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ASSESSMENT OF BUDGET ALLOCATION IN PUBLIC SECTORS
(IN THE CASE OF ADDIS ABABA CITY ADMINISTRATION)



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DECLARATIONS

I Taye Amenu, Registration Number/I.D. Number SGS/0093/2007, do hereby declare that this Thesis is my original work and that it has not been submitted partially; or in full, by any other person for an award of a degree in any other university/institution.

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APPROVAL

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ABSTRACT

This research paper tried to assess budget allocation of Addis Ababa city administration in public sectors. It addressed six basic research questions designed to assess budget allocation of Addis Ababa city Administration in public sectors. For this study the researcher was used both primary and secondary data, but much focused on in the primary data in which more information could be obtained by conducting unstructured interview and structured questionnaires.

The overall objectives of the study were to assess budget allocation process in the case of Addis Ababa city administration. Specifically the study tried to examine first ,how Addis Ababa city administration allocate budget, second , to examine the linkage between sectors planning and budgeting , third , to identify critical problems those were encountered in the process of budget allocation process, fourth to identify the level of transparency available in budgeting process and budget variance of city administration . The assessment was conducted using two approaches; primary and secondary data to assess how city administration budget allocation and approved in public sectors. The primary data was collect primary data using 78 respondents through 32 structural questionnaires for budget head , budget processors, budget planning and experts , budget auditors , budget committee and in addition 16 unstructured interview for budget committee . Secondary data was collected from budget manuals and annual report of BOFED ,UFED , audit report and MOFEC in relation to budget allocation of Addis Ababa city public sectors public sectors . Accordingly, the researcher interprets the result based on relevant data under consideration and concluded that budget allocation process practically in Addis Ababa city administration public sectors . Finally the researcher recommended that budget allocation and approval system should improved and possible solution that curbs the challenges in the process of budget allocation and implementation.

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ABBREVIATIONS

BOFED .Finance and Economic Development Office
CM . Council of Ministries
CSA .Central Statistics Agency
DISHA. Development Initiatives for Social and Human Interaction
ECA. Economic Commission for Africa
ECA . Economic Commission for Africa
EFY . Ethiopian Fiscal Year
FEDO. Finance and economic Development Office
FTA. Financial Transparency and Accountability
GFOA. Government Financers Association
GGLGBP . General Guideline of Local Government Budgeting Process
IMF. International Monetary Fund
MDG. Millennium Development Goal
MEDC. Ministry of Economic Development and Cooperation
MOF .Ministry of Finance
MOFEC. Ministry of Finance and Economic corporation
MOPED. Ministry of Planning and Development
MOR. Ministry of Revenue
MSE .Micro and Small Enterprise
MSEO .Micro and Small Enterprise office
MTEF . Medium Term Expenditure Framework
NBE .National Bank of Ethiopia
OECD .Organization for Economic Cooperation and Development
PRSP . Poverty Reduction Strategic Paper
SEAPFN . Southern and Eastern Africa Policy Research Network
UFEDO. Urban Finance and Economic development Office UN United Nation
USA . United State of America
WB . World Bank

CHAPTER ONE

1. Introduction

1.1 Back ground of the study

Government budget is a public document that sets how a government in a power particularly country proposes to collect and spend money. The proposal containing governments budget reflect its policy priority and fiscal targets. In this way, the budget express the objectives and aspirations should in the theory at least, reflect those of the majority of the electorate. In out lining its plans for spending money, a government is explaining how it intends spending money that belongs to public (Shultz, 2002). This is because, spending needs certainly exceeds available funding, forcing government to make choice about allocation of scarce resource to meet competing need in the society. Budgeting force us to be aware of overall financial constraints, help in making difficult trade-off, and support efficient implementation of policies.

Prior to 19th Century, budgeting in most countries was characterized by weak executive power, little central control and processes that were ad hoc and idiosyncratic. In the modern era debates about public expenditure management have tended to focus on means of making the budget process more responsive to policy direction, focused on the achievement of results rather than control of resources, and increasing openness, transparency and accountability (Norton & Elson, 2004).

According to(WB ,1998) the broad functions of budgeting that are competing for attention are: control of public resources, planning for the future allocation of resources and management of resources. In Ethiopia, the adoption of development planning to guide resource allocation was started in 1950s, and it has undergone significant changes in the area of government policies and development priorities (Ghirmai, 1990). But after the military government took power, major industrial and financial activities came under the state control, which were the causes for the creation of huge public sector and expenditure (Teshome, 1994). In general, according to WB's (1994) report excessive capital consumption of public enterprises, over centralization of the economic activities and the existence of continuous war, conflicts, drought and change of international situation made the country one of the poorest countries in the world. These problems forced the Ethiopian government to announce the mixed economic policy in 1990.

In developing countries like Ethiopia, it has become increasingly complex to manage budget allocation, because the roles of the government have been expanded and financial resources are in scarce supply to meet this ever-increasing social needs and population growth. Due to inadequate financial resources as opposed to an increasing demand for public service, there is a need to improve resource allocation and implementation through proper economic policy and expenditure planning. Therefore, the first purpose of this study was mainly to identify how budget is allocated and implemented to public sectors specifically budget preparation, allocation and approval stage; secondly, to examine the linkage between planning and budgeting and the third one is to identify critical problems those were encountered in the process of budget allocation. The last but most important issue in this paper was to identify the level of transparency available and budget variances in budget allocation process in city administration

After the fall of the Derg regime in 1991, the Government of Ethiopia initiated a broad spectrum of economic reforms. The reform programs among others include reorienting the economy from command to market economy, creating policy environment to promote private sector investment, reallocation of expenditure towards to poverty oriented sectors, process of structural adjustment, introduction of Civil service reform, and policy of fiscal decentralization (MOFEC, 2002). The Ethiopian constitution adopted in 1994, established decentralized regional states; which recognizes the right of the regions to formulate and executes their economic and social development policies and strategies, and administer their expenditure planning and certain types of taxes (Getachew, 2006).

In order to administer and manage economic and social development, different proclamations were issued in 1992. Proclamation No. 7/1992 provided the basis for the establishment of regional governments and the rights to prepare approves and implement their own budget (MEDC, 1999). Even though the country have been undertaken different reforms to address the weaknesses of budget allocation to public sector, successful modern budgeting system remains a continuous problems of the country in general and Addis Ababa city administration in particular. Therefore, this study focuses on assessing how budget was allocated and implemented to public sectors in the case of Addis Ababa city administration.

1.2 Description of the Study Area.

Addis Ababa, the capital of Ethiopia, is the industrial, commercial and cultural centre of the country. Being the seat of various regional and international institutions, it is an important political and diplomatic hub of Africa. With a population of more than 2.7 million (CSA 2008), Addis Ababa is the largest city in Ethiopia. According to the 2007 population and housing census of the Central Statistical Agency, the city accounts for 30% of the nation's urban population and is ethnically diverse. 52.4% of the population is female, a slightly higher rate than the national ratio (51%). Addis Ababa also has the highest number of female headed households (38.5%) in Ethiopia

Around 36 percent of the city's population is living below the poverty-line and according to Addis Ababa City Administration strategic plan (BOFED 2008), out of the total economically active population of the city, about 61 % percent is engaged in the informal sector. The high rate of population growth, uncontrolled horizontal expansion of the city's boundaries, and the proliferation of slums inside the inner city are contributing to the widening gap between the demand and supply of public goods and services. The housing conditions of the inner city are dominated by old and mostly congested neighborhoods that are largely made up of sub-standard rental dwellings with low level of access to major public services.

Despite its economic importance and contribution to the country, Addis Ababa faces various problems including high level of poverty, insufficient and poor quality infrastructure, insufficient public facilities, acute shortage and deteriorations of houses, poor sanitation, and unemployment. The provision of public infrastructure and services has lagged far behind the growing demand. The quality and availability of urban services and infrastructural facilities in the city are very low. Addressing these service demands would entail a huge sum of financial requirement and based on the city's MTEF (BOFED 2009) study, the city's annual Expenditure requirement exceeds from the financial resource available by about 10 billion birr during 2009/10 to 2011/12. The resources available in the city are not sufficient to finance its expenditure requirement entailing budget allocation should only be in line with the development priorities of the city.

1.3. Statement of the Problem

In Ethiopia when decentralization was introduced, it was expected that there would be a reasonable development at grass root level. However, according to Asefa (2007) the crucial problems and controversial issue related to government budgeting is reflected in the preparation, enactment, execution and review phase of budget cycle. The politics of public budgeting is more serious and challenging particularly in federal countries where there is constitutional power and resource sharing among different levels of government. In relation to this Getachew (2006) further explained that in Ethiopia the basic problems of government budget allocation in the public sectors are evolving to more complex forms related to the issues of policy and planning, low capacity of implementing and managing available resources, poor integration planning and budget allocation, implementation budgeting, standardization and unit cost. There are no criteria for determining inter-sectoral resource allocation and it lacks standardized preparation to estimate recurrent and capital budget expenditures.

These conditions indicate that budget is decided on the basis of inadequate information, often without sufficient knowledge of programs and performances. In line with this, according to BOFED (2010) report the city administration there is a gap in linking sectors plan with available resources during budget allocation processes. In addition to this, each public sector complains the process of government budget allocation to public sectors specifically during budget preparation, allocation and approval stage. Unless all these issues are addressed on time, they lead to a large growing budget deficit and increasing the problems of financial resources for efficient service provision for the poor and to reduce poverty so as to achieve the second Growth Transformation Plan (GTP2). To date, it seems apparent that a few research has been conducted which would help pinpoint the problems of budget allocation in only focus on only one public sectors and private sectors but my study focuses address the problem of budget allocation and approval budget particularly in Addis Ababa city administration public sectors . Hence, the main objectives of this study was to assess how budget allocation six sectors of the budget users budget planning experts , budet comitee budgeted head budget user ,and gaps are observed in organizing their plans as per the strategy of the city administration ; and in preparing budget without submission of annual work plan. Even the proposed budget is inconsistent with fiscal calendar and not in line with the real existing situation. And in public sectors in Addis Ababa. Consequently, the result will have policy input and pinpoint areas that need ratification and improvement.

1.4 Research Questions

1. How city Administration allocates budget and approve to the public sectors?
2. To what extent are the sector's plan integrated with budget allocation?
3. What are the critical problems that were encountered in the process of budget allocation with reference to budget preparation and approval stage?
4. What weaknesses are observed in budget allocation and approval stages?
5. Is there transparency in budgeting process?
6. Does budget variances occurs with budget amount and actual expenditures in public sectors

1.5 Objectives of the Study

In this section, the general and specific objectives of the study are presented on how Addis city administration budget allocation and implementation takes place related to the research problem being investigated.

1.5.1. General Objectives

The main objective of the study was to assess the budget allocation and approval stages implementation in public sectors in Addis Ababa city Administration.

1.5.2. Specific objectives

In order to realize this general objective, the study focuses on the following specific objectives;

- 1.To identify how local government allocates budget to public sectors with reference to budget preparation and approval stage.
- 2.To examine the linkage between public sector's plan and budget allocation by local government in Addis Ababa city Administration.
3. To identify critical problems those were encountered in the process of budgeting.
4. To identify the level of transparency available in budgeting process.
5. To recommend possible solutions that curbs the challenges in budget allocation
6. To examine budget variances occurs with budgeted actual expenditures in public sectors

1.6 Significance of the Study

In Ethiopia generally, and in Addis Ababa particularly, the allocation of scarce resources for the provision of socio-economic development should be based on systematic synchronization of policies, planning and resource envelope and efficient utilization of resources for effective development. But, in practice there are several gaps to link up quantifiable development objectives with available resources.

For instance, Getachew (2006) stated that, in Ethiopia, government policies and strategies are not formally reviewed and updated for the purpose of budget allocation. The role of the parliament is only confined to the approval of the general economic policies and strategies of the country. Medium term expenditure planning is not subject to formal approval by either cabinet or parliament. The question of poverty reduction programs, sector development programs, the total resource envelopes and the level budget deficits have been taken as secondary issues during budget debate and approval. Therefore, the need to work on this missing link is essential in a like Addis Ababa where resources are extremely scarce. From this point, one can easily conclude that it becomes so important to study allocation of financial resources, where development and poverty reduction programs are urgent priority to address the second Growth transformation development plan(GTP2).

In general, by analyzing some government policies and procedures in budget allocation, the study is helpful in providing relevant information for policy makers in developing their Regional budget policy and guide lines and to improve the deficiencies of resource allocation and implementation for public sectors. It also helps as a secondary data for other researchers who have an interest on the study area. Lastly, the study provides experience in conducting a research and uses for the partial fulfillment of the requirements for the award of a master's degree in accounting and finance.

1.7 Scope of the Study

This study was limited to the assessment of Budget Allocation and implementation in Public Sectors of Addis Ababa city Administration. According to Bland and Rubin (1997), budget allocation process includes four stages those are preparation, approval, implementation and summary of transaction. However, this study focused only on government budget Preparation, allocation and Approval stages, of public sectors in Addis Ababa city administration public sectors mainly education, health, road and transportation, water and sewerage, house and development office and small and micro enterprise of city administration.

1.8. Limitation of the Study

Broadly the study encountered a multiple of limitations both operational and limitation during data collection .

Operational Limitation: The researcher faced the problem of collecting adequate data as it was expected because some respondents' especially planning and budgeting officers were not willing to give appropriate information because, they feared and felt suspicious of the research. Some of the respondents did not return the questionnaires while some respondents were carelessness in answering the questions in the questionnaire.

In addition to this, respondents from the selected urban sectors were not voluntary to fill and give back questionnaires at needed time. In line with this lengthy appointment to meet the responsible officials especially during interview to meet budget committee because they were busy by different meetings. To solve these problems the researcher attempted to announce the aim of the study in the introduction part of questionnaire that stated the goal of the study was for the fulfillment of academic requirement and for betterment of their future task.

Limitation during Data collection the interpretations of the structured interviews with budget experts city administration and budget users at each public sectors are those have not farther know-how about government budget allocation deeply. This leads for unreliable data or information. Therefore, this may affect the interpretation of the research. However, the data collection method and instruments that have been used in this study mainly utilized closed-ended questions and documentary analysis. The researcher's aim was also to have a solid foundation in the literature, such that most of the variable were anticipated or known. Therefore, based on those empirical facts conclusions are drawn. These minimize the constraints.

1.9 Organization of the paper

This research paper is divided into four chapters. The first is introductory chapter, which contained the background of the study, statement of the problems, objectives of the study, significance of the research, scope of the study; limitation of the study , the second chapter describes literatures review in budget, which is relevant to the topic under investigation , the third chapter research design and methodology . The data presentation, analysis, and interpretation are presented in the fourth chapter. The fifth chapter provides summary of findings, conclusion and recommendations for Addis Ababa City Administration.

CHAPTER TWO:

LITERATURES REVIEW

2.1. Introduction

This chapter presents the review of the existing knowledge and other people's research work through the internet, library search (books and journals), research papers and other Documents with the aim of undertaking a comprehensive examination of issues of Addis Ababa city administration budget allocation, budget approval and implementation in public sector. Hence, in this chapter different definition of budgeting and its role, the process of budget allocations (budget Formulation and Approval) and implementation , the linkage between budgeting and planning, and the level of transparency in the budgeting are discussed in detail related to Ethiopian regional government Budget allocation processes.

2.2. Operational Definition of Concepts and Terms

Allocation: It was defined as the process of distributing resources to carry out entity programs and services for the public sectors through budget preparation and approval processes.

Annual Fiscal Plan: A plan that includes the preparation of the upcoming fiscal year expenditure.

Budget: A comprehensive statement of the government finance (i.e. spending/expenditure).

Budget cycle: .Defined as the continuum of budget preparation and approval stage

Expenditure: expenditure is defined as spending/allocating money to various activities to fulfill a government obligation in public sectors.

Financial Calendar: Defines and adequately schedules tasks to be performed, the period for each task and the institutions responsible to perform each task so that the plan and budget are systematically prepared and approved.

Fiscal year: A twelve month accounting period on which the government budgets are based. Government

Budget: The government budget represents a plan/forecast by the government of its expenditures for a specified period

Plan Refers to the preparation of both the micro-economic and Fiscal Framework and public investment program

Medium term expenditure framework (MTEF): A multi-year framework of rolling budgets where forward estimates produced with the annual budget, usually covering another two to four years, serve as the starting point for preparing the following annual budgets

Planning Cycle: A process that helps the public bodied prepare and approve multi-year Micro-Economic and Fiscal Framework, and the preparation of public investment program

Public Sector: It means any organ of the federal government that has a legal mandate established by proclamation or regulation, which is partly or wholly financed by government allocate budget, submits its final account directly the respective of MOFEC.

2.3. Theoretical Literature Review

In this section, a review of relevant theoretical literature from different books written on basic concept of government budget allocation process, budget approvals and implementation is presented to identify and analysis documents containing information related to the research problem being investigated.

2.3.1. Basic Concept and Definition of Government Budgeting

The English word “budget” stems from the French word “bougette” and the Latin word “bulga” which was a leather bag or a large-sized purse which travelers in medieval times hung on the saddle of their horse. The treasurer’s “bougette” was the predecessor to the small leather case from which finance ministries present their yearly financial plan for the state. So after being used to describe the word wallet and then state finances, the meaning of the word “budget” in 19th century slowly shifted to the financial plan itself, initially only for governments and then later for private and legal entities (Hofstede, 1968, cited in Banovic 2005, p. 6).It was only then that budgets started to be considered as financial plans.

At this time the term budget is used to mean a plan for financing an enterprise or government during a definite time period, which is prepared and submitted by a responsible executive to a representative body whose approval and authorization are necessary before the plan may be, executed (Hyde, 1992). In a broader definition, different scholars define budget from government side in different ways.

For instance, according to Vennekens and Govender (2005, p. 4) . a ‘government budget is a public document that outlines how a government proposes to collect and spend money.’ Van der Waldt (2007, p. 187) also stated that, ‘Budget is a document which deals with allocating. According to him in federal government context, this document is considered as a vital part of the integrated development planning process.

This is a financial plan specifying how objectives set in the plan will be achieved. In relation to this David (2006, p. 25) indicates that a ‘municipal budget is part of the planning process that is undertaken on an annual basis and includes planning based on the integrated development planning, implementation of the budget and performance management.’ However, for the purpose of this research the researcher used the government's budget from expenditure side.

2.3.2. Role of Government Budgets

Budgeting is not solely a matter of finance in the narrow sense. Rather it is an important part of government’s general economic policy. It is a strong instrument in implementing the long term, medium term, and annual administrative and development programs (MOFEC, 1993). Budgeting involves different tasks on the expenditures and revenue sides of government finance. On the side of expenditure, it deals with the determination of the total size of the budget (i.e. total amount of money for the year), the size of outlays on different functions, and the magnitude of outlays on various activities. On the revenue side, it involves the determination of the size of the overall revenue (Premachand, 1983).

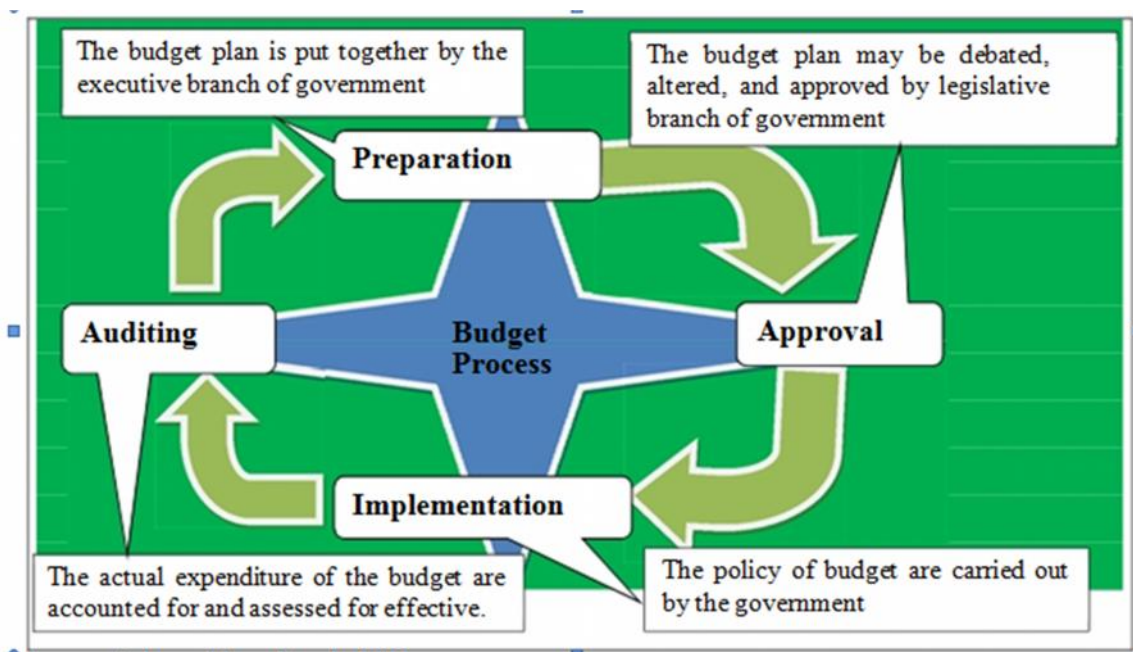
Premchand more substantiated the purposes of budget in terms of three aspects: as a tool of accountability and management, as an instrument of economic policy and as a type of legislation and political exercise. Especially, budgeting as an instrument of economic policy has more important function. It indicates the direction of the economy and national growth, allocation and utilization of resources. The other function of budget is to promote macro-economic balance of the country through fiscal policy.

This means, government has used taxation, government expenditure and borrowing to achieve economic growth, full employment, price stabilization and fair income distribution. In short, according to him, modern budgeting system has three functions - allocation, stabilization and distribution . On the other hand, Fozzard (2001) described the role of budgets as most important economic and political tool available to governments to promote development and poverty reduction.

2.3.3. Budget Allocation Process

Budget process is not a system which is mechanically run by legal frameworks and rules one set up. They are important likely organic processes consisting of a myriad of rules and regulations and in addition unwritten ideas, traditions, approaches and methods formed over time. They are also highly political having a direct impact of the distribution of income and wealth, and so power, across the society (Isaker et.al, 2007, p. 2). In relation to this Robert (1997, p. 192) states that ‘budget process describes not only who have the power over budget decisions but also how decisions are usually made, how much information is provided, what kinds of decision rules are used, how much comparison there is between proposed expenditure.’ On the other hand, (Streak ,2002) stated that budgeting processes can be proximately divided into four stages which are referred to as budget cycle, each involving different actors with different roles which are presented in figure 1.1: However for the purpose of this paper the three stages (budget Preparation and Budget Enactment/Approval stages , implementation stages) are presented in detail in section

Figure 1.1: Budgeting process Framework



Source: Adapted from Streak, 2008

According to the regional and local government the guide lines to regional and the Local Government Budget Process document, the ‘budget process is where some of the most important political decisions and activities are made during the year.’

The process involves consultation and negotiations between the councils and various relevant parties, completion of planning and budgeting inputs from lower level of local government preparation of the budget framework paper, public hearings, the prioritization process can be organized in many ways and may vary slightly from one local authority to another and from one year to another. This document more substantiated notwithstanding these variations, which are often due to different financial and political conditions, a democratic, participatory and transparent budgeting process is, however, based on the same principles (LGBC, 2008, p. 12).

According to GFOA (1999) document a good budget process is far more than the preparation of legal document that appropriate funds for a series of line items. Several essential features characterized good budget process. In relation to this, LGBC's document further noted that, in order to prepare a proper budget, three preconditions should be met. First, the preparation process has to consultative and participatory in order to ensure ownership to both the process and the approved budget. Second, budget systematic process of prioritization of programmes and expenditures, which is based on informed choices, must take place. Third planned outputs, activities, and expenditure allocations in the annual work plan and budget estimates must be realistic, and achievable (LGBC, 2008, p. 13).

Therefore, according to this LGBC's document for a successful budgeting process the following criteria should be applied(a)The full council must be at the center of the process so as to avoid monopolized and biased prioritizations and expenditure choices. (b) Sufficient time must be reserved for participation and dialogue between relevant stakeholders and for public hearings; (c) councilors must be provided with well-arranged and accessible budget material that gives a clear financial overview of past financial and output performance and the current and anticipated financial position of the council. (d) Clear linkages between plans and budget, including recurrent cost implications of capital investments and development projects. (e) Possible scenarios and the consequences of different choices have been provided as a basis for political discussion and decision-making.

2.3.4. Importance of Financial Calendar in Budgeting Process

Financial calendar defines adequately schedules tasks to be performed, the time frame for each tasks and the institutions responsible to perform each task so that plan and budget are systematically performed, approved, appropriated and executed (MOFEC, 2008). The financial calendar includes a planning and budget cycle.

According to Shah ‘the budget cycle must be supported by a budget calendar that specify the staging each element in the budget cycle.’ The complete calendar reflects both legislatively and administratively established time tables for step completion; it identifies the role and the responsibility of each step (Shah, 2007, p. 222).

It is essential that public bodies and jurisdictions adhere to the budget calendar. An effective budget is one that it is notified at the beginning of the fiscal year and executed on the time throughout the fiscal year. The single most important objectives of the budget calendar is the provision of the timely budget ceiling to public bodies so that they have adequate time to prepare budgets that are defined by resource limits. Discipline in preparing and executing the budget on time is absolutely essential to good budgeting (Budget Guide for Afar Region (cited in Abdu, 2009). The Ethiopian financial calendar in terms of planning budget cycle, the principal task and the institution responsible is described below.

Table 1.1: Ethiopian budget Calendar

No of budget cycle /activities	Calder	Respondents institution
Budget Cycle		
A Executive Budget Preparation and Recommendation		
1\Budget Preparation	Not later than Feb 8	PB
2Notification of Subsidy Budget	Feb 8	MOFEC
3Budget Call	Feb 8	MOFEC
4Budget Request	Not later than march 22	PB
5Preparation of the Recommended Budget	March 23-may 22	UFEDO
6Budget Recommendation	May 23-Jun 2	CM
B Legislative Approval		
Approval of the Recommended Budget	June 8-July 7	HPR

Source: Adapted from Bladon, 2008

2.3.5. Executive Budget Preparation and Legislative Approval

Budgets have to be passed regularly, usually on an annual basis, in order to ensure that the government continues to operate. As we have seen in the previous section, the budget process is governed by a time line that typically can be separated into four different stages; which are Preparation, Approval, Implementation and Auditing. This basic sequence is applicable for many if not most countries whose governments are built on democratic principles. But across countries there are many differences in the influence of various actors and the timing of the process. The following sections look at a simplified version of public budgeting in the form of a generalized overview of the process of preparing and approving a single budget.

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2.3.5.1. Budget Preparation

As explained in Shah (ed., 2007a, p. 222), 'budget preparation is often viewed as a predominantly an executive role and includes the planning, sometimes referred to as pre-preparation and the linkage of plan through MTEF for annual budget establishment of priorities and resources spending envelopes.' It is concerned with compiling a draft budget that can be submitted to the legislature. This stage is mostly internal to the executive, but it does not have to be a secretive affair. According to (Streak ,2003), different role players are typically involved at different stages of the budget process. The budget drafting or formulation stage takes place largely in the executive branch of the state. The drafting stage often involves balancing the needs and proposal driving from various government departments against the priorities set by political office-bearers and fiscal advisors.

Potter and Diamond argued that, full understanding of the budget planning and preparation system is essential, not just to drive the expenditure projections but to be able to advice policy makers on the feasibility and desirability of specific budget proposals, from macroeconomic or microeconomic perspective. It is much easier to control government expenditures at the ‘upstream’ point of budget preparation than later during the execution of the budget (Potter and Diamond, 2008). In relation to this, an overview of Public Expenditure Management document stated that, to understand the budget preparation process in a given country, it is important to: First, assess the soundness by judging the budget preparation system against certain internationally acceptable standards or ‘budget principles’. Second, know where to find the rules governing preparation process and thirdly, from the rules, identifying who has the Responsibility for what elements of the budget preparation process. In addition to this, the document also stated that budget preparation includes specifically the following activities.

Those are, (a) preparation of macroeconomic framework; (b) preparation of budget circular, which gives guidelines for the preparations of sector budgets and expenditure ceilings by sector; (c) preparations of the line ministries’ budget on the basis of the guidelines; d) budget negotiation between the line ministers and ministry of Finance; e) finalization of draft budget and f) submission of the legislature (www.worldbank.org/, p. 21 ,1999).

2.3.5.2. Legislative Budget Approval

Once a comprehensive budget has been drafted, it has to be approved by the legislature to become effective. According to Norton and Elson, this stage occurs when the executive’s budget is discussed in the legislature and consequently enacted in to the law. It begins when the executive formally proposes the budget to the legislature. The legislature then discusses the budget which can be including hearings and votes by the legislative committees. The process ends when the budget is adopted by the legislature, either intact or with amendments. This Document also stated, the budget also can be rejected by the legislative and in some countries replaced by the legislatures own proposal (Norton and Elson, 2002). On the other hand, Wehner & Byanyima (2004) argued that, effective legislative participation in the budget process establishes checks and balance that are crucial for transparent and accountable government and ensure efficient delivery of public service.

As explained in Streak, the enactment of the budget gives the legislature the opportunity to debate and ultimately approve the budget. This part of the process usually begins with the

executive formally proposing the budget to the legislature. The legislature discusses the budget often including intensive work in the legislature committees. In some countries, this phase involves public hearings where member of civil society can give input on the budget proposal. It is typically during the budget enhancement stage that public attention on the budget is greatest and information's about the budget is most broadly disseminated by the media (Streak, 2003).

2.3.6. Overview of Planning Versus Budgeting

Development policies and plans usually coexisted with resource allocation. After government policies and plan are formulated, the resource allocation is made through budget process. According to (Premchand ,1983), there are two types of planning: - development planning and fiscal are planning. Development planning involves the planning of societal goals and objectives and the mobilization of natural, human, and financial resources needed for their achievements. Fiscal planning is narrow in scope and is the instrument of development planning. It consists of future budget planning, source of finance, methods of obtaining the necessary resources and allocating them in accordance with overall national goals. As Premchand further explained, both plans and budgets are concerned with policy analysis and allocation of resource. The differences lie in the combination of economic and financial aspects. In planning, economic aspects dominate, while in budgeting, more attention is paid to financial aspects.

In most developing countries, government intervention or development planning was more practiced after the Second World War. The plans were formulated to set out government priorities, objectives, and target of development and help for the guidance of long-term public expenditure programs. However, after more than three decades, the result of development planning in these countries has been generally disappointing (Todaro, 1997). In general, as stated in Kiringai and West (2002), postwar unsuccessful development planning and changes of economic environment of the world towards market economy had forced developing countries, particularly African countries to accept medium term expenditure planning and different kinds of expenditure reforms.

2.3.7. The Role of Medium-Term Expenditure Framework in Budgeting Process

According to the World Bank, MTEF consists of: a “top-down” resource envelope consistent with macro-economic stability and both internal and external resource availability, prepared

by core financial management and planning agencies; a “bottom-up” estimate of the current and medium term cost of existing national priorities prepared by line agencies; and negotiation process which matches the demand for resources with availability through iterative decision making. The first year of the MTEF establishes the budget limits for the coming year; the outer years are indicative, rolled forward by one year and revised during the next budget cycle (WB, 1998). Accordingly, the main objectives of the MTEF are to improve macro-economic balance, improve the sectoral allocation of resources, promote budgetary predictability for line ministries, employ more efficient use of public monies, and exercise great political accountability for public expenditure outcomes through more legitimate decision making process.

As World Bank document fatherly stated failure to link policy, planning and budgeting may be the single most important factor contributing to poor budgeting outcomes at the macro, strategic and operational levels in developing countries. Therefore, according to Kiringai and West (2002) if MTEF is properly implemented, it can improve medium term resource allocation and creates the link between policies and programs, and the resources allocated to their implementation.

In Ethiopia, the starting point of MTEF traced back to the emergence of civil service reform and the exercise of Public Expenditure Review. The main objective of MEFF is to introduce and develop an appropriate policy framework for strategic planning of public expenditure so as to establish strong link between policy framework, planning and budget process. The main components of MEFF are: (a) economic growth and the growth of gross domestic product; (b) public sector expenditure and source of finance; (c) the allocation between the Federal Government expenditure and subsidy to Regions; (d) the allocation between capital and recurrent expenditure for the Federal Government; and (e) the allocation of capital expenditure among federal public bodies through indicative planning figures (MOFC and MEDC, 2000).

2.3.8. Local Government budget Allocation in Public sectors in Ethiopia

A budget is a plan that tells us the amount and source of money to be allocated for the provision of a certain service among the priority lists. According to Leulseged (2001), following the principle that budget should be comprehensively managed public expenditure in all stages of review, approval and appropriation a comprehensive budget is prepared and presented every year. Leulseged further explained that executed budget preparation at the Federal

Ethiopia has to pass through the following stages where its principal tasks are related to each other. These are budget preparation, notification of subsidy budget, budget request, preparation of recommended budget, budget recommendation.

As stated in Getachew, the Ethiopian constitution, adopted in 1994, established decentralized regional states recognizes the right of the regions to formulate and executes their economic and social development policies and strategies, and administer their expenditure planning and certain types of taxes (Getachew, 2006). In order to administer and manage economic and social development, different proclamations were issued in 1992. Proclamation No. 7/1992 provided the basis for the establishment of regional governments and the right to prepare, approve and implement their own budget (MEDC, 1999).

According to MOFEC Budget Guide manual, to determine the amount of resources to be transferred to the regions, Block Grant Formula is used; which mean to decide on the amount of annual budgetary resources for each region. This Block Grant Formula has varied over the years and is continuously updated by the Federal Government and the regions to make it more efficient and equitable. The Block Grant Formula is approved by House of the Federation. The new block grant transfer formula issued by the House of Federation in May, 2008, is based on the principle of fiscal equalization and effort neutrality. It considers per capita calculation, revenue raising capacity and expenditure needs of regions. It also helps to determine the influence of factors that obligate regions to expend more than the Average (MOFEC, 2009).

In line with this, the Regional Government of Addis Ababa city administration is exercising fiscal decentralization, to local government since 1995 EFY. In order to allocate block grant budget to local governments, the region had utilized the formula that consider three basic elements: Population size, Level of development and Revenue generating capacity of local government, from 1995 to 1997 EFY. However, this grant formula does not explain the relationship between the weight of policy indicators and expenditure needs of local government to provide standardized public services. Therefore, the new unit cost based formula is designed and applied to tackle such problems since 1998 (BOFED, 2011a). However, according to MOFEC (2009), a negative aspect of Unit Cost based formula is that it requires an extensive amount of data, which the Woreda/Urban Administrations are expected to deliver. Therefore, Woreda/ Urban Administrations are expected to provide a good quality data.

Accordingly, according to BOFED (2011b) budget manual, in Addis Ababa regional state of local government budget preparation and approval stage have different steps. Those are: first, each sector prepares their annual work plan; secondly, notification of subsidy budget by UFED; thirdly, budget call by UFED; fourthly, budget request by public bodies; fifth preparation of recommended budget by UFED; sixth, budget recommendation by urban cabinets and finally approval of recommended budget by legislatives

2.3.9. Transparency in Budgeting Process

ECA's 2002 (cited in (ECA 2005, p. 2) farers to fiscal or budgetary transparency as: an environment in which the objectives of policy, its legal, institutional, and economic framework, policy decisions and their rationale, data and information related to monetary and financial policies, and the terms of agencies' accountability, are provided to the public on an understandable, accessible, and timely basis.

According to (Zemyatina ,2007), if fiscal transparency is to achieve its aims, it needs proper socio-political, legislative and economic settings. Furthermore, it must be understood clearly that it is a means not an end. This means, it is desired as a means of achieving desired outcomes such as enabling participation. Zemyatina further noted that a fundamental requirement of fiscal transparency is that comprehensive, reliable and useful budget information is made available. Fiscal transparency is not merely about the availability of information. Specific types of information must be provided regularly. The information must be provided between in accessible formats in a timely manner .

In Ethiopia as the provisions for accountability, transparency and people's right to seek information such as on public disclosure of budget information are clearly established in the country's constitution, in government policies and manuals (MOFEC, 2009). The country has a well-established legal framework governing its budget system that derives from the 1995 Constitution. The Constitution clearly defines the structures and division of powers and responsibilities among the state organs and state members. For instance: as stated in Elizabeth, Article 12 of the Constitution states that 'the conduct of affairs of government shall be transparent.' Sub Article 2 states that any public official or elected representative is accountable for any failure in official duties. Furthermore, Article 29 of the Constitution stipulates the 'right of freedom to seek, receive and impart information and ideas of all kinds, regardless of frontiers, either orally, in writing, or in print, in the form of art or through any media of his choice'. Therefore, this Article provides a legal basis for individuals, civil society organizations and other stakeholders to access information on budgets and budget processes.

Therefore, based on these theoretical concepts the research were assessed the level of fiscal transparency in budgeting process related with understandability of budget information, mechanism used to disseminate budget information and whether there is a clear information is available at a time on government budgeting processes in the town.

2.4. Empirical Literature Review

It consists of the review of literature data on Government Budget Allocation. It include the experiences of different countries (what is happening in reality) related with the study area.

2.4.1. Local Government Budget Preparation and Approval

(Robinson ,2008) described that the past decades has witnessed a significant change in the nature of public budget process in developing and transition countries. Until recently the budget process was viewed as exclusive preserve of policy makers and administrators and treated as purely technical matter for expert consideration. According to this author in many countries legislatures had limited involvement in the budget debates by virtue of executive dominance, inadequate comprehension of budget issue, and partial access to the budget information.

Robinson further explained, in many developing countries only small proportion of legislators are actively involved in the budget debates, partly on account of limited understanding of significance of the budget and lack of familiarity with technical content. Budget groups assist in becoming more conversant with budgets in several ways; by organizing special training seminars, providing information about the budget policies in an accessible form, and responding to queries about the nature and content of budget proposals.

Executive officials, regardless of their formal powers, are almost always active in advising and trying to influence member of legislature. For instance, according to Nice, the case from India, Mexico, South Africa and Uganda demonstrates that, legislators play a more active role in budget debate, scrutinize and review budget policies, and hold government decision makers to account, in the process of contributing to improve ex-post accountability. For example, DISHA provide individual state legislators in Gujarat with short summaries of the main departmental reports in the evening before the budget debate, containing information on the various aspects of budget policies and implementation, to enable them an active role in budget review and approval. Opposition legislators' are able to hold ministers to account and raise questions during debate on the budget priorities (Nice, 2002).

2.4.2. What Happens When the Budget is Not Approved on Time?

What happens if the budget has not yet been passed at the beginning of the fiscal year? For instance, according to Wehner and Byanyima (2004) described, in 1995/96 delay in congressional approval forced the temporary shutdown of some federal agencies. In some countries, the executive's draft budget takes effect if it has not been yet passed at the beginning of the fiscal year. For instance article 88 (6) of the constitutions of Madagascar (1992) allows for the draft budget to implemented by ordinance in those cases similar provisions can be found in the constitutions of many other francophone countries. Such rules establish a strong incentive for the legislature to expeditiously conduct its consideration of the budget but they need to be coupled with a requirement for the timely tabling of the budget. Otherwise there might serve to crucial legislative scrutiny and eliminate essential checks and balances.

Wehner and Byanyima further explain that many other constitutions provide for automatic interim spending in case of delayed approval of the budget, usually along the line of the previously approved budget and for a limited period only. For instance, Article 82 of the Nigerian constitutions (1999) allows the president of the authorized withdrawals from the consolidated revenue fund four up to six and up to the proportional amount of the previous budget should the appropriation bill not have been approved in time. There can be reasons for delays, such as an outbreak of war, and it is important for the state to be able to continue with the provision of essential services. But under the normal circumstance, frequent use of interim spending provision undermines effective ex ante scrutiny by the legislature and the cohesion of the budget as a comprehensive plan for annual spending (ibid).

2.4.3. The Linkage between Planning and Budgeting

Todaro stated that in most developing countries, government intervention or development planning was more practiced after the Second World War. The plans were formulated to set out government priorities, objectives, and target of development and help for the guidance of long-term public expenditure programs. However, after more than three decades, the result of development planning in these countries has been generally disappointing (Todaro, 1997).

This shows that development policies and plans usually coexisted with resource allocation for instance, Healey (1995), states that the relationship between planning and budget process in Botswana was strong while planning and budget processes have been transparent and embodied participatory procedures. It is further explained that different government organs and institutions, representatives of agriculture and trade unions, elected and official district authorities have participated in the planning formulation process in Botswana. Draft plan was debated on and approved by the national assembly. The country's national development plan has been formulated to set out government objectives and priorities for six years ahead in terms of specific sector policies and allocation of resources. Annual budgeting of the country is based on the national development plan. The projects approved in the national plan largely determine individual project resource allocation.

Harrigan's 1995 study (Cited in (WB, 1998) indicated that national development plans in 1950s and 1960s articulated the Jamaica's development priorities in the light of resource constraints, and were used to help for the guidance of the government's annual budget process. But since the 1980, the development plan was aborted due to change in political regime. The author further explains that lack of long-term public expenditure strategy has two negative accountabilities. First, it was hard to evaluate the outcomes of public expenditure policies against planned objectives; second, it was difficult for interested groups to make effective inputs to the planning process.

Because of these drawbacks, comprehensive economic planning lost its primacy of place as a model of societal governance and a means of guidance in resource allocation (Caiden, 1996). Hence, as stated in previous section 2.2.6, in general, postwar unsuccessful development planning and changes of economic environment of the world towards market economy had forced developing countries, particularly African countries to accept medium term expenditure planning and different kinds of expenditure reforms (Kiringai and West, 2002).

However, as explained in Jones and Lawson (1999), even if MTEF is implemented to address the weak linkage of government policy, planning and budget allocation, there are dangers in applying MTEF as a pre-packaged solution to diverse countries' budget problems. According to them, different countries' experience suggests that identifying the essential components of a successful MTEF is not an easy task.

Based on the experiences of OECD countries, essential conditions have to be fulfilled before the introduction of medium term framework. These include, reducing the gap between policies and actual resource available, improving the gap between forecast and actual revenue, improving the cost of policies and programs.

All these conditions are not fully satisfied in most developing countries. For instance, the study of SEAPRN (2008) on selected countries of Southern and Eastern Africa, namely: Botswana, Tanzania, Zambia, Kenya and Namibia indicated that there is a common achievement of linking of policies, planning and budgeting and therefore shifting budgetary resources to priority areas, in particular, poverty reduction. Nonetheless, the study also indicates that no country has been able to fully implement a complete MTEF. The surveyed countries are still characterized with under/overspending resulting in budget reallocations through supplementary estimates due to failure by sectors and government agencies to adhere to their spending limits, inadequate capacities that have resulted in unrealistic forecasts, low political commitment and lack of endorsement of difficult decisions involved in restructuring of expenditures.

In line with this, Getachew (2006) stated that although there have been several attempts to address the weaknesses of the Ethiopian budgetary system and try to reconcile conflict between annual budget perspectives with medium term planning horizons, successful modern budgeting system remains a continuous problems of the country. For instance, in addis Ababa Region, to address the weak linkage of government policy, plan and budget allocation MTEF is not implemented still now. This is the main cause for outstanding problems in current budget allocation and budget process. In addition to this, Getachew further explained that, the main shortcomings of the Ethiopian budgetary systems are: (a) it has no proper medium term perspective(b) capital and recurrent budget are not properly integrated; (c) the head of public bodies did not give much attention for preparation of budget; (d) budget doesn't provide incentives for efficiency; (e) there is no performance measures that is applied during budget utilization; (f) the linkage between budget and macro-economic policy framework is inadequate; (g) budget preparation is based on unreliable data and estimation; (h) the budget system was impotent to ensure financial accountability; and (i) Political commitment and stakeholder involvement in the budget process are limited.

2.5. Research Gaps

As discussed in theoretical as well as empirical literature, different researchers were identified government budget allocation process to public sectors in different countries. In Ethiopia different studies were more concentrated on the medium term expenditure planning and budget allocation and also to some extent stated, as there are different problems of budgeting in Ethiopia at national level. However, those studies have limitation in showing how government budgets are allocated to public sectors at local level; to examine the linkage between public sector's plan and budget allocation and to identify critical problems those were encountered in the process of budget allocation at local level.

This is because; the politics of public budgeting is more serious and challenging particularly in federal democratic countries like Ethiopia where there is constitutional power and resource sharing among different levels of government. For instance, the Ethiopian constitution, adopted in 1994, established decentralized regional states recognizes the right of the regions to formulate and executes their economic and social development policies and strategies, and administer their expenditure planning and certain types of taxes (i.e. the right to prepare, approve and implement their own budget). Therefore, the need to work on the missing link is essential in a local government like Addis Ababa, where resources are extremely scarce. From this point one can easily conclude that it becomes so important to study allocation of financial resources, where development and poverty reduction programs are urgent priorities to address GTPs at this time.

Hence, the purpose of this paper is to review local government budget allocation process with particular focus on the budget preparation and approval stages. The paper describes the government budget preparation and approval processes and discusses the linkage between planning and budgeting look like, and finally identify the level of transparency in the budget allocation processes Addis Ababa regional State of Addis Ababa city administration .

Generally Budget is a powerful tool for allocating limited resources among competing priorities within the community. Because needs always exceed available funds, funds allocated to one department must be denied to another department. Officials measure the value of the funds spent not only by the benefits gained, but also by what is given up. Approving budgets means making choices. The executive preparation stage starts with the call for estimates by ministry of finance or/and plan minister. These institutions give instruction to public bodies in order to prepare their requests. The call for estimates notifies government priority areas, critical problems, the date for submission and supported material documents. The public bodies or agencies conduct intensive examination

of their budget in line with ceilings, policy directives and priorities. After the public bodies or agencies have prepared their estimates, they will submit to the respective institutions. These institutions review, consolidate, recommend and if necessary modify formal national budget and submitted it to the cabinet. After review and adoption by the cabinet, it will be passed to parliaments (urban councillors) for final approval. The parliament's (urban councillor's) approval of the national budget is based on specific government goals, policies, priorities, and resource generating capacity and over all socio- economic development in a transparent way.

CHAPTER THREE

RESEARCH DESIGN AND METHODOLOGY

3.1 Research design

In order to answer the research questions of government budget allocation system in public sectors, Addis Ababa city Administration was selected. The research method used was case study method. In light of the objectives of the study, the research designs for this assessment were both a descriptive and to some extent an explanatory method. According to Brockington 2003 (cited in Solomon 2011, p. 24), a descriptive research method was used to obtain information concerning the status of the phenomena to describe, What exists with respect to variables or conditions in a situation. It also used to answers the questions who, what, where, when and how of the research problem. Therefore, in this study descriptive method of research is a fact finding study where data obtained from respondents were recorded, described, analyzed, and interpreted by the researcher. This has provided a quick, cheap and effective means of assessing the desired information for the study.

3.2 Approach

Creswell (2003, p, 18) asserts that “a quantitative approach is one in which the investigator primarily uses post-positivist claims for developing knowledge (i.e., the cause and effect thinking reduction to specific variables and hypothesis and questions, as well as the use of measurement and observations and tests of the theories), employs strategies of inquiry.

In contrast to the above statement, Creswell stated that qualitative approach is one in which the enquirer often makes knowledge claims based on constructive perspectives (i.e., the multiple meanings of individual experiences, meanings socially and historically constructed, with an intent of developing a theory or pattern) or an advocacy/ participatory perspective (i.e., political, issue oriented, collaborative or change oriented) or both as the case of may arise.

This approach requires the researcher to interact with that, which is being researched.

In view of the nature and focus of the selected research in this thesis, the researcher was adopted a predominantly qualitative approach because there are many ways in which government budget is allocated at. However even though a qualitative approach was used. There is reliance on a data sourced through positivist means. This was necessitated by the sheer of the questionnaire survey.

3.3 Instrument/ data collection Procedures

The data collection methods and instruments that have been used mainly utilized close-ended and some open-ended questions and documentary analysis as well as predetermined approaches which as survey questionnaires and structured and unstructured interviews.

3.4 Data type and Sources of Data

In order to undertake this research and address the main objectives of the study, both primary and secondary data have been collected. The main part of the information for the study was obtained from primary data, which are presented as follows.

Primary Source of Data

In this research basically, primary sources were used for firsthand information to achieve the objectives of the research. The primary data sources were obtained through distributing questionnaires (both open and close-ended questions) from five informants Addis Ababa public sectors (budget head sectors , budget , process owners and planning and budget expert of sectors , audit professional , budget committee in addition interviews were (from budget committee) were conducted.

Secondary Data Sources:

Secondary data's was collected through the inspection of all available documents (published and unpublished) of different sources such as data be reviewed from Addis Ababa City Administration bureau of economic finance development office (BOFED) audited report, Ministry of Finance and Economics corporation (MOFEC) , books, internet, manuals, budget proclamation and articles. Budget document, policy directives and constitution, previous research papers, books, websites and other related documents to support the reliability of the information obtained from respondents.

3.5 Population and Sample of the Study

The population of the study was taken from public sectors of budget holders of Addis Ababa city administration public sectors. From the nature of the organization, public sectors of city administration units are inhabited all over the corners of the city.

The study focus on 120 total population selected in the Addis Ababa city administration public sectors. The target population of the study focus on 6 budget head , 40 budget process owners 30 budget planning and experts , 30 budget committee 14 audit professional (OFGA) . It was not possible to consider all population in the simple due to the spread and large number of the population. The study also focused on part of the population settled around the main head six sectors of Addis Ababa city administration public sectors. The study involves six main public sectors in Addis Ababa city administration education, health, road and transport, water and sewerage, house and development, small and micro enterprise. Moreover, most of the budget users are homogeneous in nature except the proportion of budget allotted to them in each sectors.

3.5.1 Sampling Technique

The researcher was 'used statically probability sampling. This enables the researcher to select respondent without intention and minimize the biases that can be happen from researcher deliberate selection of respondents. From probability, particularly statistical sampling was employed since it uses to collect data from respondents in case of perception of different units basically expected heterogeneous. Therefore. the researcher needs to give chances for all different division in the organization hence, the researcher used using the following formula to select sample of respondents from the total population level of confidence 95 % To calculate confidence interval and 5% sampling error. when n= sample size

$$n = \frac{N \cdot e}{(1+N)e^{0.05}}$$

N= total population

e^{5%}= sampling error

n= 120

$$(1+120)120^{e^{0.05}} = 92 \text{ sample size}$$

source :Taro Yamane sample seize formula

3.5.2 Sample Size

The researcher used probability sampling method, since budget allocation system needs skill/familiarity to the actual activity. According to Kothari (1995), if the researcher uses probability sampling, the sampling procedure does afford any basis for estimating that each items in the population has being included in the sample. Therefore, the researcher was used systematic probability sampling from the total population which means 92 from six sectors. Accordingly, this type of sampling techniques is that is less costly and less time consume representative and simple to draw samples this techniques helps to include units who are knowledgeable about the topic under the study and then to obtain the intended information from the officials employees who have more representatives in budget preparation, allocation and implementation Addis city administration public sectors education , health , read and transport. Water and sewerage, house and development and small and micro finance enterprise as follows

Table 3.1 target population , sample size of the study

Respondents	Target population	Sample size
Budget head	6	6
Budget process owner	40	30
Budget planning and experts	30	24
Budget committee	30	20
Auditors	14	12
Total population	120	92

Accordingly table 3.1 above . From head budget holders, 6 (six) were taken as a sample with a total of 6 respondents. Planning and Budget Department budget experts 24 (twelve), budget process owners 30 (thirty) budget committee 20(thirty). On the other hand, 12 (eleven) audit professionals were taken from total population from population of the study

3.6 Method of Data Analysis and Interpretation

The type of data collection method is of great value to interpret them properly. The data gathered through primary and secondary methods were analyzed using both mixed data analysis methods. The data collected in the course of questionnaire were analyzed and presented using SPSS application and

descriptive statistics such as tables, graphs, and percentages. Qualitative method of data analysis was used employed for feedbacks obtained using close and open-ended questionnaires, and interviews. Quantitative analysis also used the literature review entirely depended on secondary sources whereas; the analysis part relied on primary data that has been collected through structured questionnaire and personal interview. It also depended on secondary data collected from the sources.

CHAPTER FOUR

4. DATA PRESENTATION, ANALYSIS AND INTERPRETATION

4.1 Introduction

In this chapter, the researcher addresses research objectives of the study. The main objective of the study is to assess how the budget allocated to public sectors Addis Ababa city Administration based on budgeting processes. Therefore, to attain the objectives of the study the researcher collected both secondary and primary data and analyzed them. Based on the research objectives and questions, in this chapter first, the demographic data of the surveyed samples is highlighted. Second, the budget allocation process specifically budget preparation and approval stage in the town are discussed. Thirdly, the linkage between sectors plan and budget allocation processes was identified. Fourthly, the level of financial transparency available in budget allocation processes was also assessed and presented. Fifth, based on the major objectives of the study, the most noticeable problems were identified and finally, conclusions and recommendations are given.

4.2 Demographic Characteristics of the Respondents

4.2.1 Response rate

The respondents used in this research the study were classified into five types namely: budget head experts, budget process owners, planning and budgeting experts budget committee, and audit experts were selected from samples of all the budget holders, Audit professional.

Structured questionnaires (attached in Appendix 1) were sent to 92 respondents. Because of some respondents filled partially or not willing to be filled the questionnaire, therefore the study focused effectively 78 respondent's This means, the researcher distributed 78 questionnaires for 6 head of sectors, 24 process owners and 20 planning and budgeting experts 18 budget committee, 10 Audit ors those public sectors of city administration. Accordingly (84.78%) have filled and returned the questionnaires properly. The following table 4.1 shows number of respondents

Respondents	Target population	Sample size	Response
Budget head	6	6	6
Budget processors owner	40	30	24
Budget planning and expert	30	24	20
Budget committee	30	20	18
Budget auditors	14	12	10
Total	120	92	78

Source: Survey 2016

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

Hint: f= frequency of respondent, %=Percentage

Table 4.2 sex distribution of respondents

No	Respondents & frequency percentage (%)		Sex	
			Male	Female
1	Head of budget experts		4	2
		f(%)	5	2.6
2	Processors owners	No	14	10
		f (%)	18	13
3	Planning and experts	No	14	6
		f (%)	18	7.69
4	Budget committee	No	12	6
		f (%)	15	7.69
5	Audit professional	No	6	4
		f (%)	7.69	5
Total		No	50	28
		f(%)	64%	36%

Source: survey 2016

As table 4.2 item above, distribution of respondents by sex composition reveals that both male and female respondents were involved in the study. Accordingly from total of 78(seventy eight) respondents 50 (64%) are male respondents while ,28 (36%)respondents are female . This implies that male was moderately higher than that of female

Hint: f= frequency of respondent, %=Percentage

Table 4.3 Educational level of respondents

No	Respondents & frequency percentage (%)		Educational level			
			Certificate	Diploma	1 st Degree	2 nd degree
1	Head of budget experts	f(%)	-	-	5	1
			-	-	6.41	1.8
2	Processors owners	No		8	16	-
		f (%)	-	10.26	20.51	-
3	Planning and experts	No	-	1	17	2
		f (%)		1.28	21.79	2.56
4	Budget committee	No	-	6	12	-
		f (%)		7.69	15.38	-
5	Audit professional	No	-	1	7	2
		f (%)	-	1.28	8.97	2.56
		No n	-	16	57	5
		f(%)	-	20.51	73.07	6.42

Source; Survey 2016

Education and level of status would have a profound influence on respondents' response on regional government budget allocation process. As it is shown table 4.3 the educational background of the respondents diploma 16(20.51%), bachelor degree 57(73.07%) , and 2nd degree 5(6.42) respondents. this implies that most of the city administration public sectors employees are bachelor degree. In addition the table indicate that from the total number of respondents budget process owner greater than that of others ,8(20.51%) respondents and no certificate respondents on the on the position of budget allocation process city administration public sectors .

Hint: f= frequency of respondent, %=Percentage

Table 4.4 work experiences of respondents

No	Respondents & frequency percentage (%)		Work experience			
			0-5 years	6-10 years	11-15years	Above 16 years
1	Head of budget experts	f(%)	-	-	4	2
			-	-	5.12	2.56
2	Processors owners	N ₀	5	10	2	7
		f (%)	6.41	12.82	2.56	8.97
3	Planning and experts	N ₀	4	10	4	2
		f (%)	5.12	12.82	5.12	2.56
4	Budget committee	No	5	9	4	-
		f (%)	6.41	11.38	5.12	-
5	Audit professional	N ₀	-	3	5	2
		f (%)		3.84	6.41	2.56
Total		N ₀	14	34	18	12
		f(%)	17.95	43.59	23.07	15.3

Source: survey 2016

Education and level of status as well as working experience would have a profound influence on respondents' response on government budget preparation and approval as well as the Linkage between planning and budget allocation processes; since budget allocation system needs a skill or familiarity to the actual activity. With respect to their work experiences as shown table 4.4 34 (43.59%) of respondents are have more than 6 years and 18(23.07 %) of respondents are possess more than 11 years experiences 12.(15.3%) above 16 years experiences while rest 14(17.9) less than 6 years work experiences . From this one can understand that the majority of the respondents are processing budget allocation and preparation for a long period of time.

Table 4.5 Addis Ababa city administration Budget Allocation process to Public sectors with Reference to Budget preparation and Approval stage.

Hint: 5=strongly agree, 4=agree, 3=Disagree 2= strongly disagree, 1=Neutral f% - percentage

No	Questions	Respondents (f%)					Total
		Strongly agree	Agree	Dis agree	Strongly disagree	Neutral	
	Budget preparation Stage	(5)	(4)	(3)	(2)	(1)	
1.	Each sectors seriously analyze and prepare their annual work plan based on government priorities and their sectors mandate before budget request	8 F(%) 11.54	24 30.77	25 32.05	20 20	-	78 100%
2.	BOFED seriously analyze each sectors previous and next year annual work plan	16 F(%) 20.5	35 44.87	17 21.8	10 12.82	-	78 100%
3.	The urban cabinet seriously analyze and approve the sectors plan	5 F(%) 6.41	26 33.33	34 43.58	13 16.66	-	78 100%
4	Budget managers (sectors) present the actual fund needed(capital and recurrent budget) by their program without exaggeration	4 F(%) 6.41	25 32.05	36 46.15	7 8.9	5 6.41	78 100%
5	Once the resource envelope is set and the city receives their share, sectors' plan is considered in allocating the budget	13 F(%) 16.67	23 29.49	38 48.72	4 5.12	-	78 100%
6.	In reviewing the budget, the budget committee consults experts and utilize their knowledge	-	19 24.36	37 47.43	19 24.36	3 3.86	78 100%
7	The budget committee of the city analyze budget allocation in light of strategic/annual plan before providing for approval	-	24 30.77	39 50	15 19.23	-	78 100%

Source ; survey 2016 .

I . Each sector seriously analyze and prepare their annual work plan based on government priorities and their sectors mandate before budget request

A. Budget preparation stage

According to the respondents' response on table 4.5. above , the respondents responses in show that 24, 25 (69 % ,82%) of the respondents either disagreed or strongly disagreed with the statement that each sectors seriously analyze and prepare their annual work plan based on government priorities and their sectors mandate before budget request. In line with this, the data collected from respondents by interviews questionnaire shows that there is a capacity limitation among sectors to analyze and prepare their annual work plan in relation to government policies. However, as we have seen in the literature part of this study, the budget process is where some of the most important political activities occur and decisions are made during the year. The process Involves consultations and negotiations between the council and various relevant parties, Compilation of planning and budgeting inputs from lower levels of local government, Preparation of the budget framework paper, public hearings, the prioritization process and Eventually reading and approval of next year's budget. However, the budget process can be Organized in many ways and may vary slightly from one local authority to another and from one year to another.

. As discussed in the literature part, 'budget preparation is often viewed as a predominantly an executive role and includes the planning, sometimes referred to as pre-preparation and the linkage of plan through medium-term expenditure framework for annual budget establishment of priorities and resources spending envelops' (Shah, ed. 2007a, p. 222).

II Review of work plan

According to the data collected by interview from budget committee, each sector first prepares annual work plans consistent with the responsibilities of the regional policies and priorities which are used to review both past performance and future activities. Each cost center reviews its progress against its work plan. The committee further explained that the review consists of analysis of performance in a format to be agreed at a program level and budgetary analysis of previous year. To facilitate the process urban finance office will issue guidelines with regard to the priorities which sectors should include in their annual plans.

In line with this, according to BOFED's (2010b) budget manual stated, the first step in budget preparation is: each public sector should seriously analyze and prepare their annual

work plan based on government priorities and their mandate before budget request. This analysis includes last year achievement and the next year annual plan based on priorities and then submit to UFEDO.

III. BOFED seriously analyze each sectors previous and next year annual work plan

According to BOFED's Budget manual expectation, after the annual work plan is prepared and submitted to UFEDO; UFEDO should seriously analyze each sector's previous and next year annual work plan and take an adjustments if necessary and present for urban cabinets for approval. However, regarding to this, the result depicted on table 4.5 indicate that 37, 17 (66% ,67%)of the respondents either agreed or strongly agreed that UFEDO seriously analyze each sectors previous and next year annual work plan and take adjustments if necessary.

After the sectors annual work plan is seriously analyzed by UFEDO then it is presented to urban cabinets for approval. Regarding to this stage, the data collected by respondents indicated that, the review stage involves two interrelated stages. These are: the review of performance and the review of next fiscal year's plan. The work plan of all sectors will be consolidated and presented to the urban cabinets for discussion and approval by UFEDO. During the discussion, agreement will be reached as to the next fiscal year's work plan. The review and approval of work plan by the finance bodies and the cabinets are a key means of determining the allocation of the upcoming annual budget ceilings.

Accordingly, during presentation of sectors annual plan to urban cabinets, questions were raised to respondents; whether the urban Cabinet seriously analyzes and approves the sectors plan based on the government priorities and the sectors mandate, the result from table 4..5 shows that 66.67%.. of respondents either disagreed or strongly disagreed with the statement that the urban cabinets seriously analyze whether the plan is prepared according to the government priorities and each sectors mandate. In relation to this according to the data stated on additional comment by respondents shows, the main reasons for this problem is that some cabinets did not have knowhow about each sectors priority areas and mandates, and they did not give much attention for other sectors plan.

IV The urban cabinet seriously analyzes and approve the sectors plan

As indicate table 4.5 above shows that (60.4%) disagree or strongly disagree on the urban cabinet seriously analyze and approve the sector plan . this indicates that the urban cabinet not approve before notification of subsidy budget and budget call, UFEDO estimates available revenues in order

to establish the total resource envelope that will be available for spending. According to the data collected from respondents indicate that shows that, UFEDO will estimate and forecast revenue of the city administration. After the total revenue of the city Administration is estimated by UFEDO for the next fiscal year and allocated; the next step is budget call. In line with this according to BOFED's budget manual stated; after the urban Finance received notifications of the new ceiling from the regional BOFED, UFED will instructs sectors to prepare their budget request according to the new ceiling (budget request by sectors). At the budget request stage, sectors should adjust their work plan to the budget ceiling and request based on the form provided by UFEDO. This is, the budget managers (public sectors) present the actual fund needed (capital and recurrent budget) by their Program without exaggeration. However, the data collected from respondent, which is summarized on table 4.5 , shows that 55.05% of respondents either disagree or strongly disagree with the statement that budget managers (sectors) present the actual fund needed (capital and recurrent budget) by their program without exaggeration. This indicates that as there is a mismatch between the need and the available resources. Additional comments that were given by respondents indicated that sectors did not present the actual fund needed by their program. Sometimes sectors request more funds for cost centers that were not really operational.

V. Once the resource envelope is set and the city receives their share, sectors' plan is considered in allocating the budget

As stated in BOFED's Budget manual, once the resource envelope is set and the city administration receives their share, sector's plan is considered in allocating the budget. The manual further noted that this is based on the policy framework of the government; the UFEDO issues indicative expenditure ceilings for each department. This leads up to negotiations between spending departments and the Finance sectors about the allocation of funds across different functions. However, the data collected from respondents, which is summarized on table 4.5 , shows that 53.84% of respondents either disagree or strongly disagree with the statement that once the resource envelope is set and the city administration receives their share, sectors' plan is considered in allocating the budget. In line with this, as some respondents stated in the open ended questions budget allocation decision was based on who is the head of the sector, the status of his position and sometimes they form grouping and allocate budget based on the

group interest rather than what activities had to be given priorities more than the other. This statement simply shows that, there is impartiality problem in the process of budget allocation in Addis Ababa city administration.

VI. In reviewing the budget, the budget committee consults experts and utilize their knowledge

According to the OBOFED's budget manual, after UFEDO prepares the budget breakdown based on the sectors annual plan and budget request with the available budget; the budget committee of the town is expected to analyze budget allocation based on the budget breakdown in light of strategic/annual plan before providing for approval by consulting experts and utilizing their knowledge. Regarding the actual practice, however, the results depicted on table 4.5 shows that 71.79 % of respondents either disagree or strongly disagree with the statement that the budget committee consults experts and utilize their knowledge while reviewing the budget. Therefore, this indicated that, even if the budget committee has a power to review the prepared budget by UFEDO; this is not applicable in Addis Ababa public sectors in reality. In line to this, other question were asked the respondent whether the budget committee seriously analyzes the budget breakdown with sectors annual plan before providing for approval. However the data gained from the respondent on table 4.5 shows that of responses either disagree or strongly disagree.

In relation to this, indicate that according to the data collected by from budget committee, finally UFEDO prepare recommended budget and presents for urban Cabinet for recommendation before providing for approval. A consolidated draft budget has to be reviewed and approved at the highest political level, such as urban cabinet, which will also make final decisions on especially contentious issues that could not be resolved before.

B. Budget Approval

As clearly stated in the literature part, once a comprehensive budget has been drafted, it has to be approved by the legislature to become effective. According to Norton and Elson, Budget approval occurs when the executive's budget is discussed in the legislature and consequently enacted in to the law. This means when the executive formally proposes the budget to the legislature. The legislature then discusses the budget which can be including hearings and votes by the legislative committees. The process ends when the budget is adopted by the legislature, either intact or with amendments. The budget also can be rejected

by the legislative and in some countries replaced by the legislatives own proposal (Norton and Elson, 2002). Relating to budget approval respondents responses were summarized in the following table.

Table 4: 6 The Process of Budget Approval as Perceived by the Respondents

No	Questions	Respondents					Total
		Strongly agree (5)	Agree (4)	Disagree (3)	Strongly disagree (2)	Neutral (1)	
A	Budget approval stages						
1)	Addis Ababa city administration council seriously debate analyze about the allocation of budget before approval?	- f(%) -	24 30.77	32 41.02	22 28.2	-	78 100%
2)	The town councils have influence in setting budget priorities among different sectors	- f(%) -	20 25.64	36 46.15	22 28.21	-	78 100%
3)	The town council amends or adjusts the allocated budget	6 F(%) 7.69	25 32.05	37 47.44	10 12.82	- -	78 100%
4)	The city councils analyze budget allocation in light of the plan	f(%) -	9 11.54	30 38.46	34 43.59	5 6.41	78 100%
5)	The city administration council approves the budget on timely with no unnecessary Delay	F(%) -	30 38.46	40 51.28	18 10.26	- -	78 100%
6)	In review the budget the town council gathers opinion from different sectors and utilize their knowledge's before budget approval	- F(%)	18 23.07	23 29.49	31 39.74	6 7.7	78 100%

Source : survey 2016

The urban councilors' have the right to review, debate, in some cases amends and approve or reject the spending plan proposed by the executive before approval. However, the responses that were collected from respondents' on table 4.6 item 1 shows that 69.22% of respondents either disagreed or strongly disagreed with the statement that the council seriously debate on budget allocation before approval

On the other hand, legislatures have to be active in budget debates and in reviewing the expenditure priorities. However, the data collected from respondent, which is summarized on table 4.6 of respondents either disagree or strongly disagree with the statement that the town councils have influence in setting budget priorities among sectors. This shows that, simply the proposal presented to urban councilors would be approved in Addis Ababa city Administration.

In relation to this as indicated on table 4.5 item 2 respondents were asked whether the urban council amends or adjusts the budget allocated to each sector's before approval, the majority of the respondent i.e. 60.26% replied either disagree or strongly disagree; which shows that there is no budget amendment rather what is proposed is approved. In addition to this some respondents stated in the open-ended questions, since budget is approved by majority vote and also most of the legislature have limited understanding about budget they simply accept the proposal. On the other hand, according to the results depicted on table 4.6 item 3 shows that 47.44% of respondents either disagree or strongly disagree with the statement that the councils of the city analyze budget allocation in light of strategic/annual plan.

As we have seen, it is generally acceptable that the executive has the primary role in developing the annual budget and presenting it to the legislature. The legislatures have the right to review, debate, in some cases amend and approve or reject the spending plan proposed by the executive and ultimately approve the budget; but in Addis Ababa this is not practically applied. Relating to this according to respondent's responses provided in additional comment questions, since most of the legislatures have no ideas or awareness about what power they have regarding the budget allocation processes and capacity constraints; they are not confident to debate and influence the budget allocation to the government priorities and poverty eradication sectors. This results for poor budget allocation. to BOFED's budget manual, each urban administration should approve their budget between July 25-30EFY and submit to UFEDO. In relation to this, respondents were asked to express their opinion on whether the urban councils approve

budget on timely basis (before the fiscal year or not). As indicated in the table 4.6 item 4 78.% of the respondents either disagree or strongly disagree with the statement that the urban council approves the budget on timely basis (before the fiscal year or not).

To assess the timeliness of budget approval; questions were also raised to the budget committee. The committee replied that most of the time budget is approved on time. But sometimes the delay in the budget approval from the UFEDO would cause also delay in budget approval of the town. During this time sectors use one-twelfth of the appropriations of the previous year. During the budget approval under special circumstances delays may be justified. The organic budget law should include provisions authorized the executive to commit expenditures before the budget is approved, under explicit specified circumstances. These provisions should be based on the budget of the previous year, rather than on the new budget that has not yet been scrutinized.

4.3 The Linkage between Planning and Budgeting Process

Development policies and plans usually coexisted with resource allocation. After government policies and plan are formulated, the resource allocation is made through budget process. As mentioned in introductory part, the civil service reform tries to introduce expenditure planning and budget reform projects so as to strengthen the relationship between planning and budgeting in Ethiopia.

As data collected the data collected by budget manuals shows the annual work plan will be prepared in the beginning of budget year by public bodies and then submitted to Finance office for consolidation and necessary arrangements. After the work plan is approved by cabinets, FEDO will notify budget call and ceiling to each spending public body. The budget call provides each public body about the macroeconomic environment, their budget ceiling for recurrent and capital expenditure for the upcoming fiscal year. Then after, the public bodies will be notified government priorities, guidelines on treating external loan and assistance, general and detailed instructions and formats to be used for budget preparation. Public bodies are responsible for preparing their budget request based on the aforementioned programs and budget ceiling. The budget preparation involves an assessment of new and existing program and performance of ongoing projects with their work plan. They have to prepare a justification for each expenditure item by using cost build up in each project and sub agency. Based on the outcome of the review and capacity of financial absorption, budget proposal is prepared and submitted to FEDO .

After spending public bodies have submitted their request, the head of public bodies and relevant department heads defend their budget request in a formal budget hearing with FEDO. After budget hearing is over, the budget request of public bodies will be revealed, adjusted, consolidated and FEDO will make recommendation. The total recommended budget by each public body has submitted to the urban cabinets for approval. Once the budget is reviewed and approved, it will be submitted to the urban Councils for final approval and appropriation. After approval, FEDO has notified proclaimed budget to public bodies. The public bodies are then required to prepare work plan and cash flow and submit to FED. However, the most important issue is not only how the budget process is undertaken, but also the linkage between planning and budget process. As discussed in the literature part, failure to link government policies, planning and budgeting may be the single most important factor contributing to poor budgeting outcomes at the macro, strategic and operational levels in developing countries. In many countries, the systems are fragmented. Policy making, planning and budgeting take place independently of each other (WB, 1998). Therefore, a full understanding of budget planning and preparation system is essential, not just to drive expenditure projections but also to be able to advise policy makers on the feasibility and desirability of specific budget proposals, from macro or micro-economic perspective.

Table 4.7 The integration of Planning and Budget Process as Perceived by the Respondents

No	Issues	yes,	partially,	no	Total
1.	Familiarity with Government policies and fiscal planning	17 21.79	35 44.87	26 33.34	78 100%
2.	The Linkage between Government policies and fiscal	21 26.92	28 35.99	29 37.18	78 100%
3.	Government policies accessible and clearly articulated	17 21.79	27 34.62	34 43.59	78 100%
4.	Sector's strategic plan is practically operational	-	38 48.72	40 51.28	78 100%
5.	Sectors annual budget request is really linked with their annual work plans	15 19.23	25 32.05	38 48.72	78 100%

Source : survey field 216

The results depicted on table 4.7 item 1 and 2 shows that 78.21% the respondents replied either yes or partially with the statement about familiarity with government policies and fiscal planning. The most important issue is not only familiarity with government policies and fiscal planning but also the linkage between expenditure planning and budgeting process. One of the most important findings of this study is that government policies and fiscal planning are not well integrated into budget process. As could be observed in table 4.7; item 3 73.17 % of the respondents replied 'no' with the statement that the link between macro-economic policy, expenditure planning and budget is adequate. The survey also identified that government policy were not accessible and clearly articulated in each sector.

. However, as could be observed in table 4.7; item 4 78.64% of respondents replied 'no' with the statement that the sectors annual budget request is really linked with their annual work plans. This indicates that in Addis Ababa the integration between sectors budget request with their annual work plans is inadequate. In relation to this, the survey is also identified that of respondents those replied 'no' in the above statement; 80 .% of respondents replied 'great' with the statement that the extent of the gap between sectors budget request with their annual work plan.

Relating to this other question was raised to identify the main problems related to budget request and programmes. Accordingly, almost all (92.86%) interview replied that; lack of skilled man power, low attention by head of public bodies and lack of training as the major one with the statement that if the budget request of public bodies doesn't strictly correspond to their programs, what are the major reasons.

In addition to this, to identify some problems related to the linkage between sectors planning and budget allocation, questions were raised to the interviewees. As interviewees stated, the head of public bodies very often did not give much attention for the exercise of budget request and the available resources. Moreover, some respondents pointed out that the spending agencies lack the necessary skills and capacity to understand this task and in some spending agencies personnel don't have a full knowledge about linking planning with the available budget; this is because of limited training and frequent turnover of staffs. Practical experiences indicates that it is very difficult to establish qualified personnel and sustain them, especially when public sector remuneration is generally perceived to be low relative to market rates.

As mentioned in the literature part of this study to address the weak linkage of government policy, planning and budget allocation many OECD countries have introduced medium-term resource and expenditure planning tools as a guide for the annual or multi-year budget process (WB, 1998). For instance, in Ethiopia the starting point of Medium-Term Expenditure Framework (MTEF) traced back to the emergence of civil service reform and the exercise of public expenditure review. The main objective of MTEF is to introduce and develop an appropriate policy framework for strategic planning of public expenditure so as to establish strong link between policy framework, planning and budget process. The main components of MTEF are: a) economic growth and the growth of gross domestic product; b) public sector expenditure and source of finance; c) the allocation between the Federal Government expenditure and subsidy to Regions; d) the allocation between capital and recurrent expenditure for the Federal Government; and e) the allocation of capital expenditure among federal public bodies through indicative planning figures.

The MTEF approach is essentially an effective budget process. If properly implemented, the MTEF can improve medium term resource allocation and creates the link between policies and programs, and the resources allocated to their implementation. However, in Addis Ababa city Region in general and Addis Ababa in particular, to address the weak linkage of government policy, plan and budget allocation it is not implemented still now. This statement is supported by respondents responses which are almost all (97%) of respondents replied ‘no’ with the statement that the MTEF is implemented in the sectors. This may be the main cause for outstanding problems in current planning and budget allocation process. However, the MTEF is not alone effective and it does not provide a panacea for the problems of public expenditure management. Without implementing complementary planning and budget reforms, it is impossible to achieve the full benefit of the MTEF program.

4.4 Transparency in Budget Allocation Process

Fiscal or budgetary transparency is “an environment in which the objectives of policy, its legal, institutional, and economic framework, policy decisions and their rationale, data and information related to monetary and financial policies, and the terms of agencies’ accountability, are provided to the public on an understandable, accessible, and timely basis” ECA’s, 2002 (cited in ECA, 2005, p. 2). Fiscal transparency is not merely about the availability of information. Specific types of information provided regularly, in accessible formats and in a timely

manner. The information should be reliable and based on credible information systems. Therefore, to identify the level of financial transparency available in budget allocation process, the respondents were asked the following questions.

4.4.1. Mechanism Used to Disseminate Budget Information

The mechanisms used to disseminate information depending up on the choice of the town administration, but it must consider the cost of the mechanisms select, the understanding ability of the people and the accessibility of the mechanisms to the people. Accordingly, the response of the respondents is presented in the following table. 4.8

Table 4.8 : mechanisms used to disseminate budget information

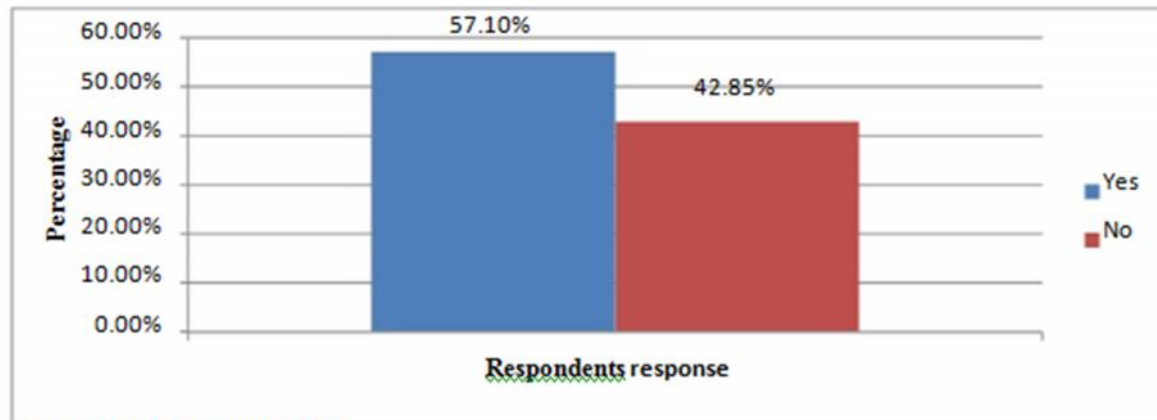
No	Mechanism	Frequency	Percentage (%)
1	Radio	18	23.07
2	News Paper	14	17.95
3	Public Conference	7	8.9
4	Billboard Poster	28	35.99
5	Brushers and Pamphlets	11	14.10
	Total	78	100

Source, filed survey 2016.

According to table, 4.8, about 35.99. % of respondent's stated that billboard posters are the dominant mechanisms used to disseminate budget information. The second selected mechanisms of disseminating budget information by respondents were by radio and news paper 18, 14 (40%). According to the data collected from interview billboard posters used dominantly in the city administration. The selected mechanism used to disseminate budget information is reasonable because in the city administration there have radio program and newspaper, therefore it becomes the best way for use 23.07%, 17.95% disseminate information respectively .

4.4.2 Understandability of budget information

Figure 4.1 Understandability of budget information

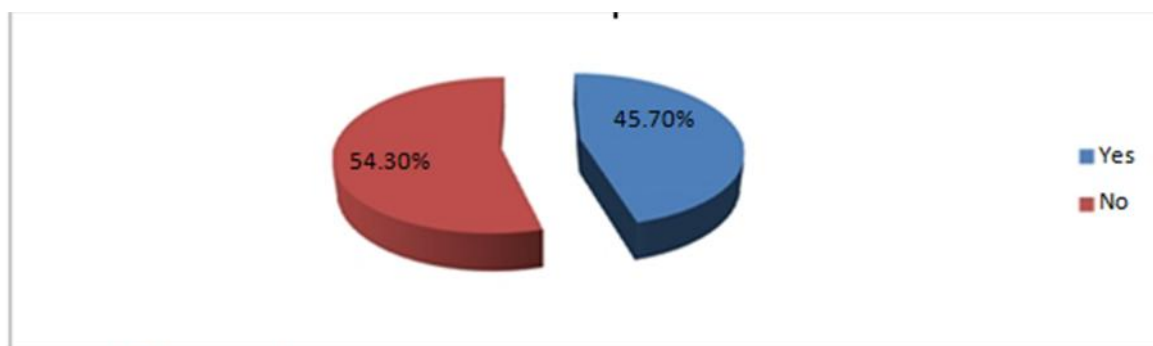


Source: Field survey 2016

According to figure 4.1 , around 57.10% of the respondents stated that, the budget information provided for citizens is in understandable format; while 42.85% of the Respondents stated that, the budget information provided not in understandable form. According to the data collected from interview suggests that, because of the implementation of FTA(Financial Transparency and Accountability) Programme and materials used for providing budget information; the understandability of budget information was increased and it is supported by figure and explanation in Addis Ababa city administration public sectors .

4.4.3 . Availability of Clear Information on time

Figure 4.2: Availability of clear information at the timely bases



Source: Field Survey 2016

Lack of adequate information is one of the characteristics of weak budgeting systems. This usually begins with unreliable and late input information on expenditure and costs, which is crucial to decision making and effective expenditure control. Therefore availability of clear information at the time basis is one of the crucial in budget transparency. However, regarding to this, questions was raised for respondents; weather there is clear information is available on time or not in Addis Ababa. Accordingly, figure 4.2 indicate that 54.3% of respondent replied that clear Information is not available on the time.

4.5. Problems of Government Budget Allocation Processes in Addis Ababa city administration public sectors

The most important issue in government budget is how the government funds are allocated to each sector or program. This statement raises the question of efficiency of public expenditure and priority of government. The efficiency criteria consider that resources should be allocated so as to maximize sector programs while government priority considers that budget should be allocated in accordance with its objectives. But it is possible to reconcile both programs by using budget reforms. Budget reforms such as planning, programming and budgeting are expected to handle both expenditure priorities and allocate efficiency.

The research finding and results have been shows several problems related to government budget allocation in Addis Ababa city Administration. Among others, the following are summarized from respondents responses which are identified in open ended questionnaires and data collected by interview from budget hearing committee. These are :

- a) Budget is allocated on the basis of inadequate information or unreliable data and Estimation, often without source of knowledge of how past appropriation was used or what was accomplished in the past budget year. This practice dictates that money is allocated to public sectors without detail review of programs and objectives.
- b) The heads of public bodies did not give much attention for preparation of budget.
- c) Numbers of professionals (budget officers) in government institutions are not sufficient.
- d) Lack of objective criteria for allocating budgets for the sectors. In discussion about Budget allocation criteria with UFED head (members of budget committee), the Criteria used for allocation budget were only Policy prioritization and Past trends of budget execution. Therefore, since the urban executive (combination of heads of every sector) use subjective

criteria for allocating budget; during discussion most of them try to influence budget priority for their sectors and could not reach the final agreement. Therefore, most of the time decision will be based on group interest (impartiality) or it will be sent to the councils for final decision.

e)Political commitment and stakeholder involvement in the budget process are limited and

f)Urban councils have lack of skill (capacity constraints) and information to influence and control over local government budget.

Table 4.9 Addis Ababa city administration major sector capital and current budget (budgeted and actual amount) from 1999 -2005

		1999	2000	2001	2002	2003	2004	2005
Education sector	Current budget	288,168,430.14	377,023,721.75	456,704,383.71	572,387,906.79	741,864,999.66	994,159,798.99	1,334,038,052.43
	Actual expenditure	241,111,312.13	320,869,744.92	406,310,580.61	532,052,278.18	689,437,123.64	889,387,561.33	1,182,893,884.30
	% age	84	85	89	93	93	89	89
	Capita budgeted	23,573,001.63	53,173,191.59	44,961,461.58	139,002,533.73	352,104,129.20	581,586,383.74	528,609,219.94
	Actual expenditure	5,132,511.65	12,606,739.28	15,887,531.89	95,307,628.25	117,342,283.84	332,797,232.16	341,193,751.72
	%age	22	24	35	68	33	57	64
health sector Water and sewerage	Current budget	84,018,189.14	119,307,586.08	126,014,050.04	180,475,948.93	271,449,141.54	401,337,678.14	590,066,852.61
	Actual expenditure	78,746,293.92	105,634,452.04	115,335,910.82	159,389,397.82	239,597,778.11	346,578,410.19	515,552,365.06
	%age	94	88	91	88	88	86	87
	Capital budget	50,895,588.23	104,336,130.76	92,909,954.08	128,177,988.98	211,341,417.41	391,931,689.81	445,249,805.65
	Actual expenditure	4,576,318.33	5,053,351.04	40,131,574.27	94,524,955.42	103,592,504.54	132,961,568.14	257,362,704.26
	%age	9	5	43	74	49	34	58
Road and transport sectors	Current budget	24,651,822.00	38,316,045.34	44,328,877.00	40,187,310.00	42,488,213.99	48,564,890.00	70,630,335.20
	Actual expenditures	23,619,935.66	34,627,527.37	36,464,272.18	35,265,718.21	40,863,543.98	45,876,755.09	67,873,390.36
	%age	96	90	82	88	96	94	96
	Current budget	1,168,671,846.58	1,632,318,067.04	1,578,753,821.00	1,330,969,240.51	1,235,617,688.01	1,700,486,529.10	4,459,826,173.48
SMEs	Actual expenditure	668,878,157.66	858,120,477.65	1,362,063,506.98	1,158,045,597.59	1,341,053,654.92	1,428,071,623.32	3,809,138,877.56
	% age	57	52	86	87	108	84	85
	Capital budget	207,981,324.00	211,356,756.00	200,470,155.00	217,000,000.00	242,140,281.00	308,005,000.00	447,023,541.00
	Actual expenditure	135,821,347.00	203,000,000.00	156,032,019.01	202,000,000.00	202,019,700.98	280,734,104.00	359,514,869.00
	%age	65	96	78	93	83	91	80
	Current budget	312,731,852.00	413,052,000.00	543,605,000.00	583,000,000.00	980,941,530.00	1,028,492,720.00	1,345,771,990.00

water and sewerage	Actual expenditure	90,875,735.68	140,110,686.76	280,347,596.89	290,000,000.00	401,211,870.30	561,288,183.67	1,005,577,191.58
		29	34	51	50	41	55	75
house and development	Current budget	1,740,344,600.00	2,212,071,529.00	2,585,092,045.64	303,065,111.60	773,611,000.00	501,452,489.46	1,069,952,841.86
	Actual budget	685,093,774.65	1,460,110,313.27	1,535,023,203.33	262,011,119.74	519,858,427.69	377,582,262.09	649,163,930.34
	%	39	66	59	86	67	75	61
SMES	Current budget			4,089,391.03	20,439,436.09	993,100.20	89,570,724.03	85,505,252.58
	Actual expenditure			2,807,152.90	18,804,322.83	896,748.61	75,263,695.54	72,411,667.95
	%age			69	92	90	84	85
	Capital expenditure			238,550,031.88	200,509,321.06	203,395,146.47	261,858,994.53	382,889,966.07
	Actual expenditure			146,589,897.49	160,948,708.21	87,940,039.84	129,519,159.43	230,849,261.03
	%age			61	80	43	49	60

Source : BOFED Budget report printing journal (1999- 2005)

The entire approved budget of Addis city administration is set for recurrent expenditures. According to the above table, 4.9 unspent budget has risen from year to year. Relevant reports explained that such underutilization arose from delay of foreign procurements; incompleteness of documents, particularly in construction contracts; and low capacity. On the other hand, although Addis Ababa is said to be appreciative for efficient utilization of its budget, under spending of the official budget may coexist with large amounts of off-budget spending. As per at Addis Ababa public sectors from 1999- 2005 of budget utilization , under spending does not necessarily mean that there is good fiscal discipline in the country. Sound budget preparation processes and adequate institutional arrangements are a prerequisite for avoiding these discrepancies. In line with this capital expenditures 22% to 64 % (from 199-2005)this implies that due to expansion of educational sectors construction facilities in the city administration. In addition the current expenditure increase from 2003 and 2004 in the city administration in educational sectors this implies this employees salary at all educational sector in the country . As table 4.9 shows that health of current budget shows 94% in 1999 that shows from 2005 expenditures and budget amount . As we one can see table 4.9 current budget implementation performance in health sector 90% in 2002, 2003 and 2001 health budget implantation and performance road and transport a good performance 1999, 2000 , 2004 and 2005 . In small and micro emprise capital budget increase from year to year this shows that their expansion of small and micro business enterprise from year starting from 2001 to 2005 but city administration small and micro enterprise not established in 1999 and 2000. Generally the report should indicate performance comparing with the same budget plan to actual. Further, the report should specify budget shortage, error, or surplus. The budget evaluation is also expected to show how much the expenditure is economical in each sector for seven years in the city Administration.

CHAPTER Five:

5. SUMMARY, CONCLUSIONS, AND RECOMMENDATIONS

5.1. Introduction

This chapter includes conclusions of the entire part of the study from the findings. It also highlights and suggests practical and applicable solutions and recommendations for the identified weakness in allocating government budget to public sectors and finally suggestions or recommendations for further research were identified.

5.2 Summary of the findings

The chapter intends to present the findings by using tables, charts and graphs and then interpret the finding with reference to the literatures reviewed in chapter two according to the intended objectives. Therefore, even if the budget preparation and approval guideline is available at regional level in Addis Ababa regional state; in preparing annual work plan each public sectors as well as urban cabinets did not analyze seriously the sectors plan with available resources. In addition to this the urban councils also did not seriously debated on budget allocation. On the other hand even if MTEF is major instrument to link policies, planning and budgeting, it is not implemented still now in Addis Ababa city. Therefore, there is inadequacy between planning and budgeting in the city. In terms of budget transparency; billboard posters are the dominant mechanisms used to disseminate budget information and also to some extent budget information is provided in understandable form.

5.3 Conclusion

. The researcher concluded the following points based on the analysis.

- Even if BOFED issued budget guideline, the concerned body did not move to enforce the practicability of the rule and regulation fully.
- Unavailability of adequate and experienced manpower has added for the worsening results of plan and budget allocation preparations disparities.
- Lack of awareness of budget users about the role of plan and budget to the institution.
- Budgets are prepared and allocated without considering reasonable estimations and current market prices , work plan activities.
- Even if the budget preparation and approval guideline is in Addis Ababa regional state; in preparing annual work plan each public sectors as well as urban cabinets did not analyze seriously the sectors plan with available resources.
- In addition to this the urban councils also did not seriously debated on budget allocation. On the other hand even if MTEF is major instrument to link policies, planning and budgeting, it is not implemented still now in Addis Ababa city. Therefore, there is inadequacy between planning and budgeting in the city.
- In Addis Ababa city administration budget preparation process is unsatisfactory. This is because each sectors as well as urban cabinets did not seriously analyze in preparing annual work plan based on government priorities before budget request. The budget managers (sectors) have constraints in presenting the actual fund needed by their program. In relation to this, once the resource envelope is set and the city receives their share; during budget allocation sectors' plan is not considered well (the sectors' annual work plan was not really shaped with their annual budget). On the other hand shortage of planning and budgeting skills and their virtual absence among elected officials, impartial decision during budget allocation among sectors, absence of giving much attention by the head of public bodies, lack of objective criteria for allocating budget and limitation of political commitment and stakeholder involvement in the budget preparation acted as a severe constraints to effective

budget formulation at the regional level.

- .Budget Approval: Ideally, the legislatures have the right to review, debate, in some cases amend and approve or reject the spending plan proposed by the executive and also replace by their own proposal. In practice, this is somewhat far from this. For instance: in Addis Ababa city administration once the executive body presented the spending proposal for approval legislatures did not make any serious deliberation/debating and analysis on the allocated budget before approval. The city legislatures had limitation in influencing budget priorities setting among different sectors, and amending or adjusting the allocated budget by executives. In addition to this, they did not analyze budget allocation in light of strategic/annual plan and approve the budget on time. This is because; urban councils have capacity constraints and information to influence and control over city government budget. This shows as there is a knowledge gap in the area of budget and budgetary process among legislatures at the Regional level.
- In terms of budget transparency; billboard posters are the dominant mechanisms used to disseminate budget information and also to some extent budget information is provided in understandable form. But, there is limitation regarding the availability clear information at the time bases Audit opinions given by .OFAG are signals of the institution's weak compliance with the rules and regulations of the country.
- No fully participation and community in debate of budget preparation, allocation stage and approval stage in the city administration.

5.4. Recommendations

To improve the performance of government budget allocation process in Addis Ababa city Administration the following points are suggested to be solution for identified weakness in preparing and approving government budget in the city Administration. In addition to this the researcher also suggested/recommended for further research.

5.4.1. Recommendations for Practice

After analyzing and interpreting how government budget is allocated in Addis Ababa city administration, the researcher recommended the following points.

. Budget Preparation: to increase the chance of success and credibility of regional government budget allocation, each public sector should prepare their annual work plan seriously by coordinating with UFEDO. After expenditure planning prepared, it should be submitted to cabinet for approval. Therefore, a broad involvement of urban cabinets and different stakeholders in the process of expenditure planning is one of the most important factors to improve resource allocation in the public sectors. This is because, if urban cabinets do not approve it, it remains the UFEDO technical document rather than a strategic framework.

-Even if it is difficult to avoid 100% impartiality, it is advisable for the town to minimize impartial decision during the budget allocation among sectors; because impartial decision of the budget often takes resources away from the poorest and the most valuable groups to provide for the interest of bureaucracies and strong interest groups.

-The shortage of planning and budgeting skills in the town and their virtual absence among elected officials, acted as a severe constraint to effective budget formulation or management at the local level as well as to the meaningful participation in public resource management. Sectors may have strategic plan but, have not been implemented. Therefore, the urban administrator should improve the number of professionals (budget officers) in government institutions as well as improving their capacity by giving training on how planning and budgeting is formulated

-Budget Approval: The city should be strength the budgetary role of the legislative so that they will have a power to review and amend the budget in relation to priorities. In addition to this, the city administration should establish strong check and balance among executive and legislature by establishing committee (out of executives and legislatures) who follow the process of budget allocation; so that it becomes crucial for transparency and accountability and good governance and ensuring efficient delivery of public services.

-On the other hand, as I have seen earlier, urban councils have inadequate skill and information to influence and control over regional government. Therefore, the members require support and training

to ensure that they acquire knowledge on budgetary process and also the budget committee should have supported by expertise to work effectively on expenditure planning and annual budget allocation.

-The Link between Planning and Budgeting: MTEF is also a mechanism to resolve the conflict between what is affordable and what is demanded or needed. The additional information generated also enhances transparency and the predictability of funding over several years supports planning and efficient implementation at the departmental level. By linking budget firmly policies and development objectives, the MTEF enables legislature, the private sector and civil society to monitor government activities more defiantly.

- It also provide useful entry point for examining the budget for its impacts on what is the really government would like to achieve. Therefore it is better for the urban administration to implement MTEF in order to achieve its objective by allocating money based on spending plans revealed priorities of the government in concrete terms, and they can lay the foundation for sound operational management at the sectors level to avoid the problem of prioritization. Accordingly, the city government as well as the local government needs to develop real and full- fledged multiyear expenditure planning which includes recurrent and capital expenditure as well as sector development programs and poverty reduction strategy.

-As we see from discussion point, the criteria used to set budget priorities are the federal government's policy focal points. This neglects the demand of urban dwellers in the city government. This point is completely different from the objectives of fiscal decentralization because fiscal decentralization focuses to meet the need of local governments by making the budget process open to the public. Therefore, to meet the objective of fiscal decentralization the criteria used to prioritize the budget should be decentralized to the lower government unit by allowing local governments to develop their own criteria to prioritize their own budget by the central government. On the other hand, the improvement of budget systems and expenditure planning budget allocation process should be seen as a part of an integrated strategy of better public sector reforms. The systems should consider an enabling environment for executive, legislature as well as for the community by creating awareness and preparing work shop in order to improve allocate efficiency, performance based resource allocation, provided greater transparency, accountability and flexibility.

-Transparency: In terms of budget transparency, as we have seen to some extent budget information is provided in understandable form. But, there is limitation regarding availability of

clear information at the time bases in Addis Ababa. Therefore, the city administration should increase availability of clear budget information provided at the timely bases to the public in order to improve budget transparency in the city administration.

-Community Participation in Budgeting process: The key policy areas for community involvement in budgeting process is the creation of governmental environment consisting of appropriate structures of local authorities, a positive political culture that acknowledges civic inputs, and flexible and suitable legal frame work for local government budgeting processes. This implies political will, in which the ruling political party and its policy making structures engage citizen groups from the grassroots levels.

This ruling party should initiate and implement the participatory budgeting process through civic education on budgeting principles in order to create an informed citizenry that is able to identify and prioritize their needs, and to engage fruitfully with local government change agents. Also central to democratic local governance is civic voice, meaning that people should be allowed to air their views and contribute freely in decision making through their societal groups. As Cooke and Kothari (2001, P. 36) indicate, community based participation needs to be broadly illustrated, if not, participation will remain “an empty shell with meaningful decision making, interaction and collective action taking place elsewhere.”

5.4.2. Suggestions/Recommendations for Further Research

This section discusses to makes suggestion for further research. Even though, this research has been descriptive type, to some extent it also contains explanatory type of study. Therefore, based on the findings, a few areas are suggested for future research. The first is the reason why stakeholders participation in the budget process is limited specially relating to urban councils participation in debating and prioritizing the issue. It might be interesting to find out how stakeholders can be engaged in setting priorities and the process of budgeting, starting from the top (Municipal Managers) to lowest public staff members as well as citizens. In addition to this it is better to suggest for further researchers why political commitment in the budget process is limited. Secondly, the researcher was aware that in Addis Ababa city in preparing annual working plan public bodies as well as the cabinet did not seriously analyses planning with available budget. Therefore even if the respondent identifies some reasons; it needs more researches to identify the root causes that hinder them based the identified problems as insight.

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PART II: Addis Ababa city administration Budget Allocation process in Public sectors with Reference to Budget preparation and Approval stage.

Instructions : For each Practices listed below, Please tick your choice using mark ✓

Hint: 5=strongly agree, 4=agree, 3=Disagree 2= strongly disagree, 1=Neutral

No	Questions	Respondents				
		1	2	3	4	5
A	Budget preparation Stage					
1.	Each sectors seriously analyze and prepare their annual work plan based on government priorities and their sectors mandate before budget request					
2.	UFEDO seriously analyze each sectors previous and next year annual work plan					
3.	The urban cabinet seriously analyze and approve the sectors plan					
4	Budget managers (sectors) present the actual fund needed(capital and` recurrent budget) by their program without exaggeration					
5	Once the resource envelope is set and the town receives their share, sectors' plan is considered in allocating the budget					
6.	In reviewing the budget, the budget committee consults experts and utilize their knowledge					
7	The budget committee of the town analyze budget allocation in light of strategic/annual plan before providing for approval					
B	Approval stage					
1.	Addis Ababa city administration council seriously debate analyze about the allocation of budget before approval?					
2.	The city administration councils have influence in setting budget priorities among different sectors					
3.	the city administration council approves the budget on timely with no unnecessary Delay					
4.	The councils of the town analyze budget allocation in light of strategic/annual plan before providing for approval					
5.	The town council amends or adjusts the budget allocated to each sectors before approval					
6.	In review the budget the town council gathers opinion from different sectors and utilize their knowledge's before budget approval					

PART III: The Linkage between Public Sector's plan and Budget Allocation

Instructions. Please circle on the relevant alternatives of your respective answers and give explanation on the space provided where necessary.

1. Are you familiar with Government policies and fiscal planning?
 - a) a) Yes b) Partially c) No
 - b) d) If any others please specify-----

2. Government policies and fiscal planning processes are
 - a) Systematically linked to annual budget
 - b) Partially linked to annual budget
 - c) No systematically linkage between government policies, fiscal planning and annual budget
 - d) If any others please specify-----

3. Are government policies accessible and clearly articulated in each sector?
 - a) Yes b) Partially c) No

4. Is Medium term Expenditure Framework implemented in your sector?
 - a) Yes b) No

5. Do you think that the strategic plan of your sector is practically operational?
 - a) Yes b) Partially c) No

6. Do you think that the sectors annual budget request is really linked with their annual work plans?
 - a) Yes b) Partially c) No

- 7). If your answer for question number 6 is 'no', what is the extent of the gap?
 - a) Very great b) Great c) Moderate d) Less

- 8). If budget request of public bodies doesn't strictly correspond to their programs, what are the major reasons? (Circle)
 - a) a) Lack of skilled manpower b) Low attention by head of public body
 - b) c) Lack of training d) All of the above
 - e) If any others please specify.....

- 9). As a civil servant, if you rank the problem of government budget allocation in public sectors in the Addis Ababa city administration
 - a) Extremely high b) High c) Middle d) Low

Appendix 2: INTERVIEW SCHEDULE

Interview Schedule Targeted at Addis Ababa city Budget Hearing Committee

A. Administration Detail

B. Local Government Budget Allocation in Public Sectors in Addis Ababa city administration .

A. Budget Preparation

1. What process or step do you follow in budget allocation particularly budget preparation?
2. Is there any budget allocation criteria/standard used for allocating among sectors?
3. For the above questions if your answer is yes what criteria is used of allocating budget?
4. Do you think that there is transparency in budget preparation to public sectors?
5. What are the key challenges to effective Budget preparation?
6. If you have additional comments please explain?

B. Budget Approval

1. Briefly explain the process of budget approval by legislature?
2. Does the legislative formally debate over allocated budget among sectors?
3. How much time was taken to approve and implement the allocated budget to the town?
4. What are the key challenges to effective Budget Allocation?
5. If you have additional comments please explain?

C. The Link between Sector's plan and Budget allocation and other related interview

1. The existing processes of budget allocation system in public sectors, has linkage with Strategic and annual work Plan of the sectors? If no what are the problem?
2. What is the mechanism town uses, for prioritization the problem?
3. Are there any areas that need immediate attention to focus about?
4. What can be done to improve government budget allocation to sectors?
5. If you have additional comments please explain?

THANK YOU FOR YOUR COOPERATION!

.....