪያ የሚታዩ ዋና ዋና ችግሮች ምንድን ናቸው?
48. በመከላከያ ፕላንና በጀት መምሪያ ወይም ፋይናንስ መምሪያ በኩል መስተካከል አለበት የሚሉት ድክመት ካለ

49. በአጠቃላይ የመከላከያ በጀት ዝግጅት፣ አፈፃፀም እና ቁጥጥር ስርአት ለማሻሻል ምን መደረግ አለበት ይላሉ?

50. ሌላ ተጨማሪ አስተያየት ካለዎት?

አመሰግናለሁ!

Appendix 4: Questionnaires distributed to Planning and Budget Department experts

PART I- DEMOGRAPHIC INFORMATION

1. Gender: Male Female
2. Level of Education: Certificate Diploma First Degree Masters Degree
3. Number of Year Service: ≤ 5 years 6 to 10 years 11 to 15 years
≥ 16 years

PART II- BUDGET PREPARATION, ANANLYSIS AND ALLOCATION ISSUES

4. What are the major duties and responsibilities of your department with respect to budgetary issues?
5. Do you think that the department has adequate number of skilled persons that conduct effective budget analysis? Yes No No Comment
6. Does the department have any difficulty in compiling and analyzing budget request? Yes No No Comment . If your answer is “Yes”, what are these difficulties
7. Do you believe that budget holders give serious attention when they prepare their budget request? Yes No No Comment If “No”, in your opinion, what are the reasons for giving less attention in the budget preparation?

8. Do budget holders present their budget request on the deadline? Yes No
No Comment If “No”, what are the possible reasons?

9. Do you agree that there is a wide mismatch between plan and budget in budget users?
Agree Disagree No Comment .

If “Agree”, what are the reasons, in your opinion_

10. Are the plans and budgets of budget users realistic, based on valid assumptions, and developed by knowledgeable individuals? Yes No No
Comment Your opinion

11. Would you please mention some of the main problems in defence budget preparation?

PART III- BUDGET EXECUTION, MONITORING, AND EVALUATION

12. Do budget users submit budget implementation report to your department as per the calendar? Agree Disagree No Comment If “Disagree”, why?

13. It is said that spending units complain about budget shortages when they fail to achieve their annual work plans. Do you agree? Agree Disagree
No comment Your comment

14. Do budget holders utilize their approved budget based on their plan? Yes
No No Comment If “No”, what is your opinion

15. Do budget users keep idle cash in their safe/bank? Yes No
No Comment If “Yes”, what is your opinion

16. Does your department provide timely feedback to budget users to correct the detected weaknesses? Yes No No Comment Your opinion

17. Does the department arrange regular awareness creating workshops or means with budget holders on how to use their budget and solve observed problems? Yes
No No Comment . Your opinion
18. Would you please mention some of the main problems in defence budget implementation?
19. In general, what should be done to improve defence budget preparation; execution and control process?
20. If you have any other comment?

Thank you for your cooperation!

Appendix 5: Questionnaires distributed to Office of Federal Auditor General Audit experts

PART I- GENERAL INFORMATION

1. Gender: Male Female
2. Level of Education: 12th Grade Certificate Diploma
Bachelor Degree Masters Degree
3. Number of Year Service: ≤ 5 years 6 to 10 years 11 to 15 years
Above 16 years

PART II- AUDIT FINDINGS AND RELATED QUESTIONS ON DEFENCE

4. Would you mention the types of audits undertaken by your Office?
5. Which of these mentioned in Q. No. 4 is (are) conducted in Ministry of defence?
6. How often does OFAG conduct audit activity in Ministry of national defence?
Annually semi-annually Quarterly Arbitrarily Other
(Mention)

7. Does the Office (OFAG) conduct performance auditing to evaluate efficiency and effectiveness of budget implementation in defence? Yes No
No Comment If No, why
8. Do you think that efficiency and effectiveness of budget implementation can be ensured only by financial (compliance) auditing? Yes No
No Comment Your opinion
9. Does Ministry of defence maintain adequate accounts and records as per the financial regulations of the country? Yes No No Comment . If No, why?
10. What type of audit opinion is usually given to the Ministry by OFAG?
11. Do you think that Ministry of defence implements the audit opinions of OFAG appropriately? Agree Disagree No Comment . If Disagree, why?
12. Do you think that OFAG has established a mechanism to address common budget implementation problems of defence? Yes No
No Comment . If No, why?
13. Do you agree that the environment in which OFAG operates is conducive to perform its audit function in Ministry of defence? Agree Disagree
No Comment . If Disagree, why
14. Does the Ministry make every effort to utilize its authorized budget efficiently and effectively? Yes No No Comment . If No, why?
15. What are the major challenges observed so far in the audit functions (results) in Ministry of defence?
16. Any comment

Thank you!!

=====*Completed*=====