



**ADDIS ABABA UNIVERSITY
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DEPARTMENT OF PUBLIC ADMINISTRATION AND DEVELOPMENT
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***PUBLIC FINANCIAL MANAGEMENT PRACTICE IN PUBLIC INSTITUTIONS:
THE CASE OF MINISTRY OF COMMUNICATION AND INFORMATION
TECHNOLOGY (MCIT)***

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This is to certify that the thesis prepared by Asegid Reagssa entitled “Public Financial Management Practice in Public Institutions: the Case of Ministry of Communication and Information Technology (MCIT) ”, which submitted in partial fulfillment of the requirement for the degree of Master in Public Management and Policy (MPMP), complies with the regularities of the university and meets the accepted standard with respect to originality and quality.

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Abstract

The purpose of this study was to evaluate the effect of institutional, strategic planning and contributory enablers on implementation of sound budgeting and financial management practice of the Ethiopian Federal Ministry of Communication and Information Technology. To explore this study, descriptive research approach was used. Data was gathered using a structured questionnaire and guided interview. Respondents who are directly and indirectly responsible in implementing the ministry's budget and financial management filled the questionnaire. Subsequently, the data was analyzed using SPSS version 20 statistical software. As a whole, the findings of the study revealed that the main independent variables the institutional and contributory enablers have significantly positive effect in achieving sound budgeting and financial management practice. Consequently, all the three sub variable of institutional factors (Normative, Regulative and cultural cognitive) have a positive effect on dependent variables of implementation of sound budgeting and financial management practice of the ministry. In similar result, the overall statistical result of contributory enablers (using information technology-IBEX and staff capacity) have positive effect on implementation of sound budgeting and financial management of the ministry. However, of the two sub variables, staff capacity has a negative effect on implementation of budgeting and financial management of the ministry. On the other hand, as a set the effect of the main variable strategic planning (Stakeholders participation and resource adequacy & predictability) have a positive effect on implementation of budgeting and financial management of the ministry. However, of the two sub variables, the resource adequacy and predictability have a negative effect on implementation of sound budgeting and financial management practice of the ministry. Hence, the result implies that there is a need to fulfill and build capacity of finance and non-finance staff in basics of planning, budgeting and financial management in the ministry. Further, the ministry should give due attention to strengthen the institutional and contributory enablers' factors while not ignoring the effect of staff capacity and resource adequacy to enhance the soundness of budgeting and financial management of the ministry.

Key Words: *Budgeting and financial management, Strategic planning, Institutional, Contributory enablers*

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List of Acronyms

| | |
|--------------|--|
| EFY | Ethiopian Fiscal Year |
| ETA | Ethiopian Telecommunication Agency |
| FMIS | Financial Management Information System |
| GDP | Gross Domestic Product |
| GOE | Government of Ethiopia |
| IBEX | Integrated Budget and Expenditure System |
| ICT | Information Communication Technology |
| ICTDA | Information Communication Technology Agency |
| IFA | International Federation Of Accountant |
| K.M.O | Kaiser-Meyer-Olkin |
| MCIT | Ministry of Communication and Information Technology |
| MoFED | Ministry of Finance and Economic Development |
| MTEF | Mid-Term Expenditure Framework |
| NPFM | New Public Financial Management |
| NPM | New Public Management |
| OFAG | Office of Auditor General |
| PCA | Principal Component Analyses |
| PEM | Public Expenditure Management |
| VFM | Value for Money |

Chapter One

INTRODUCTION

The introduction section includes background of the study, statement of the problem, objectives of the study, research questions, scope and significance of the study and organization of the study.

1.1. Background of the study

Public sector financial management is crucial to a country's economic development. Issues such as extravagance, wastage, embezzlement, and corrupt practices will affect the development of a country (Office of Federal Auditor-General, 2012). As taxpayers, who are the providers of funds, citizens expect their Government to provide value-for-money (VFM) services to them. In view of this, Governments must administer financial management in a proper manner around the world. Public officials and their offices are therefore accountable for the efficient and effective management of funds provided by these taxpayers to achieve the intended outcomes of the specified activities (Potter & Diamond, 1999).

This is the concept of public accountability, which links to financial management accountability, the latter being the most apparent accountability concept in the public sector arena (Shah, 2007). Furthermore, public accountability concept can be partly explained by the Agency theory, whereby the public serve as the principal while elected politicians serve as the agent (Potter & Diamond, 1999). Excellent financial management is critical to the Government's continued ability to reduce the deficit, achieve value for money from public expenditure and deliver high quality public services.

According to MoFED report, in Ethiopia public spending represented about 19 and 30 percents of GDP in the 1990s and 2000s, respectively. Further, public spending decelerated, in recent years from 23.3% of GDP in EFY 1997 (2004/05) to 19.1% in EFY 2006 (2012/13). The appropriate allocation of resources, proper management of the available resource and enhanced transparency and accountability in financial management is an essential element of economic development and reducing poverty. Sound public finance management requires a well functioning budgetary system that embodies reliable planning and optimum allocation, management and control of public resources.

In similar way, the budgetary system should also build the relationships between macro and micro components, balance between long and medium term commitments and flexibility to meet unforeseen economic shocks. To enhance the situation, the Government of Ethiopia (GOE) have been undertaken a series of reform programs to introduce the fundamentals of a properly functioning the budget system. According to MoFED (2012) report, the continuing expenditure management and control program has introduced a legislative framework, a new chart of account, zero treasury balance cash management, and a modern computerized accounting system.

1.2. Statement of the Problem

According to International Federation of Accountants (2011), the objective of a financial management system in the public sector should be to support management in their deployment of limited resources with the purpose of ensuring economy and efficiency. This limited resource should deliver outputs (that is, services and goods produced by entities in terms of quantity, quality, cost and time), and which are required to achieve the desired outcomes (effectiveness) which will serve the needs of the community. In addition, as understood from the country's Office of Auditor General (OFAG) audit report (2012) that the lack of priority afforded to financial management in the public sector has remained a serious concern.

The audit report was identifying that:

- i. Long-term planning not linked to resources and the coordination of planning actions is not always satisfactory;
- ii. The financial plan and reports lacks measurable objectives, performance criteria, standards and other indicators that make effective measurement on implementation nearly impossible;
- iii. There is no regular evaluation of the efficiency and effectiveness of rendering a service to the beneficiaries of the budget; and
- iv. Automated financial systems (*Integrated Budget and Expenditures system-IBEX*) do not consistently provides the necessary information and often function in an uncoordinated manner.

Further, in similar way different empirical study also showed that the following shortcomings: *poor financial management practices; lack of skills and expertise employed in the public sector; attitude of staff in the transformation process from financial administration to financial management; as well as using outdated financial management information systems that are based on a cash basis of accounting.*

In the same way, in Ethiopia the government focus on keeping the expenditure within a budget, but this focus should be shift towards considering the relevant costs to associate with the output that to be achieved. This can realize by moving away from the modified cash basis of accounting to an accrual system of accounting, which will enable the determination of the true costs of goods and services rendered (outputs) and will enhance the assessment of the accountability of the management. In fact, as far as observed in our library, in Ethiopia in this regard no organized attempt has made in the academic domain to evaluate the financial management practices in line Ministry.

Therefore, there are still gaps and limited knowledge on factors that affect financial management reform implementation. Hence, the core focus area of this study is involve through the articulation of insights from considering the *institutional factors, the strategic planning and contributory enablers* on the implementation of sound financial management practices in Ethiopia. Overall, this study mainly intends to broaden the practical understanding of the financial management practices at *Federal Ministry of Communication and Information Technology (MCIT)*.

1.3. Research Questions

The detail research question is emerged from ‘what affects the implementation of sound budgeting and financial management practices in Ministry of Communication and Information Technology (MCIT)? Accordingly, the research questions are:

- i. What is the effect of institutional factors (institution related normative, regulations and Cultural Cognitive) on the implementation of sound budgeting and financial management practices?
- ii. What is the effect of strategic planning (stakeholders’ participation and resource adequacy) on the implementation of sound budgeting and financial management practices?

-
- iii. What is the effect of Contributory enablers (information technology and staff capacity) on the implementation of sound budgeting and financial management practices?

1.4. Objectives of the study

The purpose of this study is to evaluate factors on implementation of sound financial management practices in one ministry in Ethiopia. The reason is that having sound financial management will enable the organizations to enhance spending controls, ensure linkages between resource allocation and priorities and the use of funds to achieve targeted objectives. According to Graham (2011), good budgeting should possess medium term perspective, base decisions on results, provide incentives to budgeters and involve stakeholders in preparation and implementation.

1.4.1. General Objective

In a broad term, the objective of this study is to evaluate the factors affecting the implementation of sound budgeting and financial management practices using practice-oriented research in case of Federal Ministry of Communication and Information Technology (MCIT).

1.4.2. Specific Objectives

The specific objectives of the study are as follows:

- i. To assess the effect of institutional factors (normative and regulations) on the implementation of sound budgeting and financial management practices;
- ii. To review the effect of strategic planning (stakeholders participation and resource adequacy) on the implementation of sound budgeting and financial management practices;
- iii. To examine the effect of Contributory enablers (Information technology and staff capacity) on the implementation of sound budgeting and financial management practices;

1.5. Scope of the study

The Ministry of Communication and Information Technology (MCIT) that mandated as a federal implementing agency is the unit of analysis for this study. Based on current data, the ministry has organized into thirteen directorates and one coordination office. The office is led by a Minister in title with Deputy Prime Minister and two state ministries. Further, the

ministry also follows and controls *federal telecommunication and Postal service* with partial autonomy.

Hence, this study covers all the above directorates and other partially independent offices. The major respondents of the study will be all directorates and selected accountants from finance, and budget administration directorate of the Ministry and other partially independent entities. Accordingly, the study focuses on evaluating the factors affecting sound financial management practices in the Ministry. In this regard, the study centers only on the above listed key elements of sound budgeting and financial management practices.

1.6. Significance of the study

Firstly, the study brings out a start for further academic research through investigating the reform implementation about budgeting and financial management at federal and regional level. This enables to enhance the understanding of academicians about the gaps, which exist between what known taught and what will observed through empirical study conducted in the Ministry.

Secondly, the empirical evidence of this research will help to expand the knowledge of the predictive results of the country policy makers. Because, the study constructs by explaining on the strengths and facts institutional factors, strategic planning and sound financial management practices. Thirdly, this study will contribute to the limited literature on financial management practice in respect to plan, implement and control of budget and financial management in line ministry context. The organized theoretical and conceptual framework of this study will further help and contribute for better understanding about sound financial management in public sector.

1.7. Limitations of the Study

The aim of this study is to examine the effect of some factors on implementation of sound budgeting and financial management in case of one line ministry in Ethiopia. Consequently, this study followed a descriptive research type that used a structured questionnaire and guided interview instruments to collect data from the ministry. Accordingly, it is supposed that the respondents were considered to be knowledgeable and have sufficient information on budgeting and financial management issues of the ministry. However, although the study response samples fall within their work responsibilities, some of respondent might bias on their response to some questions, which might affect the findings of the study. To avoid such

incidence, the researcher tried to select carefully the more informed staffs about financial aspects of the ministry.

The other limitation is that because of limited access to financial information, some respondents were not willing to fill the questionnaires. However, after having essential discussion on the purpose and the implication of the study, they were cooperative to provide any information required for the study. As whole, other than the above stated limitation, the researcher hopes that the readers will get some valuable ideas on the studied subject area.

1.8. Organization of the study

This study will have four chapters. The current chapter discusses about the background, statement of the problem, objectives of the study, research questions, scope of the study, and significance of the study. Chapter two deliberates the methodology used for the study. Chapter three undertakes a review of literature on theoretical and empirical literatures of sound financial management practice in public sector. Chapter four presents Data discussion and analysis. Chapter five provides conclusions and recommendations.

Chapter Two

LITERATURE REVIEW

• Introduction

This chapter focuses on review of literature on the factors of sound financial management practice in public sector. The literature review has done under two main captions. First, the study provides theoretical literature focusing on the relationships of implementing factors stated in the research questions with its result of sound financial management practice in public sector. This would be followed by reviewing related inside and outside the countries empirical literature and supporting with tracking research conceptual framework, which is considered as the purpose of the study that to be solved problems.

2.1 Theoretical Literature

2.1.1 Sociological Institutional Theory

According to Miller (2007), in sociological institutionalism theory, organizational structures constitute the assumed infrastructures through which normative, cognitive, and dependence mechanisms exert their influence. Further, Ostrom (1990) defined institutions as embracing rules of conduct employ to determine who has the authority to make decisions, what actions are permitted or constrained, what aggregate rule will be used, what procedures must be followed, what information must or must not be provided and the payoffs to individuals depending upon their actions. Directly or indirectly, this definition is applicable to financial management that exists in set of rules and principles that governs how public managers have to ensure the well-judged utilization of scarce public resources.

In this study, institutional theory are concerned on social, legal and cultural dimension, which can expressed through the conformity to norms, values rules and beliefs held by the organizational society. Hence, this research takes variables from the context by looking at the rules, information and roles made available for the implementation of budgeting and financial management reform. In the public sector where rules and procedures governing the budgeting and financial management are prescribe to follow them even though such rules may not be

consider as efficient at particular point in time. Thus, managers have to comply with budget and financial management rules if their activities are marked as legitimate. It is therefore, rules and regulations together with information irregularity constrained sound financial management practice that will predictably result in poor outcomes.

According to (Scott, 2008), institutional theory enables the in-depth understanding of structures that governs the undertakings of individuals in an organization. In addition, institutional theory offers the need to consider the processes by which structures such as schemas, rules, norms and routines become ascertain as authoritative guidelines for social behavior. In this sense, this study assumed to evaluate empirically, the extent to which budgeting and financial management practices are concerned by external and internal influences at ministry level.

Furthermore, Oliver (1991) argues that organizations adopt and perform strategic responses to the pressure for conformity exerted upon them from their institutional environment. It means that depending on the nature of institutional pressure exercised upon them, organizational response may range from passive conformity to active resistance. Such strategic responses by organizations enable to identify the behavior of individuals in the organizations as they react to institutional pressures. Thus, in order to evaluate the context and effect of the likely responses from managers and other staffs, this study uses regulative, normative and cultural cognitive factors as a part of organizations institutions factors in implementing sound financial management in public sector.

With regard to the regulative factor it is mainly illustrated through the management control mechanisms in the public sector, since the financial management activities influenced by many actors. Principally, the legislative body of the country demands to ensure transparency and accountability of public managers. Therefore, the financial management provides the mechanism for ensuring organizational stability and continuity through the adherence to standard operating procedures. Further, it serves as tool for accountability as public agencies and financial managers in particular area mandate to ensure prudent management of funds and programs. Additionally, budgeting has a strong contribution in strengthening the regulatory factor in conformity to laws and regulation on budget preparation, approval and execution and eventual disbursement by the treasury.

Thus, financial managers through their mandated roles make financial resources available to other public officials to implement their legally assigned responsibilities. In addition to the budgeting role to the structure of regulatory factor, MoFED have a central role in auditing the result of the budget execution of the public sectors. This duty emphasized that when managers/staffs do not comply with rules and regulations, it results in poor implementation of government programs. Hence, the idea held in this study that compliance to budgeting and financial management rules and regulation has an effect on its implementation outcome of the line ministry. Therefore, it is suppose that the regulatory factor has an effect on implementation of sound financial management practices in public sector.

The other institutional factor is *normative situation* in the organization. The normative factor represents the shared values and norms that prescribe the evaluative and prescriptive rules of conduct (Oliver 1991). In this case, the values represent the preferred or desirable conduct backed by standards which behavior can compare to the normative specifies how things ought to be. The two together bring out the legitimate way of attaining a goal or objective. According to Scott, values and norms are not equally applied to each member of a community. The roles that are assigning to individual in particular position therefore come with expectations of behavioral conduct to meet specific goals. Further Scot explain that roles be created informally as a result of continuous interactions of exchanges and varying expectations formed to guide behavior (ibid).

It is important to note that the normative aspect of organization state rights and responsibilities, privileges, duties, licenses and mandates. The normative factor is therefore a component in the examination of the institutional factors that can affect budgeting and financial management program implementation. To strengthen this idea the World Bank (1998) notes that budget system highlights the communication systems which serves as means for promoting ethics, mandatory priorities, intentions and commitments.

Consequently, it is important to consider communication and its legal enforcement under the regulatory factor in the pursuance of budgeting and financial management reform. Subsequent to budget appropriation, it needs to implement as planned with the necessary budget implementation and financial management control and accountability. Further, according to Scott, norms bring out inner feelings as per the adherence to or non-conformity. It is clear that the conformity to norms is naturally relay on an inward evaluation of one's moral aspiration, dignity and respect as he/she conducts activities of public interest (Scott, 2003).

Hence, it is assumed that the norms leading to implementation of budgeting and financial management exercised by the managers will have an effect on programs implementation. It is important at this stage to have a brief look at important elements of budgeting and financial management norms. The budgetary and financial management norms are utilized at the stage of budget preparation to allocate resource to the ministries and in disbursing the budget to value adding payments based on pre set principles.

The last institutional factor is *cultural cognitive*. The cultural cognitive factor rests on the saying that the actions and behavior of individuals in an organization is the reflection of the internal representation of their institutional environment (Scott, 2008). According to Barney (1986), in private sector higher performance is associated with cultural practices that enhance innovation and flexibility. This means the behavior of individual organization members are shaped by the organizational symbols, words, signs and gestures that are clearly understood by its members. Further, in order to promote quality organizational culture, there is the need to focus on strengthening leadership capacity to promote expected change. This capacity assessment should look at the leadership ability to comprehend and promote the organization's mission and vision (ibid).

With regard to budgeting and financial management, the leadership team must be able to articulate the policies and priorities to allocate resources to them and further ensure sound management to achieve goals. Further, it is also important to conduct a periodic budgeting and financial management system reviews in order to correct the loosed area among the integrated system components. Moreover, the World Bank (1998) posit by alluding that leadership support to internal public organization is crucial to sustaining improvements in planning and budgeting. The World Bank further stresses the role of budget and management committees in instilling the legitimacy of budget and financial management functions.

In general, the three factors of institutional analysis enhance the understanding of budgeting and financial management reform. The regulatory factor focuses on conformity to relevant budgeting and financial management laws and rules. On the other hand, the normative factor recognizes the internalization of control measures of budgeting and financial management. The normative factors also stress on moral obligations and on how strengthening decisions that depart from documented laws and regulations of budgeting and financial management.

Thus, the departure from the prescribed rules and laws to the normative standards should reflect rationality in decision-making of the financial managers.

2.1.2. Management Contingency Theory

Contingency is a concept of fit among organization's strategies, structures and management processes. In the 1950s and 1960s, contingency theory was prominent in the academic literature as scholars sought to explain the dynamics of organizations in relation to their internal and external environments. According to Galbraith (1973), the core concept of contingency theory is the 'goodness of fit'. This goodness of fit explained in three ways: effectiveness (doing the right things), efficiency (doing things right), and efficacy (does the means actually work in producing the output). Galbraith further argues that contingency theory conceives that there is no one best way to organize and therefore any way of organizing is not equally effective.

Further, Miles (1984) stated that successful organizations attain strategic fit with their market environment and support their strategies with appropriately designed structures and management processes. Hence, contingency theory is the best way to organize and dependent upon its environment. In addition, Galbraith (1973) utilized the concept of contingency to show that the amount of uncertainty and associated change in an environment influences the internal features of an organization.

In relation to budgeting and financial management, a contingency-based approach is employed to assist managers to develop strategies to achieve desired program outcomes. In this regard, if budgeting and financial management systems in place are found not to be appropriate then it is likely to restrict the business of an agency. On the other hand, Lüder (1992) developed an accounting change model for public sector to investigate government accounting reform. In this model, he conceptualized contextual and behavioral variables, which are critical to explaining government accounting reform. The four key variables to influence the outcome of government accounting reforms are:

- i. Stimuli to prior events that called for the reform (e.g. fiscal pressure, financial disgraces and financial crisis)
- ii. Structural variables, which consist of the social environment of the public sector and impact on the attitude of producers and users of information (socio-cultural, capital market pressure groups)

-
- iii. Characteristics of the political administrative system which includes the political culture, administrative culture and organizational characteristics regarding accounting;
 - iv. Implementation barriers which represents the environmental conditions that derails implementation (legal and staff capacity);

According to Lüder (1992) the prominent conceptualized variables was to explain why accounting management and accounting systems differs from one organization to the other. Hence, the author emphasized that they differ because of *organization size, organization structure, technology and environment*. In terms of size of an organization, large organizations are more decentralized and thus employ complex budget system in a more participatory manner, which improves their performance. In light of the above notion gathered for this study, participation in budgeting and financial management planning and implementation has positive effect on implementation.

According to the World Bank (1998) in the domain of budgeting and financial management, automated systems speed up the budgeting and financial management processes and further provide accurate data to support fiscal management. In this sense, budgeting and financial management technologies help to gather essential data to enhance evidence-based decisions on policies and priorities in relation to use of scarce resources. Further, the benefits of using information technology to improve financial management and further gives features that should be taken into account in misuse of such technologies (Shah, 2007). It is therefore in this study information technology considered as contributory enablers that causes on implementations of sound budgeting and financial management in public sector.

2.1.3 Resource Dependency Theory

A major principle of resource dependency theory is resource scarcity, resulting in multiple organizations competing for the same or similar sets of scarce resources (Scott, 2003). Because the organizations are not able to create all the resources, they need to function in order to maintain in their environment. It is therefore right for organizations to enter into transactions and relations with others in their environment who are in the position to provide the resources they require for survival. For the fact that organizations are constructed or enacted systems, they need to operate to satisfy the objectives of stakeholders; therefore, managers are challenge with ensuring the continuous flow of resources and performance to meet group demands (Thompson, 1993).

This study will take and see elements of the need and availability of financial resources as presented in the budgets of the MoCIT. It is important to state that the ministry's directorates and coordination office require public resources to operate for their plan. Such resources have to come from a chain of distribution from the *Ministry of Finance and Economic Development* (MoFED) through the Ministry of Communication and Information Technology (MoCIT). This chain of resource flow brings to bear the principles of resource dependency with its effects of power to control and influence the management of decisions at the directorates' level. Resource dependence theory asserted that power not just rationality or efficiency that is critical to explaining the internal and external actions of organizations.

However, it is the behavior of the dependent organization to be influenced by the resource-endowed organization (MoFED). The reason is that the dependent organization needs to comply with the demands of all the resource-endowed bodies with its controlling mandate of the organizations. Thus, the attitude of budgeting and financial managers towards compliance with government rules and regulation are important to study in implementation of financial management reforms.

In this study, the researchers tried to find the practical aspects focusing on the effects of resource dependency on the operations of organization and the attempt to manage environmental dependencies. We can able to assume that within public sector organizations, Ministries, Departments and Agencies are the mandate to fulfill the government development objectives and are expected to operate in the legal framework established for them.

For our case the Ministry of Communication and Information Technology (MoCIT) has a role to implement Communication and Information Technology policy by formulating short, medium and long-term Communication and information programs. Accordingly, the ministry's directorates and coordination office are obtaining fund from the state revenue through established mechanism for resource allocation and distribution.

Further, to evaluate the ministry's government budgeting and financial management, the researchers have employed principal-agency theory to explain the exchanges that take place within and outside organizations for funding. Hence, according to Leruth (2006), the principal-agency theory analyze the benefits that results from the use of ex-post audits and ex-ante controls by the Ministry of Finance and Economic Development (MoFED) to prevent unethical use by the line ministries.

In this theory, the Ministry of Finance and Economic Development (MoFED) considered as the principal that makes available budget allocation to the line ministries (agents) in return for services of public interest. Thus, the Ministry of Finance and Economic Development (MoFED) encourages line ministries to implement national development priorities while the ministries also seek autonomy to implement their own policies and priorities.

Furthermore, Leruth, (2006) points out that by principal-agency theory suggestion those in control of resources will serve their interest rather than those who own the resources. This is somehow similar to the resource dependency and control of resource proposition. In the context of public agencies, it needs to reiterate that, they are establishing to deliver and provide services for the benefits of the taxpayers. Thus, the theoretical consideration of resource dependency theory has therefore, been included in this research to help and clarify on how it affects the implementation of budgeting and financial management practices. The general view therefore for this study is that resource dependency of the ministry's directorates and coordination offices has positive effect on implementation of sound financial management practices.

2.1.4 Public Financial Management Models

According to Chan (2003), public financial model presented as classical, New Public Management (NPM) and governance. The three principal models are highlight as follow.

2.1.4.1 The Classical Model

According to Schick (1998) to ensure fiscal discipline, it is important to control budget aggregates in terms of revenue and spending in a balanced manner. In this regard, the classical model demands that governments to guide revenue and expenditure management, they formulated rules and regulations. The rules must be clear with regard to budget totals and be enforceable to avoid unnecessary spending demands. The demand here as in most budget rules and financial management laws is that the appropriate legal authorization must required before any contract or cash is spent. It also involves revenue and spending decisions should project and implement over a medium-term period.

Furthermore, according to Chan (2003) the classical model notices financial management as a bureaucratic function. It assumed that financial management is not

necessarily affect changing budgetary approaches but aimed at ensuring stability and continuity in adhering to standard guidelines. On the other hand, the distinction between budgeting and financial management lies in the fact that the former constitutes substantive decisions as to the allocation and distribution of public resources whilst the later deals with spending policies.

This brings that the need for the proper recording of transactions in sound budgetary and accounting systems taking in to account the analysis of spending effect on the organization. The classical public financial model has restricts in explaining government expenditure decision changes during the course of budget implementation. According to the World Bank (1998), in most developing countries budget is not implemented as per plan in terms of funds availability, and disbursement. Hence, the classical model over emphasize on financial-related laws which is not an end by itself in ensuring efficiency.

2.1.4.2. The ‘New Public Management’ (NPM) model

The new public management has introduced into the public sector focusing on efficiency, performance management, transparency and accountability. The introduction of the NPM reforms has inevitably changed the tools and techniques for financial management in the public sector. According to Wangolo, 1995, the idea of NPM articulates, to move from accountability for inputs (obeying the rules on spending and staffing) to accountability for outputs (performance).

However, as we have already seen, however, governments have been unwilling to give line managers greater discretion over staff promotions and pay. Some countries have gone further than this: they have tightened up existing central controls within the civil service and introduced new ones. New Public Financial Management (NPFM) takes a number of strong normative positions. It insists that accounting principles set preferably by professional groups independent of government that used in budgeting. It also promotes replace the single-entry system with double-entry recording and takes accrual accounting as an alternative to the cash budget. Further, NPFM considered as the government’s financial picture should be presented as a whole to the public and full costs of government services should be calculated as a basis for setting prices both for public and internal services.

The Model further promotes, outputs and outcome measured and compared with benchmarks and verified by value for money audits (Olson 1998). However, NPFM model has been criticized for not leading to a universally standardized system. Because, the government promotes general welfare by providing collective goods and financing them through general taxation. The government focus on equity rather than efficiency, economy or even effectiveness is the ultimate criterion in public decision-making.

Further, there is also problem of the diverse application of the NPFM model that makes it difficult to understand its theoretical and practical applications. Therefore, the model benefits administrative judgment at the expense of rules and regulation that governs public sector budgeting and financial management.

2.1.4.3 The Barnard-Simon Governance Model

The roots of governance traced to an organization theory pioneered by Chester Barnard and Herbert Simon. According to Barnard (1968 originally 1938) argued that instead of profit maximization for stockholders, the manager's function was to motivate the contribution of everyone who holds resources needed to carry on the business. Further, Simon (1945) applied Barnard's insight to government in his landmark 'Administrative Behavior'. Accordingly, Barnard developed the cooperative systems, which deals on the internal processes of an organization.

The model observes organizations as cooperative systems that harmonize individual participants' contribution towards the attainment of conscious, deliberate and purposeful goals (Scott, 2003). The key point relevant to the governance model is the need for organization to make use of the willingness and skills of participants through material rewards, opportunities and personal power. In this sense, authority is manifested when those at the bottom, accept and adheres to the demands. Therefore, in the governance model of public financial management, authority, specialization and purpose have to be coordinated to ensure efficiency and effectiveness in the use of government scarce resources.

However, Barnard gives weight to absolute rationality by contending that non-material, informal interpersonal and moral characteristics are essential to governance, which is also relevant to financial management. In addition, Barnard's and Simon's theory of 'Administrative Behavior' showed that organizations are decision molders in supporting

participants to make decisions that lead to agreed upon goals. The essential elements of the Administrative Behavior' model to governance and financial management includes; *control of budgeters, competencies and skills of financial managers, provision of adequate and timely information and clear standard operating procedures to ensure sound management.*

Therefore, in context of public financial management the Barnard governance model perceives financial managers in performing organizational role of informing management on exchanges with stakeholders and monitoring their performance. Further, public financial managers take interest in institutional networks that affect efficient and effective utilization of organizational resources. They can also able to assist the government in formulation of regulations that governs the relationship between governments with other parties (stakeholders).

However, in bureaucratic organizations financial managers have only responsible to stick to rules and orders. Hence based on public financial models, financial managers are rewarded for conformity to rules and regulations in classical model in short-term for their efficiency and economy while in governance model they are awarded in long-term for effectiveness and equity. In general, of the public financial management models, it is clear that the classical model favors input control while the NPM model places top on mission-driven and results-based budgets and financial management practices.

Table 2.1: Summary of Public Financial Management Models

| | Classical model | NPM model | Barnard-Simon Governance model |
|--|---|---|--|
| Goals and performance criteria | Legal and contractual Conformity | Efficiency, economy | Effectiveness and Equity |
| Object of management | Organizational units and sub-units | Services, activities | Multi-lateral institutional relations (co operation) |
| Key financial variables and tools | Revenues, expenditures, investments and debts | Full cost recovery, cost savings and incremental revenues | Revenues, expenditures, grants, contracts, loans, loan guarantees, |

Source: Adapted from Chan (2003)

2.2 Empirical Literature

In this section, the empirical studies focus on prior academic researchers concerning budget and financial management in public organization. Accordingly, the following studied papers were selected from other countries and from Ethiopia to show the findings and the recommendations that are related to this study.

2.2.1 Similar Study in Other Lands

Mathiba (2011) in paper entitled “*Evaluation of Financial management practice in Correctional Service Department in South Africa*” to evaluate financial management practices in the Department of Correctional Services. The main objective of the study was to identify the financial management practice in terms of financial management theory, policy and legislature. In this study, budget process and planning were explored as normative requirements for chief financial officers. In conducting the study, the researcher followed a qualitative approach using a diagnostic evaluation design.

The findings of this study showed that loss link between strategic planning, budgeting and spending plan, under spending of allocated budget for the department, unauthorized expenditure and poor budget planning, and lack of continuous training are the main problems of this study. To alleviate these problems, the researcher recommends that during the chief managers newly assigned in financial manager position, they have to get constant financial management skills that assist them to improve effectiveness and efficiency of financial management activities at different level of the department.

Further, as studied by **Coompanthu (2007)**, with title “*The Analysis of Budgeting System Reform in Thailand*” to analyze whether the sound budgeting system has enabling effect on the organization in translating the national policy in to action using Medium–Term Expenditure Framework (MTEF). The objective of this study was to review the key principles, accountability and structure of budgeting system in Thailand. In order to explore the findings, the study applied primary data by interviewing the executives and staffs from Bureau of Budget and secondary data from internet for literature review of the study.

Further, through studying and analyzing the literature review and interviewing with Bureau of Budget executives and staffs, the researcher found that the bureau has insufficient competency and incomplete co-ordination among budget reform participants and stakeholders in budget process. To improve the problems, the researcher recommends that it is essential to

implement Public Expenditure Management (PEM) review and ascertain that it should apply the standard operating procedure in budgetary process in Thailand Bureau of Budget.

This recommendation relied on the World Bank Public Expenditure Management (PEM) handbook that gives emphasis on greater focus on performance management, adequate link between policy making, planning and budgeting, well functioning of accounting and financial management and providing due attention to the link between budgeting and financial management system of the government of Thailand.

2.2.2. Studies in Ethiopia

The study conducted by Tilahun (2010) entitled with “*Budget management and control: special implementation in Ethiopian Ministry of Defense*” on investigating the gaps in budget management and control of the Ethiopian Defense ministry budgetary units. The core objective of this study was to assess and analyze the budget and financial implementation of the Ministry. The study applied both quantitative and qualitative research to collect data from the ministry. In this regards, the researcher uses a total of 64-sample respondent that were the budget and audit experts.

Accordingly, the findings of the study showed that poor expenditure control, poor planning practice, deficiency in linking between policymaking, planning and budgeting, no proper cost estimations practice, lack of adequate and experience budget workers, little supervision and control by the budget holders, lack of coordination between budget and finance section and non-existence of strict accountability. As a result, the researcher recommend that the ministry would have to link plan with expenditure and use automated information technology to facilitate the overall budget and financial management activities of the budget and finance department.

On the other hand, the study by Birhanu (2011), entitled “Evaluation of Budget Process of Ethiopia in Comparison with two east African Countries” to examine whether the Ethiopia budget is transparent and encourages participation of general public in government budget decisions in comparison with two east African countries. The objectives of the study were to assess the similarities and difference between Ethiopia and two East African countries with respect to responding budget practice and financial procedure. The study applied qualitative research method and collect the primary data using questionnaires from Ministry of Finance and Economic Development (MoFED).

Consequently, the study findings were showed that the MoFED budget information was not available for the citizens in clear, timely and easy manner except very line budget information during budget drafting phases. Further, the findings of the study disclosed the citizens' partial participation results in limited accessibility to budget information, which limits the participation of large country's population. Hence, the researcher recommends that the public should involve fully in providing its contribution in country's budget process and evaluating its performance periodically. Because, public participation have a great contribution and able to assists in using the public money towards prioritized and value adding projects.

In general, all researchers raised several issues related to having sound budgeting and financial management. However, in all the researches the issues of sound financial management not assessed in more detail covering the institutional factors and strategic planning aspects of the line Ministry. Hence, the present study will attempt the focus in these ariables in more detail and enables to suggest on a problems of the Ministry of Communication and Information Technology (MoCIT) in Ethiopia.

2.3. Extension of the Research Conceptual Framework

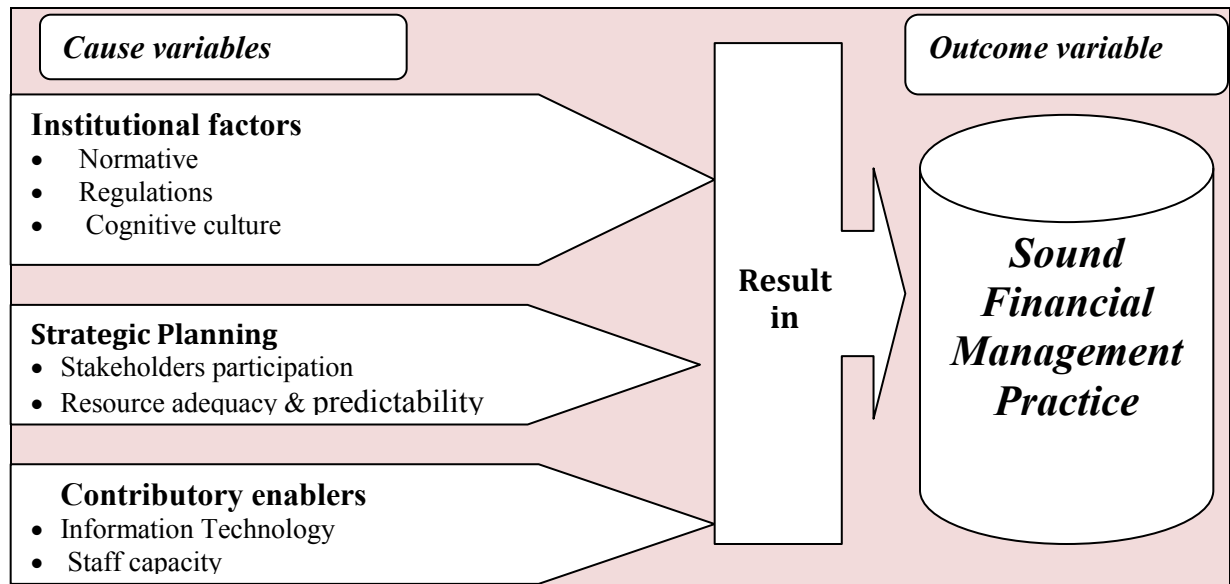
The conceptual framework facilitates the explanation of the previous circumstances of implementing sound financial management practices in public sector. For this study, the conceptual framework further establishes the implication of the theories reviewed in relation to the implementation of sound budgeting and financial management practices.

According to Creswell (2007), a variable refers to a characteristic or attribute of an individual or an organization that can measure and that varies among the people or organization being studied. In this case, the independent variables are those that (probably) cause, influence, or affect the outcomes. They are also termed as treatment, manipulated, antecedent, or predictor variables. On the other hand, dependent variables are those that depend on the independent variables. They are the outcomes or results of the influence of the independent variables.

Hence, based on the above literature review concept of the study, the following conceptual framework developed to look at the factors affecting the implementation of sound budgeting and financial management practices at Ministry of Communication and Information Technology in Ethiopia. Accordingly, the proposed concept consists of three factors of implementation of sound budgeting and financial management practices. The first factor is institutional factors, second strategic planning and third contributory enablers. Thus, for this

study, the independent variables in the conceptual framework are *institutional factors, strategic planning, and Contributory enablers* that affect implementation of sound financial management in public sector. The dependent variable for this study is sound financial management practices.

Figure 2.1: Proposed Conceptual Framework based on Related Literature Review



Source: Adapted from the World Bank (1998)

Further, to elaborate and substantiate the above concept, the following paragraphs highlights the interactions of the cause variables and the effect variable as derived and supported by the above literature.

2.3.1. Institutional Factors

According to Scott (2003), institutional theory assumes that organizations become a catalyst in their institutionalized environment in a bid to gain legitimacy, survival and growth. With respect the above conceptual framework, institutional factors explained by the normative, regulative and cognitive factors as follow.

- i. **Normative factor:** According to Scott, the normative factor enables detailing the budgeting and financial management norms including how to apply rules of conduct to appraise the undertakings of managers and staffs. The widely accepted budgeting and financial management norms are; budget comprehensiveness, budget annularity, multi-year perspective, monitoring and evaluation, and auditing (World Bank, 1998). Hence, for this study, the normative factor considered as a component that needs its

conformity for positive effect on implementing sound budgeting and financial management practices in ministry.

- ii. **The Regulative factor:** The regulative factor is focused on the premise that rules, laws governing budgeting, and financial management practices in ministry. Conformity with budgeting and financial management rules and regulation leads to successful implementation. The World Bank, 1998 public expenditure handbook documents states that the importance of laws and regulation to ensure sound budgeting and financial management practices. The handbook noted that financial laws form the basis of strategic focus and that enable effective adherence to regulations to ensure actual expenditure with budget priorities. Hence, in this study the regulative factor is considered as positive effect on implementation of sound budgeting and financial management in ministry.
- iii. **Cultural cognitive:** It is the means that behavior of individual organization members are shaped by the organizational symbols, words, signs and gestures that are clearly understood by its members. Thus, in order to promote quality organizational culture, there is a need to focus on strengthening leadership capacity to advance expected change. The leadership capacity has a contribution to realize and promote the organization's mission and vision. In addition, an organization that has sound budgeting and financial management will ensure the full participation of staff and their understanding of relevant procedures and practices to make better decisions. In this regard, directorates and coordinators must demonstrate their commitment to budgeting and financial management improvements in achieving the goals of the organization. It is also important for every staff to understand the importance of the budgeting and financial management reform in terms of how it improves their practices and enhance the attainment of organizational goals. With this understanding, the researcher considered cultural cognitive have a positive impact on implementation of sound budgeting and financial management in Ministry of Communication and Information Technology (MoCIT).

2.3.2. Strategic Planning

Strategic planning involves the process of establishing 'what an organization intends to achieve and mobilizing and managing resources overtime to accomplish it' (MEFMI, 2008).

In our case, in preparation of strategic plan, the Federal Ministry of Finance and Economic Development (MoFED) prepare the budget guidelines and the resource envelope that to be cascaded down to line Ministry for conversion and formulation of detail plans and budgets. This followed by the development of clear and unambiguous program content, costing of priorities and linking plans to budget for resource mobilization and implementation. Then, the plan and budget that developed by each line Ministry are harmonized and send to the Ministry of Finance and Economic Development (MoFED) for presentation for cabinet and parliamentary approval. As discussed above, preparation of strategic planning can be affected by stakeholders' participation and adequacy of the resource. Hence, the factors that affect strategic planning in relation to the achievement of sound budgeting and financial management practices resulted in two main theoretical dimensions, which are the extent of key stakeholders' participation in the process and adequacy of resources for implementation. These two theories highlighted as follow.

- i. **Stakeholders' Participation:** Participation in budget preparation and implementation is necessary to reducing information asymmetry and enables top-level managers to gain in-depth understanding of what happens at the operational levels. Participation further increases the commitment of budget implementers at the lower level. According to Shield (1998), stakeholders' participation in strategic plan development builds their commitment regarding policies and priorities, which are important to the overall mission of an organization. In MoCIT, the key stakeholders involved in strategic planning are; all the thirteen directorates', one coordination office (Telecommunication and postal service), most senior planning and financial management experts, private ICT partners and other IT related interested groups outside the Ministry. Hence, study suggests that stakeholder participation has a positive effect combined with other components of strategic planning to implementation sound budget and financial management practices.
- ii. **Resource Adequacy and predictability:** Resource adequacy and predictability focuses on the funds available for implementation and it concerns on the extent that the fund meets all requirements of the organization. The Resource dependency theory conceives that the constraints applied by the resource endowed organization (MoFED) on the dependent entity (MoCIT) affects the achievement of successful implementation. Unpredictability of funding, from one year to the next and within the

budget year, is one of many factors that contribute to the poor financial management of public sectors. This idea is supported by the Medium-Term Expenditure Framework (MTEF) perspective, which accords the need for funds predictability during implementation (World Bank, 1998). Further, the objective of the medium-term approach is increasing predictability of resource flows and setting the criteria by which the funding decisions made to the line Ministry. On the other hand, the governance model of public financial management also gives credibility to proper management of complex contractual arrangements that leads to favorable exchange of resources during implementation.

Based on the above idea, the challenges such as inadequate funding, delays and untimely release of funds and low mobilization of revenue at the implementation levels negatively affect the achievement of sound budgeting and financial management practices (World Bank, 1998). The study therefore assumes that resource adequacy and predictability has a negative effect on implementing sound budgeting and financial management practices in the Federal Ministry of Communication and Information Technology.

2.3.3. Contributory Enablers

In this study, the factors considered as contributory enablers are information technology and staffs capacity required to implement sound budgeting and financial management in public sector. Concerning information technology, it is a core and the important aspects to strengthen the implementation of budgeting and financial managements. In the same way, staffs capacity is the ability of individuals, organizations and societies to perform functions, solve problems, and set and achieve goals. Hence, for this study both information technology and staffs capacity considered as enablers to strengthen the budgeting and financial management of the Ministry. Thus, both elements highlighted with respect to related literature and present situation in order to frame for detail analysis for the study.

- i. **Information Technology (Financial Management Information System):** Financial Management Information System (FMIS) comprises the computerization of expenditure management processes, which facilitate budget preparation and implementation as well as financial management controls and reporting (Diamond, 2005). FMIS serves to provide access to reliable and quality data for processing

government transaction, thereby ensuring transparency and accountability. It further strengthens financial control by continuously providing levels of commitments and expenditure.

In Ethiopia context, currently the government uses *Integrated Budget and Expenditures system (IBEX)* for tracking revenues and expenditures of all federal and regional budgetary institutions. This IBEX system capture the accounts module records the financial transactions of the budgetary institutions and their aggregated monthly accounting reports and provides accounting reports for ledgers, financial statements, management reports, transactions, expenditures, and revenues. Further, at federal level MoFED has been consolidating the budget and accounting data for the entire country. This allows for the generation of regional and national consolidated report.

In addition, at MoFED, public treasury functions associated with cash management and disbursing funds between public financial institutions captured using IBEX system. Hence, this study therefore, evaluate whether the existing IBEX enhance budgeting and financial management, the extent to which the information system provide, timely quality and adequate information, and the adequacy of computers for undertaking budgeting and financial management practices. In this regard, the researcher assume that well functioning IBEX has a positive effect on implementing sound budgeting and financial management practices.

- ii. **Staff Capacity:** - According to Williams (1974), successful program implementation demands the assessment of the skills of bureaucrats and institutional structures that surround it. Further, Chan also argued that the governance model of public expenditure management demands that organizations make use of the willingness and skills of their staff to achieve intended outcomes. Hence, for this study the elements that to be evaluated with regards to staff capacity are; existence of essential structure and staffing, skills and competency of finance staff, non-finance staff knowledge and understanding of basic financial management practices and capacity of managers in using budget and financial reports for informed decision. Thus, it is assumed that staff capacity have a positive effect on implementing sound budgeting and financial management practices in Ministry of Communication and Information Technology in Ethiopia.

2.4 Chapter Summary

The chapter reviewed the underlying theoretical and related empirical studies relevant to studying implementation of sound budgeting and financial management practices in a compliance to evaluate the practice in line ministry for further analysis. Hence, the theoretical concept explains the related to the variables under the study. Further, the chapter elaborates and relates with current public financial models that are relevant to construct the conceptual framework for the study. As a public financial model, the literature review includes; the classical model, New Public Management and governance models. Furthermore, the literature review insights related empirical researches from the country and outside the country that support the derived factors which affect the implementation of sound budgeting and financial management practices. These factors are institutional factors, strategic planning and contributory enablers. In order to guide with it as a framework of the study, the researchers proposed conceptual framework for the study as causes and outcome that obtained from the theoretical literature and related models. Further, to strengthen the conceptual framework, the researcher has reviewed related empirical literatures of similar studies in budgeting and financial management. In preceding parts, the conceptual framework will be evaluate and analyzed using the proposed methodology for the study.

Chapter Three

RESEARCH METHODOLOGY

• Introduction

The first chapter of this paper introduces research design and methodology of the study. It defines and identifies the problem statement and research questions that to be evaluating sound financial management practice in public sector. This chapter present the methodology that will be utilizes to determine the factors affecting financial management practices of *Ministry of Communication and Information Technology* in Ethiopia. The main objective of this section is to recognize the sampling, data sources and statistical measures that will enhance the analyses of the research framework of the study. Hence, this chapter gives details of the research design that represents the overview of the research methodology to looks at the target population, sampling size, development of survey instrument and its administration, analytic methods and techniques use for data analysis.

3.1. Research design

The *research design* provides a general plan how the research questions will answer and the process for collecting, analyzing, and interpreting the data (Saunders, Lewis, & Thornhill, 2007). The purpose of this study is to evaluate the practice of financial management in Ministry of communication and Information Technology in Ethiopia. The study involved examining the elements (institutional factor, strategic planning, and contributory enablers) in implementing sound financial management practice. Hence, this study structured within the framework of descriptive research approach. Descriptive research studies are designed to obtain information, which concerns the present status of phenomenon (Saunders, Lewis, & Thornhill, 2007). This approach is chosen because of the researcher would not control the variable but to describe the phenomenon that existed at the time of the study. The use of descriptive research will enable the researcher to bring to light the factors that contribute to the effectiveness of sound financial management practice. It also describes the extent to which these elements stated above can affect the work of financial management in the public sector.

However, the descriptive practice-oriented research falls short of discovering new insights into a phenomenon. Because it does not influence the variables concern and it only focused on explaining what has already happened. This means, it expresses the variables within a broader category, which is already indicated in the research question of the study. Further, this method may also produce

unpredictable results because it may explore into personal and emotional matters that respondents may not be completely truthful about it. Other than these disadvantages, the descriptive research design considered the most appropriate for evaluating the practice of financial management in federal public implementing ministry.

3.2. Research Method

2.2.1. Data Collection

The study will use both primary and secondary data. For primary data collection, the researcher will use structured questionnaire and guided interview from the ministry. Because guided approach enables to collect the same general areas of information from different interviewee of the Ministry. Further, the researcher can able to triangulate the questionnaires result obtained from the ministry. The Secondary sources of data include MoFED financial report, Office Federal Auditor General's report, ministry's physical and financial report, books and journals in library or the Internet. The secondary data contributed in setting the context and conceptual framework of the study.

3.2.2. Population and Sample

For this study, the researcher will use a non-random sampling method that can select the sample purposively. Purposive sampling is a non-random sample in which the researcher uses a wide range of methods with a specific purpose in mind. Thus, for this study the researcher is more interested in head of directorates, senior experts and accountants of the Ministry.

Therefore, unit of analysis for this study is the Federal Ministry of Communication and Information Technology (MoCIT) head of all **thirteen** directorates, **one** coordination office and **forty** senior experts and **twenty-seven** financial managers and accountants from finance and budget administration directorate of the ministry and other partially independent entities. The total populations are **eighty-one** staffs of the ministry.

In selecting the respondent for questionnaires and guided interview in the sample more priority will be given to the finance and budget administration directorate financial managers and accountants. The reason is that, all the above stated units are principally involved in the preparation of strategic budgeting and financial management processes of the Ministry. Moreover, it is obvious that the accountants and financial managers have better understanding and further possess the requested information needed for the study.

3.2.3. Sample Size and Sample Technique

As described above, of the *eighty one* populations of the study, the researcher select *eleven* head of directorates and *one* head of coordination office, *twenty six* senior experts from all directorates and *twenty* financial managers and accountants from finance and budget administration directorate of the ministry and seven other staffs. Hence, the sample of sixty-five respondents was selected for responding the questionnaires from the total eighty one-target population of the ministry purposively.

Further, in order to check the validity of the findings of the questionnaires and to enhance confidence, the researcher will conducted guided interview purposively. In this regard, for this interview, the researcher is more interested in head of directorates of the ministry. The reason is that the directorates are the core users of the ministry's financial resources for their planned operation. Thus, the interview was conducted with eight head of directorates from the total thirteen heads of directorates of the ministry. In all categories, the respondents were selected randomly for questionnaire and interview. This emanated from the thought that all categories of the respondents have similar knowledge and can able to understand the questionnaires and guided interview in a similar position.

3.2.4. Data Collection Instruments

3.2.4.1. Questionnaire

The study uses questionnaire as an instrument for gathering the needed data for addressing the objectives of the study. The questionnaire will be structure into *two* parts. The first part used to gather basic demographic facts about the respondents. The second part of the questionnaire will uses to collect information on factors affecting sound budgeting and financial management practices. The questionnaire therefore, extracted prevailing situation at the Ministry focusing on the variables of institutional factors, strategic planning and contributory enablers in implementing sound budgeting and financial management practices.

The researcher will use a likert scale type of questions to collect data from respondents. Likert scales are a non-comparative scaling technique and are one-dimensional in nature. Respondents will ask to indicate their level of agreement with a given statement by way of an ordinal scale. This is so because questionnaire is more reliable and valid for the study as well as it is least expensive, time saving and encourage the respondents to fill their feeling. Further, to enable correlation of the variable, the content of the questionnaires will be categorized in to the cause variables (institutional factors, strategic planning and

contributory enablers) and the effect variable (sound budgeting and financial management). Hence, all sample groups are required to respond the questionnaires as per defined categories.

3.2.4.2. Guided Interview

For this study, semi-structured interviews were used to get more information on the reflections of some directorates' opinion on response of structured questionnaires. This will be conducted after preliminary transcriptions of the questionnaires result of the respondent in the sample. The guided interview mainly targets the heads of directorates in the sample on how they are making decisions in the implementation of sound financial management in ministry. The interview will be very short and generic focusing on this forward-looking questions and recommendations that to drawn from the emerging themes collected from the questions dealt with in the questionnaire.

3.3. Data Analysis

The purpose of data analysis is to describe, discuss, evaluate and explain the content and characteristics of the data that will be collected in the research project. Hence, for this study after collecting the data from the Ministry, then it will be analyzed using SPSS software. For the purpose clarity of the research work, the descriptive as well as inferential statistics will used to analyze the data collected for the study. Descriptive statistic is use for analyzing the detail questions of independent variables from the perspective of implementing sound financial management. Further, inferential statistics (correlation and regression) is use to look at the relationships of the variables.

Hence, for this study correlation and regressions analysis will use: (1) to analyze the relationship of the institutional factors on sound financial management; (2) to analyze the influence of strategic planning in implementing sound financial management and; (3) to examine the influence of contributory enablers on having sound financial management in public sector.

According to Black (2007), when correlations are near to zero, it indicates that there is little or no association between the variables. Hence, correlation analysis will used to measure the nature of the relationship between institutional factors, strategic planning and contributory enablers with sound financial management practice. The correlations analysis aligns with the conceptual framework of the study and the questionnaires categories that prepared for the cause and effect variables separately. Further, as stated above in order to check the validity of the findings of the questionnaires and to enhance the confidence level the researcher will conduct guided interview purposively and conducted reliability test all the sub component variables questionnaires items.

Chapter Four

DATA DESCRIPTION AND ANALYSIS

4.1. On Establishment of the Ministry of Communication and Information Technology

The development of Information Communication Technology (ICT) industry is one of the important indicators of social and economic development of a given country. Further, it plays the vital role in an overall development of all sectors related to social, political and economic affairs. As a part of the case study, the Ethiopian Federal Communication and Information Technology ministry has been established by proclamation No 691/2010 by merging the former sector institutions, namely Ethiopian Information and Communication Technology Development Agency (ICTDA), Ethiopian telecommunication Agency (ETA) and Communication part of the then transport and Communication Ministry.

Accordingly, the ministry has a vision of *establishing Ethiopia as the premier IT Hub of Africa* and with prime objectives of prompting the development of high quality, efficient, affordable ICT assisted services, sprawl telecommunication networks and infrastructures, prepare and enforce regulatory framework for ICT, support application and appreciate innovation to make ICT an ample investment sector.

With these prime objectives, the ministry has the following main powers and duties to enhance the communication and information technology development of the country.

- Promote the expansion of communication service and the development of Information technology;
- Set and implement standards to ensure the provision of quality, reliability and safe communication and information technology service;
- Regulate the rate of telecommunication service charge;
- License and regulate telecommunication and postal service operations;
- Ensure the technical compatibility of telecommunication equipments;
- Facilitates the creation of institutional capacity for the effective implementation of information technology development policy;

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- Assign and monitor governments domain names and register addresses to develop and coordinate governments institutions' information system;
 - Coordinate all stakeholders' for the creation and proper utilization of Country code top level domain, and facilitate the proper implementation of same;
 - Facilitate the creation of fast and affordable information accesses;
 - Follow-up and provide necessary support for the implementation of modern information network between and within federal an regional government institutions;
 - Ensure mission critical system and services in public sector are computerized and online service are gradually available to users;

Accordingly, after gathering the relevant empirical data from the Ministry using questionnaire and the guided interview, it is essential to continue to the next stage of the research, which is data analysis. Hence, this chapter presents and discusses the overall empirical results using descriptive and inferential statistics and discussion of findings of the study.

4.2. Overall Empirical Result of the study

- **General**

In this study, 65 questionnaires were administered to gather data from the ministry. Before starting data entry, all the questionnaires were re-checked for their completeness and incomplete responses were taken back for clarification. Further, to have a clear consistency of the response, the researchers used guided interview with selected directorates of the Ministry. For this study, all the collected questionnaires are utilized for detail analysis. Subsequently, to examine the research questions of the study, statistical techniques such as descriptive statistics, correlation and multiple regressions were employed. Further, to confirm the suitability of data collection instrument, Cronbach's Alpha and factor analysis are used.

4.2.1 Demographic Analysis of the study

As discussed above, the responses to the questionnaire were gathered from the directorates, senior experts and financial management experts of the ministry. The variables examined in this section were, gender, age, education level, position of respondent and year of experience of the respondents as follow.

Table 4.1: Profile of Respondents

N=65

| No | Variable | Category | Frequency | Percentage |
|----|------------------------------|------------------------------------|-----------|------------|
| 1 | Gender | Male | 50 | 77 |
| | | Female | 15 | 23 |
| 2 | Age | <= 25 | 5 | 8 |
| | | 26-35 | 32 | 49 |
| | | 36-45 | 15 | 23 |
| | | >= 46 | 13 | 20 |
| 3 | Education Level | Below Bachelor | 4 | 6 |
| | | Bachelor | 26 | 40 |
| | | Masters | 33 | 51 |
| | | Phd | 2 | 3 |
| 4 | Position in the Organization | Director/Coordinator | 12 | 18 |
| | | Senior Experts | 26 | 40 |
| | | Senior Financial management expert | 20 | 31 |
| | | Others | 7 | 11 |
| 5 | Year of Experience | <= 3 | 12 | 18 |
| | | 4-5 | 18 | 28 |
| | | >=6 | 35 | 54 |

Source: Primary Data

As described above in table 4.1, (77 percent) of the profile of respondents were male and the female constituting 23 percent. The age distribution of respondents showed that the majority (49 percent) being age between 26 and 45 years old. About 15 percent were between the ages of 36 and 45 years and 20 percent above 45 years. Concerning their education level, about 6 percent had attained below bachelor level, 40 percent attained Bachelor, 51 percent attained masters and 3 percent obtained Phd. The result shows that most of the respondents were a masters holders staffs. The data collected showed that about 18 percent of respondents have been in their current position for less and equal to 3 years, whereas about 28 percent of the respondent have 4 to 5 years experience and most of the respondents with 54 percent have equal and more than 6 years experience.

The result shows that in terms gender the respondents were from both genders and the age of most of the respondents were in the good age bracket to make informed decisions. Concerning the respondents educational qualification, most them are master level education and can able to understand in a better way the financial management aspects of the ministry. Further, the result of the study shows that most of the respondent positions are senior experts who are direct implementers of the ministry's core operations and the respondent past experience shows they had good experience in similar activities. Therefore, the sampled respondents were in a good position to assess the budgeting and financial management practice of the ministry.

4.2.2 Reliability and Validity Measurement test of the study

According to Field (2009) measurement is an essential concept in science, forming the basis of all statistical research. In most cases, the uncertainties of measurement are related to validity and reliability. Accordingly, validity tells whether a measuring instrument measures what it is supposed to measure in the context in which it is applied. Obviously, validity should be always the primary concern, but we should also be interested in the accuracy of the measurements, that is, the reliability.

a. Reliability Test: (Cronbach's Alpha)

According to Field (2009), reliability is a characteristic of scores, not tests instruments. One of the methods to estimate the reliability of the scores on a test or measurements is Cronbach's coefficients alpha method. Hence, Cronbach's coefficients alpha refers to the extent to which there is interrelatedness among the responses to the multiple items comprising in the Likert scale. Hence, as explored by Field (2009), if Alpha Coefficients were above 0.70, consistency and suitability were considered high. Thus, as shown in table 4.2 that the reliability of the scores was evident by strong Cronbach's alpha coefficients for all variables that used as independent and dependent of the study.

Table 4.2: Cronbach's Alpha for all Variables

| Main Variables | Sub Variables | Cronbach's Alpha |
|-------------------------------|-------------------------------|------------------|
| Institutional Factor | Normative | 0.737 |
| | Regulative | 0.829 |
| | Cultural Cognitive | 0.766 |
| Strategic Planning Factor | Stakeholders participation | 0.823 |
| | Resource Adequacy | 0.707 |
| Contributory Enablers | Information Technology (IBEX) | 0.829 |
| | Staff Capacity | 0.779 |
| Sound budgeting & FM Features | | 0.932 |

Source: Primary Data

b. Validity Test: (Factor Analysis)

According to Field (2009), in any study validity establishes the researcher's confidence on the accuracy of the construct that measured. In this regards, validity measure usually conducted on series of questions that were asked by the researcher of the study. To construct validity of the questionnaires, one of the most common measurements used for social science research are factor analysis. Hence, in this study, validity measurements were undertaken using the techniques of

Exploratory Factor Analysis (EFA), Principal Component Analysis (PCA) and VarimaxR for extraction. Further as explained by Field (2009), the aims of Exploratory Factor Analysis is to reduce data set consisting of large numbers of variables or items into smaller number of factors in order to identify the underlying factor structure.

Further, to enhance factorability of the data, the researcher should conducted Bartlett's test of sphericity and Kaiser-Meyer-Olkin (KMO) to measure sampling adequacy to be significant at ($p < .05$). Thus, as Field (2009) suggested that factor analysis to be considered as appropriate, the Kaiser-Meyer-Olkin (KMO) index should ranges from 0 to 1 and 0.6 is the minimum value for good factor analysis.

Table 4.3: Factors loading for all Variables Items

| | Components | | | | | | |
|--|------------|-------|---|---|---|---|---|
| | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| <ul style="list-style-type: none"> The Ministry prepared comprehensive budget that includes all revenues and expenditure. The Ministry spent annual funds with reflection of prioritized objective and ensures value for money. | 0.662 | | | | | | |
| <ul style="list-style-type: none"> The Ministry has sufficient capacity in preparation and implementation of Multi Year rolling plan The Ministry conducted periodic monitoring and evaluation of plans and budgets implementation | 0.725 | | | | | | |
| <ul style="list-style-type: none"> The Ministry has consistently performed rewards and sanctions system during implementation The Ministry has done periodically budget and expenditure auditing during implementation. | 0.590 | | | | | | |
| <ul style="list-style-type: none"> The Ministry has consistently performed rewards and sanctions system during implementation The Ministry has done periodically budget and expenditure auditing during implementation. | 0.673 | | | | | | |
| <ul style="list-style-type: none"> The Ministry has consistently performed rewards and sanctions system during implementation The Ministry has done periodically budget and expenditure auditing during implementation. | 0.751 | | | | | | |
| <ul style="list-style-type: none"> Understand and use country's financial, Procurement and other laws governing budgeting and financial management. The ministry ensure and accountable to operational efficiency of MoFED fiscal rules. | | 0.753 | | | | | |
| <ul style="list-style-type: none"> Understand and use country's financial, Procurement and other laws governing budgeting and financial management. The ministry ensure and accountable to operational efficiency of MoFED fiscal rules. | | 0.771 | | | | | |
| <ul style="list-style-type: none"> Directorates and Managers follow the necessary accounting procedures in requesting for funds for operation | | 0.674 | | | | | |

| | | | | | | | |
|--|--|-------|-------|-------|-------|--|--|
| <ul style="list-style-type: none"> Compliance to planning and budgeting guidelines practiced in Ministry. | | 0.816 | | | | | |
| <ul style="list-style-type: none"> Management team able to prioritize financial matters at their periodical review meetings Different level management demonstrate the importance of sound financial management to performance | | | 0.477 | | | | |
| | | | 0.606 | | | | |
| <ul style="list-style-type: none"> Management team stick on having sound financial budgeting and financial management practices. The directors and coordinators prioritize financial matters in relation to performance and encourage the rest of the team to do so. The management team ensure that budget and financial management controls are working effectively | | | 0.653 | | | | |
| | | | 0.687 | | | | |
| | | | 0.721 | | | | |
| <ul style="list-style-type: none"> The Ministry's staffs involvement in preparing strategic plans and budgets of the Ministry The ministry's management teams involvement in preparing strategic plans and budgets | | | | 0.671 | | | |
| | | | | 0.776 | | | |
| <ul style="list-style-type: none"> Directorates, coordination and partially independent organizations senior staffs involvement in preparing strategic plans and budgets Information Technology associations and private business entities representatives involvement in preparing strategic plans and budgets of the ministry | | | | 0.760 | | | |
| | | | | 0.542 | | | |
| <ul style="list-style-type: none"> The finance directorate can able to prepare and forecast annual cash flow for all activities in implementation Medium Term Expenditure Framework (MTEF) perspective in planning and budgeting has enhanced budget predictability of the ministry | | | | | 0.766 | | |
| | | | | | 0.762 | | |
| <ul style="list-style-type: none"> The finance directorate of the ministry is capable in attracting additional fund from other alternative sources | | | | | 0.507 | | |

| | | | | | | | |
|--|------------------|------------------|------------------|-------------------|-------------------|------------------|------------------|
| <ul style="list-style-type: none"> Yearly funding for implementing planned activities adequate for the ministry's core operation | | | | | | 0.782 | |
| <ul style="list-style-type: none"> ICT (IBEX) can able to provide timely, quality and adequate financial information of the ministry The Ministry has adequate computers for budgeting and financial management purposes | | | | | | 0.733 | |
| <ul style="list-style-type: none"> The Ministry has adequate computers for budgeting and financial management purposes | | | | | | 0.803 | |
| <ul style="list-style-type: none"> The finance staff have sufficient knowledge in utilization of spreadsheets and IBEX for budgeting and financial management The Ministry perform periodic evaluation of IBEX to improve budgeting and financial management effectiveness | | | | | | 0.768 | |
| <ul style="list-style-type: none"> The Ministry perform periodic evaluation of IBEX to improve budgeting and financial management effectiveness | | | | | | 0.789 | |
| <ul style="list-style-type: none"> The Ministry's finance directorate has essential structure and staffing based on applicable approved standards Non-finance staff have adequate knowledge in basic budgeting and financial management practices | | | | | | | 0.745 |
| <ul style="list-style-type: none"> Non-finance staff have adequate knowledge in basic budgeting and financial management practices | | | | | | | 0.756 |
| <ul style="list-style-type: none"> The finance staffs have essential skills and competencies to perform duties effectively The management teams have the capacity in using budgets and financial reports for managerial decision | | | | | | | 0.764 |
| <ul style="list-style-type: none"> The management teams have the capacity in using budgets and financial reports for managerial decision | | | | | | | 0.835 |
| Eigen Values | 2.62 | 2.99 | 2.94 | 3.23 | 2.17 | 2.97 | 2.41 |
| % of Variance | 43.60 | 59.70 | 42.04 | 53.86 | 54.26 | 59.50 | 60.20 |
| Kaiser-Meyer-Olkin | 0.781 | 0.842 | 0.816 | 0.810 | 0.688 | 0.826 | 0.744 |
| P-value | P<0.00 | P<0.00 | P<0.00 | P<0.001 | P<0.001 | P<0.00 | P<0.00 |
| Extraction Method: Principal Component Analysis Rotation Method: Varimax with Kaiser Normalization a. Rotation converged in 6 iterations. | | | | | | | |

Key: 1- Normative 2- Regulative 3- Cultural Cognitive 4- Stakeholders Participation 5-Resource Adequacy and Predictability 6- ICT (IBEX) 7- Staff Capacity

As described in table 4.3, for all seven-sub variables the Principal Component Analysis with varmix rotation gave a minimum Kaiser-Meyer-Olkin (KMO) value of 0.688 that exceeding the recommended value of 0.6. In addition, for all the sub variables the Bartlett's test of Sphericity

reached a statistically significance ($p < 0.001$) in support of the factorability of the matrix. Moreover, the Principal Component Analysis (PCA) confirmed the uni-dimensionality of the instrument with a minimum Eigen value of **2.17**, which exceeds the recommended 1 and that explaining 54.2 percent of variance. Thus, the result of Principal Component Analysis supported the retentions of all the items for further investigation.

4.2.3 Pearson’s Correlation among Independent Variables, and with Dependent Variable

To evaluate the effect and the relationships between the independent variable and among the effect of independent variables on implementation of sound budgeting and financial management analyzed using Pearson’s correlations as follow.

Table 4.4: Pearson’s Correlation (r) Among Independent Variables, and with Dependent Variable

| | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 |
|-----------------------------------|-------|-------|-------|-------|-------|-------|-------|---|
| Normative Factor (1) | 1 | | | | | | | |
| Regulative Factor (2) | .586* | 1 | | | | | | |
| Cultural Cognitive Factor (3) | .529* | .766* | 1 | | | | | |
| Stakeholders participation (4) | .609* | .527* | .497* | 1 | | | | |
| Resource Adequacy (5) | .363* | .395* | .399* | .552* | 1 | | | |
| Information Technology (6) | .486* | .409* | .426* | .391* | .239* | 1 | | |
| Staff Capacity (7) | .433* | .404* | .421* | .367* | .250* | .352* | 1 | |
| Sound budgeting & FM Features (8) | .557* | .583* | .556* | .561* | .391* | .574 | .468* | 1 |

Note: * Correlation is significant at the 0.01 level (2-tailed)

4.3. Effect of Institutional Variables on Budgeting and Financial Management

As indicated above, to examine the effect of institutional variables on implementation of budgeting and financial management all 65 questionnaires are used. Accordingly, with regards to institutional factors that affect achievement of sound budgeting and financial management practices, the statistical analysis is centered on *normative, regulative and cultural cognitive* of the ministry. Hence, the overall result presented as follow.

Table 4.5: Descriptive Result of Institutional Factors

| | MIN | MAX | Mean | SD |
|---|----------|----------|-------------|-------------|
| Normative | | | | |
| • The Ministry prepared comprehensive budget that includes all revenues and expenditure. | 2 | 5 | 3.50 | 0.75 |
| • The Ministry spent annual funds with reflection of prioritized objective and ensures value for money. | 2 | 5 | 3.06 | 0.60 |
| • The Ministry has sufficient capacity in preparation and implementation of Multi Year rolling plan | 3 | 5 | 4.10 | 1.02 |
| • The Ministry conducted periodic monitoring and evaluation of plans and budgets implementation | 3 | 5 | 4.13 | 0.63 |
| • The Ministry has consistently performed rewards and sanctions system during implementation | 2 | 5 | 3.10 | 0.40 |
| • The Ministry has done periodically budget and expenditure auditing during implementation. | 3 | 5 | 4.15 | 0.62 |
| Overall average result for Normative sub factor | 2 | 5 | 3.69 | 0.67 |
| Regulative | | | | |
| • Understand and use country's financial, Procurement and other laws governing budgeting and financial management | 2 | 4 | 2.52 | 0.60 |
| • The ministry ensure and accountable to operational efficiency of MoFED fiscal rules | 2 | 5 | 4.10 | 0.91 |
| • Directorates and Managers follow the necessary accounting procedures in requesting for funds/budget for operation | 2 | 5 | 3.90 | 0.84 |
| • Compliance to planning and budgeting guidelines practiced in Ministry | 2 | 4 | 2.50 | 0.63 |
| Overall average result for Regulative sub factor | 2 | 5 | 3.26 | 0.75 |
| Cultural cognitive | | | | |
| • Management team able to prioritize financial matters at their periodical review meetings | 2 | 5 | 4.30 | 0.80 |
| • Different level management demonstrate the importance of sound financial management to performance | 2 | 4 | 3.70 | 0.90 |
| • Management team stick on having sound financial budgeting and financial management practices. | 2 | 4 | 2.80 | 0.78 |
| • The directors and coordinators prioritize financial matters in relation to performance and encourage the rest of the team to do so. | 2 | 4 | 3.90 | 0.66 |
| • The management team ensure that budget and financial management controls are working effectively | 2 | 4 | 3.83 | 0.90 |
| Overall average for Cultural cognitive sub factor | 2 | 5 | 3.71 | 0.81 |
| Overall for Institutional Factors | 1 | 5 | 3.57 | 0.62 |

Source: Primary Data

Table 4.6: Effect of Institutional sub components factors on dependent variable of Sound Budgeting and financial management Practices

| Variable | beta | t-value | Sign |
|---------------------------|-------|---------|-------|
| <i>Constant</i> | 1.950 | 0.306 | 0.761 |
| Normative Factor | 0.293 | 3.500 | 0.001 |
| Regulative Factor | 0.210 | 1.779 | 0.078 |
| Cultural Cognitive factor | 0.226 | 1.952 | 0.035 |

Note: R=0.696 R²=0.484 Adj. R²=0.464 , Sign=0.000

4.3.1. Normative sub factor on sound Budgeting and Financial Management

As indicated in table 4.5 that the average means of respondents' perception about the implementation of normative factors variable sub-items were ranging from 3.06 to 4.15, with standard deviation ranges from 0.40 to 1.02. From the sub-items the respondent relatively moderate (Mean = 3.50) confirm that comprehensiveness budget and capturing of all revenue sources and expenditure. Additionally, the extent of periodic monitoring and evaluation of plans and budgets implementation to be carried out in the ministry moderately (Mean = 4.15) scored by respondents.

In contrary annual plan which is a feature of rush to spend funds during the fiscal year of budget implementation has been criticized for being affecting value for money as they do not reflect prioritized objectives. Accordingly, from the sub items regarding the extent of fund spent focusing on annual plan, the priorities of objectives to be high. However, the respondents of the ministry moderately scored (Mean = 3.06) for the sub item. This is an indication of the fact that directors at ministry are not conscious of ensuring that the use of funds reflects their business priorities and targets. As a whole, respondents assessed the ministry's compliance to norms surrounding financial management and its implementation satisfactorily. The means score of the sub-factor was 3.69, maximum 5 and minimum 2 with average standard deviation of 0.67.

4.3.2. Regulative sub factor on sound Budgeting and Financial Management

Similar to the above factor, the average means of respondents' perception about the implementation of regulative factors variable sub-items were ranging from 2.50 to 4.10, with standard deviation ranges from 0.60 to 0.91. From the sub items question, the respondents scored low (Mean = 2.52) for understanding country's law, rules and regulation related to budgeting and financial management of the ministry.

This is an indication of the need to build capacity of the ministry's directorates and financial experts in the prevailing rules and regulation surrounding budgeting and financial management. On the other hand, for the question of observance of rules in requesting for funds, the respondent scored relatively moderate (Mean = 3.90). This shows such responses is that there is much to be done to ensure that the ministry's directorates follow prescribed procedures in requesting for funds in order to achieve sound budgeting and financial management practices.

Another important feature of the responses given with regard to regulative influence is that the compliance to planning and budgeting with ministry's guideline, the respondents scored relatively moderate (Mean = 2.50). This shows that the understanding and confirming to prescribed rules and regulations is critical to sound budgeting and financial management practices and implementation outcome of the ministry. In general, the score of the regulative influence was relatively moderate with a mean score of 3.26, maximum 5, minimum 12 and average standard deviation of 0.75.

4.3.3. Cultural Cognitive sub factor on sound Budgeting and Financial Management

As indicated in table 4.5 that the average means of respondents' perception about the implementation of cultural cognitive factors variable sub-items were ranging from 2.80 to 4.30, with standard deviation ranges from 0.65 to 0.90. The cultural influence look at what has become as the usual practice of undertaking sound budgeting and financial management practices in the ministry. This is important as it represents that the values of management attached to sound budgeting and financial management practices to affect performance of the ministry. Further, for the question assessed the extent to which management team priorities financial matters, the respondent rated high (Mean = 4.30). This indicates that the management teams give due diligence to ensuring that plans and budgets reflects priorities of the ministry.

On the other hand, for the question that the leaders to be forefront in demonstrating the importance of sound financial management of the ministry, the respondent scored high (Mean = 3.70). This shows that there is a collaborative effort observed by management teams to ensure the budget and financial management control systems work effectively. As a whole, the culture of the ministry workforce should be strengthening to ensure the soundness of budgeting and financial management practice. In general, the overall rating for this sub factor was moderate (Mean = 3.70), minimum being 2, maximum, 5 and average standard deviation of 0.81.

In general as the results of coefficient of determination (R²) indicates above in *table 4.6*, the effect of institutional factor on implementation of sound financial management is statistically significant at 0.484 showing that 48 percent of the variance in sound budgeting and financial management practices is explained jointly by the sub-variables of institutional factors. Accordingly, the normative influence result shows the highest effect on sound budgeting and financial management practices (beta=0.293) followed by cultural influence (beta=0.226) and the least being regulative influence (beta=0.210). It shows that all the sub-variables are positive and statistically significant.

However, there is a need to put in place the mechanisms that will enhance management understanding and adherence to the norms, rules and cultural issues that surrounded sound budgeting and financial management practices. Further, principles of sound budgeting and financial management practices would not build strong cultural dimensions that stipulate how directorates routinely work together. Further, as a part of the cultural dimensions, it requires more effort from the directorates to work on effect and the use of sound budgeting and financial management to enhance and strengthen the overall financial system of the ministry.

4.4. Effect of Strategic Planning Variables on Budgeting and Financial Management

Concerning Strategic-planning factors that affect achievement of sound budgeting and financial management practices, the statistical analysis were focused on *stakeholders' participation, and resource adequacy and predictability* of the ministry. Hence, the overall result presented as follow.

Table 4.7: Descriptive Result of Strategic planning Factor

| | MIN | MAX | Mean | SD |
|--|-----|-----|------|------|
| Stakeholders participation | | | | |
| • The Ministry's staffs involvement in preparing strategic plans and budgets of the Ministry | 2 | 5 | 3.90 | 0.67 |
| • The ministry's management teams involvement in preparing strategic plans and budgets | 3 | 5 | 4.80 | 0.98 |
| • Directorates, coordination and partially independent organizations senior staffs involvement in preparing strategic plans and budgets | 3 | 5 | 4.82 | 0.78 |
| • Information Technology associations and private business entities representatives involvement in preparing strategic plans and budgets of the ministry | 2 | 4 | 3.30 | 0.84 |
| Overall average for Stakeholders participation sub factor | 2 | 5 | 3.96 | 0.82 |
| Resource Adequacy | | | | |

| | | | | |
|---|----------|----------|-------------|-------------|
| • The finance directorate can able to prepare and forecast annual cash flow for all activities in implementation | 2 | 5 | 3.51 | 0.87 |
| • Medium Term Expenditure Framework (MTEF) perspective in planning and budgeting has enhanced budget predictability of the ministry | 2 | 5 | 3.62 | 0.79 |
| • The finance directorate of the ministry is capable in attracting additional fund from other alternative sources | 2 | 5 | 2.85 | 0.90 |
| • Yearly funding for implementing planned activities adequate for the ministry's core operation | 2 | 5 | 3.70 | 1.02 |
| Overall average for Resource Adequacy sub factor | 2 | 5 | 3.42 | 0.90 |
| Overall for Strategic planning Factors | 2 | 5 | 3.71 | 0.82 |

Source: Primary Data

Table 4.8: Effect of strategic planning sub components on dependent variable of Sound Budgeting and financial management Practices

| Variable | beta | t-value | Sign |
|--------------------------------------|--------|---------|-------|
| <i>Constant</i> | 1.644 | 3.529 | 0.001 |
| Participation of stakeholders | 0.239 | 2.244 | 0.027 |
| Resource adequacy and predictability | -0.155 | -1.430 | 0.151 |

Note: R=0.666, R²=0.444. Adj. R²=0.428, Sign.=000

4.4.1 Stakeholders' Participation sub factor on sound Budgeting and Financial Management

As indicated in table 4.7 that the average means of respondents' perception about the implementation of normative factors variable sub-items were ranging from 3.30 to 4.64, with standard deviation ranges from 0.67 to 0.98. As part of sub items, the extent of staffs involvement in preparing strategic plans and budgets, the respondents scored moderate (Mean = 3.90) while it to be high. As observed using a guided interview with some directorates of the ministry, they have conducted a discussion on framework of the strategic plan with staffs of the ministry.

However, the participation of staffs in initiating strategic concept and participating in a comprehensive manner is very limited in the ministry. On the other hand, for the question the extent of management team participation in strategic planning, the respondent scored high (Mean = 4.81). It implied that participation of the ministry's management team considered as usual and expected in framing strategic plan of the ministry.

Further, in much different way the involvement of Information Technology associations and private business entities representatives in preparation strategic plan rated low was also rated (Mean = 2.50). The implication is that strong efforts have to in place to ensure the optimal participation of

stakeholders in preparations of strategic plan of the ministry. In general, the sub factor participation by key stakeholders is rated as moderate (Mean = 3.96) with maximum of 5, minimum 2 and average standard deviation of 0.82.

4.4.2 Resource Adequacy and predictability sub factor on sound Budgeting and Financial Management

Similar to other as indicated in table 4.7 that the average means of respondents' perception about the implementation of normative factors variable sub-items were ranging from 3.50 to 3.70, with standard deviation ranges from 0.79 to 1.02. Further, for the sub item question of adequacy of budget for the ministry's operation, the respondent scored moderate (Mean = 3.70) while to be high. The reason is that an important benefit of Medium Term Expenditure Framework (MTEF) prepared by MoFED enables the ministry to forecast and predict flow of funds relatively sufficient for core objectives during implementation. For the sub item ability to forecast annual cash flow, the respondent moderately agreed (Mean = 3.51). On the other hand, for the sub item the extent of understanding Medium Term Expenditure Framework, the respondent rated undecided. The reason is that the concept of Medium Term Expenditure Framework is not widely exercised in ministries of the country.

On the other sub item that on capability of finance directorate in attracting fund from other sources apart from the government treasury, the respondents rated low (Mean = 2.85). This indicates that an effort have to be initiated to fill the gap of resource adequacy of the ministry. In general, the extent of resource adequacy and predictability for implementation of plans budgets by ministry is rated moderate (Mean = 3.42) and the minimum score was 2 and the maximum 5 with average standard deviation of 0.90.

In general As indicated above in table 4.8, the overall coefficient of determination (R^2) for both sub variables is statistically significant at 0.444 showing that 44 percent of the variance in sound budgeting and financial management practices is explained jointly by the sub-variables of strategic planning factors. However, the results for each variables show that stakeholder participation has statistically significant at beta of 0.239 while the resource adequacy and predictability has statistically insignificant and negative with beta -0.155. The negative result of the Resource adequacy and predictability variable indicates that it works against the achievement of sound budgeting and financial management.

This explained that inadequacy of resource with regards to budget and expenditure variance and untimely disbursement of funds during implementations. However, the sound budgeting and financial management practice could be made better, if the continual variance between budget and expenditure are reduced and the disbursement during implementation made on time by enhancing the efficiency of the staffs. On the other hand, the enhanced and significant stakeholder participation removes information asymmetry and reduces dysfunctional budgeting and implementation and it ensures transparency and accountability that is important to sound budgeting and financial management practices.

4.5. Effect of Contributory Enablers Variables on Budgeting and Financial Management

In relation to Contributory Enablers that affect achievement of sound budgeting and financial management practices, the focus of the statistical analysis is on Use of Information technology-IBEX and staffing capacity. The result presented as follow.

Table 4.9: Descriptive Result of Contributory Enablers

| | MIN | MAX | Mean | SD |
|--|-----|-----|------|------|
| Information technology-IBEX | | | | |
| • IBEX can able to provide timely, quality and adequate financial information of the ministry | 2 | 5 | 2.95 | 0.90 |
| • The Ministry has adequate computers for budgeting and financial management purposes | 2 | 5 | 4.20 | 0.89 |
| • The finance staff have sufficient knowledge in utilization of spreadsheets and IBEX for budgeting and financial management | 2 | 5 | 3.40 | 0.56 |
| • The Ministry perform periodic evaluation of IBEX to improve budgeting and financial management effectiveness | 2 | 5 | 3.30 | 0.68 |
| Overall average for Information technology IBEX sub factor | 2 | 5 | 3.46 | 0.76 |
| Staffing Capacity | | | | |
| • The Ministry's finance directorate has essential structure and staffing based on applicable approved standards | 2 | 5 | 2.81 | 0.90 |
| • Non-finance staff have adequate knowledge in basic budgeting and financial management practices | 2 | 4 | 2.80 | 0.87 |
| • The finance staffs have essential skills and competencies to perform duties effectively | 2 | 4 | 2.94 | 0.89 |
| • The management teams have the capacity in using budgets and financial reports for managerial decision | 2 | 4 | 3.30 | 0.64 |
| Overall average for Staffing Capacity sub factor | 2 | 5 | 2.96 | 0.83 |
| Overall for Contributory Enabler Factors | 2 | 5 | 3.21 | 0.39 |

Source: Primary Data

Table 4.10: Effect of Contributory Enabler sub components on dependent variable of Sound Budgeting and financial management Practices

| Variable | beta | t-value | Sign |
|-------------------------------|-------------|----------------|-------------|
| <i>Constant</i> | 2.926 | 9.371 | 0.000 |
| Information technology (IBEX) | 0.863 | 4.931 | 0.000 |
| Staff Capacity | -0.566 | 2.372 | 0.002 |

Note: R=0.596 R²=0.356 Adj. R²=0.337 Sign=0.000

4.5.1. Use of Information technology-IBEX sub factor on sound Budgeting and Financial Management

As indicated in table 4.9 that the average means of respondents' perception about the implementation of using information technology-IBEX factors variable sub-items were ranging from 2.95 to 4.20, with standard deviation ranges from 0.56 to 0.90. Further, the sub item that request the extent to which IBEX provided timely and quality information for management decision, the respondents rated low (Mean = 2.95). However, for sub item question that request the extent of knowledge in utilizing existing IBEX software used for budgeting and financial management, the respondents scored moderate (Mean = 3.40).

For the sub item requesting adequacy of computer for carrying financial management, the respondent rated high (Mean = 4.80). As a whole, the extent of using information technology for implementation of plans budgets by ministry is rated relatively moderate (Mean = 3.29) and the minimum score was 2 and the maximum 5 with average standard deviation of 0.63. The result of all responses from the respondents' shows, there is a need for improving the utilization of existing IBEX in order to enhance the task of sound financial management practices for financial decision making of the ministry management team.

4.5.2 Staff Capacity sub factor on sound Budgeting and Financial Management

As indicated in table 4.9 that the average means of respondents' perception about the implementation of staff capacity factors variable sub-items were ranging from 2.80 to 3.30, with standard deviation ranges from 0.64 to 0.90. Further, for the sub item that request availability of essential structure and staffing based on applicable approved standards, the respondent rated low (Mean = 2.81). Moreover, in the same way for the question asking non finance staffs capacity in utilization of budget and

competencies of finance staff in performing assigned responsibilities, the respondent rated low for both items (Mean = 2.80, Mean = 2.94).

The implication of the above result shows that there is a need to strengthen staff capacity to enhance budgeting and financial management of the ministry. In general, the response on staff capacity shows low in terms of knowledge and the required numbers of staffs to perform budgeting and financial management of the ministry. Further, using guided interview to substantiate the questionnaire result, the interviewed directorates confirmed that staff turnover and capacity issue in finance directorate is more serious than other sections of the ministry. In general, the mean score of staff capacity descriptive result was 2.96, minimum 2 and maximum 5 with average standard deviation of 0.83.

In general, as indicated in table 4.10, the overall coefficient of determination (R^2) for both variables is statistically significant at 0.36 showing that 36 percent of the variance in sound budgeting and financial management practice is explained jointly by the sub variables of the Contributory Enablers factor. However, the results for each variables show that both variables are significant at (sig. <0.05) but using Information technology (IBEX) has contributes the highest with beta of 0.863 while the staff capacity has statistically significant and negative with beta -0.566.

Moreover, as discussed in descriptive result, the indication of negative result shows there is inadequate staff capacity and competencies in undertaking sound budgeting and financial management practices in ministry. Further, as interviewed through guided interview with ministry's staffs, except for core operation staffs of the ministry, for financial experts there are not adequate on the job skills and competency development training provided to improve their capacity to ensure sound budgeting and financial management practices of the ministry.

4.6. Features of Sound Budgeting & Financial Management

In this study, the researcher tried to examine the effect of independent variables on implementation of sound budgeting and financial management of the ministry. Further, to know the current budgeting and financial management of the ministry, the descriptive result shows as follow.

Table 4.11: Descriptive Result of Features of Sound Budgeting & Financial Management

| | MIN | MAX | Mean | SD |
|---|------------|------------|-------------|-------------|
| <ul style="list-style-type: none">• The ministry plans and budgets for the past three years have been evidenced-based | 2 | 5 | 3.30 | 0.93 |
| <ul style="list-style-type: none">• There is a linkage between the directorate plans and budget to the national macroeconomic policy for development | 2 | 4 | 2.91 | 0.89 |
| <ul style="list-style-type: none">• The ministry's resource allocation for directorates criteria facilitates fair and equitable funds allocation | 2 | 5 | 2.80 | 0.56 |
| <ul style="list-style-type: none">• Plans and budgets are transparent in terms of their linkage between ministry's priorities and available resources | 2 | 5 | 3.43 | 0.68 |
| <ul style="list-style-type: none">• Approved Plans and budget is implemented by going through appropriate authorization process | 2 | 5 | 4.12 | 0.90 |
| <ul style="list-style-type: none">• There is effective control of spending totals as stated in approved plans and budget during a fiscal year | 2 | 5 | 3.66 | 0.89 |
| <ul style="list-style-type: none">• The Ministry provides incentives for efficient resource utilization as per formulated and implemented Plans and budgets | 2 | 4 | 2.51 | 0.56 |
| <ul style="list-style-type: none">• The ministry apply performance measures to monitor and evaluate implementation of plans and budgets | 2 | 5 | 3.42 | 0.68 |
| <ul style="list-style-type: none">• The management is capable in discretion and flexibility to implement activities without undermining value for money | 2 | 5 | 3.46 | 0.92 |
| <ul style="list-style-type: none">• The ministry enforced and utilized prescribed accounting rules and standards for financial management | 2 | 5 | 3.53 | 0.89 |
| <ul style="list-style-type: none">• There is efficient cash management to ensure value for money in all transactions | 2 | 5 | 3.65 | 0.56 |
| <ul style="list-style-type: none">• There is accountability for any expenditure | 2 | 5 | 3.51 | 0.68 |
| <ul style="list-style-type: none">• The ministry has audited timely with requisite feedback the accounts for the past three-years | 2 | 5 | 3.43 | 0.90 |

| | | | | |
|---|----------|----------|-------------|-------------|
| • The ministry's budget and expenditures are consistent | 2 | 5 | 3.51 | 0.84 |
| • The Ministry's procurement process ensures transparency and competitiveness | 2 | 5 | 4.10 | 1.03 |
| • The Ministry's internal control system is effective | 2 | 5 | 3.56 | 0.68 |
| • The Ministry's strategic plans and budgets are consistent with the states of the accounting and financial management principles | 2 | 5 | 4.12 | 0.80 |
| • The Ministry's books of accounts and other accounting records have been properly maintained and safeguarded | 2 | 5 | 4.45 | 0.98 |
| • The Ministry's use of financial management performance indicators to monitor plans and budgets implementation | 2 | 5 | 2.90 | 0.96 |
| Overall for Sound Financial management practice | 2 | 5 | 3.49 | 0.43 |

Source: Primary Data

As indicated in table 4.11 that the average means of respondents' perception about the implementation of normative factors variable sub-items were ranging from 2.80 to 4.12, with standard deviation ranges from 0.64 to 0.90. The response obtained from the respondent shows variations on extent of financial practice of the ministry. For instance, for the sub item that request the linkage between the directorate plans and budget to the national macroeconomic policy for development, the respondent scored relatively moderate (Mean = 2.91). In contrast, for the sub item that request the implementation of approved Plans and budget through appropriate authorization process, the respondents rated moderate (Mean = 4.12). For the request the extent of using financial management performance indicators to monitor plans and budgets implementation, the respondent scored relatively moderate (Mean = 3.42) while to be high.

On the other hand, for sub item that requested the extent of providing incentives for efficient resource utilization as per formulated and implemented Plans and budgets, the respondent rated low (Mean = 2.51). Motivation through incentive contributes the soundness of financial management of the ministry. Thus, it is important to provide due attention to strengthen soundness of financial management. In the same way, for the sub item that request fairness and equitability features of the resource allocation criteria, the respondent rated low (Mean = 2.80) while to be high. The reason is that effective resource allocation helps more to have sound financial management of the ministry.

Further, for the sub item that request the enforcement and utilization of prescribed accounting rules and standards for financial management, the respondents rated moderate (Mean = 3.53) while to be high. For the item that request ensuring efficient cash management and value for money, the

respondent rated moderate (Mean = 3.65) while to be high. The reason is that value for money an implicit and essential elements of the procurement, financial administration of the organization. In the same way, for the item that request the extent of financial accountability of the ministry, the respondent rated moderate (Mean = 3.51) while to be high. The reason is that accountability issues should be taken into serious consideration in any organization to help the soundness of financial management.

Moreover, for the item that request the extent of procurement processes at the ministry ensures transparency and competitiveness, the respondent rated high (Mean = 4.10). The other sub item is financial record keeping of the ministry. These include books of account and other accounting records. The response for this sub item shows that the respondent highly agreed (Mean = 4.45) the current financial record keeping of the ministry. The implied that book of accounts and other accounting record have been properly maintained and safeguarded and this is a plus for sound financial management in the ministry.

As a whole, the responses from the ministry on soundness of budgeting and financial management practices of the ministry indicate that the performance with regard to financial management is satisfactory. The mean score of the overall features sound budgeting and financial management practices were 3.49; the minimum score was 2 and maximum 5 with average standard deviation of 0.46.

4.7 Summary of Statistical Results for Independent and Dependent Variables

As described above, the descriptive analysis showed minimum, maximum, mean value and standard deviation of the various sub factors under study. Table 4.12 reveals that the overall responses given by respondents with regards to the main variables are summarized as follow.

Table 4.12 Summary of Descriptive Results of Independent and Dependent Variables

| | MIN | MAX | Mean | SD |
|------------------------------------|-----|-----|------|------|
| Institutional Factor | 1 | 5 | 3.57 | 0.62 |
| Strategic Planning Factor | 2 | 4 | 3.79 | 0.65 |
| Contributory Enablers Factor | 2 | 5 | 3.21 | 0.39 |
| Sound Financial Budgeting features | 2 | 5 | 3.49 | 0.43 |

Source: Primary Data

With respect to the independent variables, it was found that Contributory Enabler has the lowest mean value of 3.21, which is below the overall average of the independent variables, which is 3.52.

This result indicates that effort must be made to strengthen the contributory enablers' utilization of IBEX and staffs capacity of the ministry. The results further shows that in considering the rating by the respondents with regards to the independent variables, strategic planning emerges as most satisfactorily with high mean value (Mean = 3.79). This was followed by institutional factors, which were rated moderate (Mean = 3.57). With respect to dependent variable, it can be seen that the respondents rated it moderate (Mean = 3.49) which indicating a satisfactory performance of the ministry's financial management practice.

As a part of the summary of the study, as stated above in table 4.12, the Pearson correlation matrix shows that the relationships among the independent variables components are strong, where r ranges from 0.250 to 0.586. The result indicates that there is a positive relationship among the independent variables. From result strong relationships among the independent variables observed between normative and regulative factor ($r= 0.586, p< 0.001$). In contrary, relatively weak relationships among the independent variables observed between staff capacity and resource adequacy sub variable ($r= 0.250, p<0.001$).

On the other hand, the matrix shows that the relationship between the all independent variables and the dependent variable implementation of sound budgeting and financial management is strong, where r ranges from 0.391 to 0.583. From the Pearson correlation result, strong relationship between the sub independent variables and dependent variables observed between the regulative factor and sound budgeting and fincaial management ($r=0.583, p<0.001$). In contrary, weak relationship observed between resource adequacy and sound budgeting and financial management ($r=0.391, p<0.001$). In general, the correlation results as depicted in Table 4.9 shows that there are positive and significant relationships between and among all the components of the variables of the study and the dependent variables of sound budgeting and financial management practices respectively.

Table 4.13: Overall effects of Independent Variables on Implementation of Sound Budgeting and Financial Management Practices

| Variable | Beta | t-value | Sign |
|-----------------------|--------|---------|-------|
| <i>Constant</i> | -0.204 | -0.421 | 0.675 |
| Institutional Factor | 0.243 | 2.232 | 0.022 |
| Strategic planning | 0.236 | 3.100 | 0.001 |
| Contributory Enablers | 0.173 | 2.703 | 0.008 |

Note: R=0.778 R²=0.605 Adj. R²=0.590, Sign=0.000

As stated in table 4.13 above, the overall results of analysis showed that *institutional factor, strategic planning and contributory enablers* were all statistically significant each of them having a positive effect on sound budgeting and financial management practices, $R^2=.611$, $P<.001$. The adjusted R-square indicates that 60 percent of the variation in sound budgeting and financial management practices were contributed for the three main independent variables. The rest variation, which is about 40 percent, left for other unconsidered independent variables that have an effect on implementation of sound budgeting and financial management practice of the ministry. Further, as shown above, the institutional factor has the highest significant effect that explained its unit increase will increase sound budgeting & financial management practices by 0.243, followed by strategic planning factors 0.236, and lastly the least is contributory enablers' factor with 0.173.

The implication is that in order to improve sound budgeting and financial management practices, the ministry should give priority for improving the contributory enablers that focused on strengthening the information technology (IBEX) and staff capacity. Then it should be followed by giving due attention in improving components of stakeholders participation and resource adequacy and predictability of the ministry's implementation of budgeting and financial management practice. Lastly, the ministry should support the managerial understanding, conformity and adherence to institutional factors, especially the norms, regulations and cultural influences with the organization.

4.8 Discussion of Findings

As stated above, the purpose of the study was to examine the effects of independent variables (*institutional, strategic planning and contributory enablers*) on implementation of sound budgeting and financial management practices in ministry of Ethiopian Ministry of Communication and Information Technology. Hence, the data for the study was collected from the ministry all directorates managers and seniors experts. The collected data were analyzed using SPSS version 20 statistical software.

Accordingly, the descriptive, correlation and regression analysis result of the independent variables (institutional, strategic planning and contributory enablers) shows that most sub factor *variables* have a positive effect on dependent variables implementation of sound budgeting and financial management practice of the ministry. In this regard, the results bear in mind that the sub component of strategic planning the resource adequacy and predictability has insignificant and have a negative effect on implementation of sound budgeting and financial management of the ministry.

As a whole, the analysis result findings are moderately consistent with the theoretical perspectives of organizational theory of (Oliver, 1991; Scott, 2008), and approaches to budgeting and financial management of (Lüder, 1992; World Bank, 1998; Shah, 2007). Further, overall the findings of strategic planning has statistically significant and have positive effect on sound budgeting and financial management practices with (coefficient =0.236; $p < 0.001$). These empirical results imply that the more stakeholders participate (Shah, 2007), and the adequate and predictable resource mobilization of the organization. This finding validates that any effort aimed at improving sound budgeting and financial management practices at the ministry will based on providing the enabling environment for stakeholders to participate in formulating strategic plan to strengthen the adequacy and predictability of resources for implementation.

Further, to confirm the negative relationships between resource adequacy and predictability with sound budgeting and financial management, the researcher used a guided interview with the finance director and the result shows that the ministry's budget falls short to cover the planned activities of the core operations. However, as argued by Lüder (1992), improving adequacy and predictability of resource flow has its own contribution on implementation in sound budgeting and financial management practices.

On the other hand, the overall analysis result supported that the contributory enablers have a positive effect on sound budgeting and financial management practices of the ministry. Accordingly, the contributory enablers measured in terms of using enhanced information system (IBEX) and having the necessary staff capacity and a skill to have a positive effect on sound budgeting and financial management Practices. However, similar to resource adequacy and predictability result the analysis result of the sub factors staff capacity had a negative effect on sound budgeting and financial management practices. This is particularly, attributed to the shortage of financial management staff in Ministry. This implies that there is a need to fulfill and build capacity of finance and non-finance staff in basics of planning, budgeting and financial management in the ministry.

Chapter Five

Conclusions and recommendation

5.1 Conclusions

In general, the analysis result of the study show that the institutional theory perspective yielded considerable insights in understanding the effects of the institutional factors focusing on normative, regulative and cultural cognitive sub factors on sound budgeting and financial management practices of the ministry. *Accordingly, based on the institutional theory and findings of the study implied that managerial understanding, conformity, adherence and adaptation to the institutional environment of norms, rules and cultural cognitive influences are required to focus in the actions of directorates and senior experts in implementing sound budgeting and financial management practices.*

In terms of strategic planning, the study focused on stakeholders' participation and resource adequacy that are crucial in achieving sound budgeting and financial management practices in the public sector. The overall result of the study shows that there is a positively significant relationship between the strategic planning factors on implementation of sound budgeting and financial management of the ministry. However, the relationship between the sub component resource adequacy and predictability has a negative effect on implementation of sound budgeting and financial management of the ministry. *This implies that there is a need to strengthen the intervention to reduce resource independency and adequacy problem of the ministry in the future.*

Furthermore, the contributory enablers' main factors focused in using Information technology through *Integrated Budget and Expenditure system (IBEX)* and staff capacity in implementing sound budgeting and financial management of the ministry. As discussed above, the findings of the study are consistent with the (World Bank, 1998, Shah, 2007, Diamond, 2005) guidance and notes that explained using proper information technology with automation of the budgeting and financial management of the organization have a great contribution in having sound implementation of budgeting and financial management. Hence, the information technology sub-component has a positive relationship on implementation of sound budgeting and financial management of the ministry. Thus, it will be better to maintain the current efforts made on automation of the ministry financial system using *Integrated Budget and Expenditure system (IBEX)*.

On the other hand, one of the sub components of Contributory enablers, the staff capacity has a negative relationship on implementation of sound budgeting and financial management of the ministry. However, Chan (2003) in its governance model argued that the public expenditure management demands that organizations make use of the willingness and skills of their staff to achieve intended outcomes. *Hence, it will be better that the focus of the ministry should give priority to improve the staff capacity as the existing situation upsets efforts of responding to the demands of implementing sound budgeting and financial management practices.*

5.2. Recommendation

Based on the study findings and conclusions in the research, the following recommendations are made for consideration by the Ministry of Communication and Information technology.

- As recommended by the World Bank (1998), the regulatory sub factor focuses on conformity to relevant budgeting and financial management laws and rules. In addition, the normative sub factor recognizes the internalization of control measures of budgeting and financial management. Further, the normative factors also stress on moral obligations and on how strengthening decisions that depart from documented laws and regulations of budgeting and financial management. However, the study findings shows the relationships assessed moderately while to be high. Hence, the ministry needs to strengthen the regulative and normative aspects to enhance the sound implementation of budgeting and financial management of the ministry.
- Even though, the principal-agency theory suggests that public agencies are needs to recap that, they are establishing to deliver and provide services for the benefits of the taxpayers. However, the ministry's respondents rated the specific sub factors the resource adequacy and predictability on the extent of the attraction of funding from other alternative sources is low. The statistical result of the study shows that the relationships of resource adequacy and predictability on implementation of sound budgeting and financial management is insignificant. However, the researcher recommends that following the principal-agent theory the ministry should give appropriate attention to get more funds to alleviate the resource adequacy problems of the ministry.
- According to Williams (1974), a successful program implementation demands the assessment of the skills of bureaucrats and institutional structures that surround it. However, of the questions related to staff capacity assessed by the respondent, the finance experts' capacity in

terms of knowledge and required numbers to perform budgeting and financial management rated relatively low. Consequently, the statistical result of the effect of staff capacity on implementations of sound financial management has significant but it have negative relationship on implementation of sound budgeting and financial management of the ministry. Even if the study statistical result shows a negative relationship, the researcher recommends supporting Williams (1974) theory that in addition to other variables the ministry should give due attention to enhance the financial and non-financial managers capacity in understanding, analyzing and using the financial reports towards core operational decision making of the ministry.

- As a part of the features of sound budgeting and financial management, the extent of the linkage between the directorate plans and budget to the national macroeconomic policy for development rated low. This shows that the ministry's core operation has not aligned with the country's macroeconomic policy in providing priority and using the required fund for the ministry's operation. Hence, the researcher recommends that the linkage should be strengthening through sense of collaboration towards the country's common goals.
- The tangible and intangible resource of any country is scarce by its nature. Hence, the government should use through priority setting the required to select the more responsive to the society. In this regard, in assessing whether the ministry's resource allocation for directorates allocated in fair and equitable manner rated moderate. This shows in resource allocation the priority issue might not get due considerations. Thus, it will better to give more attention during resource allocation for the activities that helps the economic growth and community development of the country.
- To strengthen the budgeting and financial management of any organization, the top management have great role in considering that financial aspects are very important for performance of any operation. The assessed result shows that 'the extent that different level management demonstrates the importance of sound financial management to performance of the ministry' rated moderate while it become high. This shows the importance of keeping sound financial management is not considered as an important aspect for performance of the ministry. Hence, the researcher recommends that the ministry should work hard to strengthen the awareness of different level managers the overall importance of financial management for the ministry's overall performance.

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PART 2: The following section deals with factors affecting budgeting and financial management practices. You are kindly required to rate the extent to which your Ministry practically act or respond to the issues under considerations. Accordingly, state your response by rating the following statements that describes the variables of the study.

(Please, tick in the appropriate box against the statements as defined below; 1 = Strongly Disagree (SDA), 2 = Disagree (DA), 3 = Undecided (UD), 4 = Agree (A) and 5 = Strongly Agree (SA))

| No | Descriptive statements | Rating | | | | |
|---|---|--------|----|----|---|----|
| | | SDA | DA | UD | A | SA |
| Component A: Institutional Factors | | | | | | |
| A-1 | Normative factors | | | | | |
| 1. | The Ministry prepared comprehensive budget that includes all revenues and expenditure. | | | | | |
| 2. | The Ministry spent annual funds with reflection of prioritized objective and ensures value for money. | | | | | |
| 3. | The Ministry has sufficient capacity in preparation and implementation of Multi Year rolling plan | | | | | |
| 4. | The Ministry conducted periodic monitoring and evaluation of plans and budgets implementation | | | | | |
| 5. | The Ministry has consistently performed rewards and sanctions system during implementation | | | | | |
| 6. | The Ministry has done periodically budget and expenditure auditing during implementation. | | | | | |
| A-2 | Regulative factors | | | | | |
| 7. | Understand and use country's financial, Procurement and other laws governing budgeting and financial management | | | | | |
| 8. | The ministry ensure and accountable to operational efficiency of MoFED fiscal rules | | | | | |
| 9. | Directorates and Managers follow the necessary accounting procedures in requesting for funds/budget for operation | | | | | |
| 10. | Compliance to planning and budgeting guidelines practiced in Ministry. | | | | | |
| A-3 | Cultural Cognitive factors | | | | | |
| 11. | Management team able to prioritize financial matters at their periodical review meetings | | | | | |
| 12. | Different level management demonstrate the importance of sound financial management to performance | | | | | |
| 13. | Management team stick on having sound financial budgeting and financial management practices. | | | | | |
| 14. | The directors and coordinators prioritize financial matters in relation to performance and encourage the rest of the team to do so. | | | | | |
| 15. | The management team ensure that budget and financial management controls are working effectively | | | | | |

| Component B: Strategic planning | | | | | | |
|---|--|--|--|--|--|--|
| B-1 | Stakeholders Participation | | | | | |
| 16. | The Ministry's staffs involvement in preparing strategic plans and budgets of the Ministry | | | | | |
| 17. | The ministry's management teams involvement in preparing strategic plans and budgets | | | | | |
| 18. | Directorates, coordination and partially independent organizations senior staffs involvement in preparing strategic plans and budgets | | | | | |
| 19. | Information Technology associations and private business entities representatives involvement in preparing strategic plans and budgets of the ministry | | | | | |
| B-2 | Resource Adequacy and Predictability | | | | | |
| 20. | The finance directorate can able to prepare and forecast annual cash flow for all activities in implementation | | | | | |
| 21. | Medium Term Expenditure Framework (MTEF) perspective in planning and budgeting has enhanced budget predictability of the ministry | | | | | |
| 22. | The finance directorate of the ministry is capable in attracting additional fund from other alternative sources | | | | | |
| 23. | Yearly funding for implementing planned activities adequate for the ministry's core operation | | | | | |
| Component C: Contributory Enablers Factors | | | | | | |
| C-1 | Information, Communication and Technology (IBEX) factors | | | | | |
| 24 | IBEX can able to provide timely, quality and adequate financial information of the ministry | | | | | |
| 25 | The Ministry has adequate computers for budgeting and financial management purposes | | | | | |
| 26 | The finance staff have sufficient knowledge in utilization of spreadsheets and IBEX for budgeting and financial management | | | | | |
| 27 | The Ministry perform periodic evaluation of IBEX to improve budgeting and financial management effectiveness | | | | | |
| C-2 | Staff Capacity | | | | | |
| 28 | The Ministry's finance directorate has essential structure and staffing based on applicable approved standards | | | | | |
| 29 | Non-finance staff have adequate knowledge in basic budgeting and financial management practices | | | | | |
| 30 | The finance staffs have essential skills and competencies to perform duties effectively | | | | | |
| 31 | The management teams have the capacity in using budgets and financial reports for managerial decision | | | | | |

| Component D: Features of Sound Budgeting and Financial Management Practices | | | | | | |
|--|---|--|--|--|--|--|
| 32. | The ministry plans and budgets for the past three years have been evidenced-based | | | | | |
| 33. | There is a linkage between the directorate plans and budget to the national macroeconomic policy for development | | | | | |
| 34. | The ministry's resource allocation for directorates criteria facilitates fair and equitable funds allocation | | | | | |
| 35. | Plans and budgets are transparent in terms of their linkage between ministry's priorities and available resources | | | | | |
| 36. | Approved Plans and budget is implemented by going through appropriate authorization process | | | | | |
| 37. | There is effective control of spending totals as stated in approved plans and budget during a fiscal year | | | | | |
| 38. | The Ministry provides incentives for efficient resource utilization as per formulated and implemented Plans and budgets | | | | | |
| 39. | The ministry apply performance measures to monitor and evaluate implementation of plans and budgets | | | | | |
| 40. | The management is capable in discretion and flexibility to implement activities without undermining value for money | | | | | |
| 41. | The ministry enforced and utilized prescribed accounting rules and standards for financial management | | | | | |
| 42. | There is efficient cash management to ensure value for money in all transactions | | | | | |
| 43. | There is accountability for any expenditure | | | | | |
| 44. | The ministry has audited timely with requisite feedback the accounts for the past three-years | | | | | |
| 45. | The ministry's budget and expenditures are consistent | | | | | |
| 46. | The Ministry's procurement process ensures transparency and competitiveness | | | | | |
| 47. | The Ministry's internal control system is effective | | | | | |
| 48. | The Ministry's strategic plans and budgets are consistent with the states of the accounting and financial management principles | | | | | |
| 49. | The Ministry's books of accounts and other accounting records have been properly maintained and safeguarded | | | | | |
| 50. | The Ministry's use of financial management performance indicators to monitor plans and budgets implementation | | | | | |

b. Guided Interview Checklist

The aim of this semi structured guided interview is to enhance the level of confidence by triangulating the findings obtained from the questionnaires of the respondent focusing on some critical issues of the study. Hence, the following critical issues will answered by all directorates of the Ministry.

1. How do you evaluate the past practice of the ministry's multiyear plan preparation, implementation and control in respect to having sound budgeting and financial management?
2. How do you express the ministry's trend interims of compliance to planning and budgeting guidelines set by Ministry of Finance and Economic Development?
3. What are the main constraints in having sound budgeting and financial management of the ministry?
4. How do you express stakeholders the participation in preparation of the ministry's strategic planning?
5. Do you measure the use and importunacy of IBEX in having sound financial management of the ministry?
6. How do you state finance and non-finance staffs' capacity in handling the financial matter of the ministry?
7. Lastly, can you please, generalize the level of achievement in budgeting and financial matters in your ministry?

I thank you so much for your valuable time.