

*Assessment of Budget Preparation and Utilization Practices
(The Case of Jimma Zone Health Sector)*

*A thesis Submitted to the School Graduate Studies of Jimma University Partial
Fulfillment of the Award of the Degree of Masters of business Administration
(MBA)*

By:

MOGA ABABULGU



JIMMA UNIVERSITY

COLLEGE OF BUSINESS & ECONOMICS

MBA PROGRAM

JULY, 2020

JIMMA, ETHIOPIA

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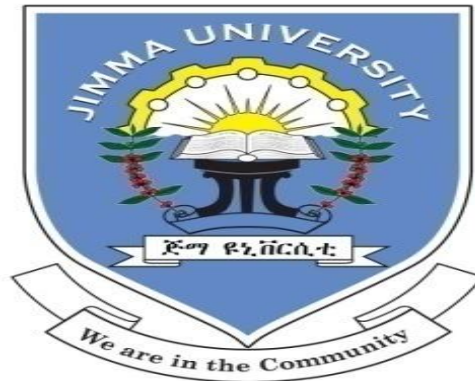
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DECLARATION

I hereby declare that this thesis entitled “*Assessment of Budget Preparation and Utilization Practices (Case of Jimma Zone Health Sector)*”, has been Carried out by me under the guidance and supervision of Wendwesen Siyum (Ass. Prof.) and Mr. Frew Mulatu.

The thesis is original and has not been submitted for the award of degree of diploma at any university or instructions.

Researcher’s Name

Date

Signature

Moga Ababulgu

CERTIFICATE

This is to certify that the thesis entities “Assessment of Budget Preparation and Utilization Practices (Case of Jimma Zone Health Sector)”, Submitted to Jimma University for the award of the Degree of Master of Business Administration (MBA) and is a record of Valuable research work carried out by Mr. Moga Ababulgu, under our guidance and supervision .

Therefore, we hereby declare that no part of this thesis has been submitted to any other university or institutions for the award of any degree of diploma .

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Wendwesen Siyum

Co-Advisor’s Name

Date

Signature

Frew Mulatu

Abstract

This study is conducted on The Assessment Of Budget preparation and Utilization Practices in the case of Jima Zone Health Sector . To the best of the researcher's knowledge ,there is no document that reports the practices of budget preparation and utilization in Jimma zone Health Sector and this is a major motivation to carry out this research . The general objective of the research is to assess the budget preparation and utilization practices in the case of Jimma Zone Health Sector . Ten out of Twenty eight budget holders were taken and five key informants were selected from each budget holders with a total of fifty respondents .The researcher used fifty of the staff employee as sample size by using non probability sampling method through purposive sampling technique. The study adopts descriptive statistics, frequency , percentage , mean value and standard deviation as a fact for interpretation, and SPSS and Microsoft Excel method approach in order to achieve the research objectives and to answer research questions. More of the qualitative analyses demonstrate that there was no accountability in budget utilization, there is no market oriented cost estimation practice .Lack of adequate and experienced budget experts is other issue that contributes to worsen the problems and also there is no evidence based evaluation mechanisms in the budget utilization at each level of the Health office. The researcher concluded that the causes for underutilization of budget are mainly due to lack of coordinated effort in purchasing, The researcher recommended that budget preparation practice needs more focuses to capital (investment Budget) rather than recurrent budget. Regarding to recommendations the health office should use opinions suggested on the feedback given by Jimma Zone Finance and Economic Cooperation Office and should consider thoroughly. In general, Jimma Zone Health sector should take all possible actions to correct the observed weaknesses, and avoid repetition of the problems in subsequent years. Finally, based on the result of the finding, conclusion and recommendation were forwarded to Jima zone Health Office.

Key Words: Budget Utilization, Budget Preparation and Budget

ACKNOWLEDGEMENT

First of All, I would like to thank my God for the successful completion of this research work.

My special appreciation and deepest gratitude goes to my Major Advisor, Wendwesen Siyum (Asst .Professor) and Co-Advisor ,Mr. Frew Mulatu who tirelessly have offered me their Support and the necessary guidance until the completion of my work.

My genuine gratitude also goes to Jimma Zone Health Office and Jimma Zone Finance and Economic Cooperation Department of Planning, Budgeting, Monitoring and Evaluation Experts who were cooperative in providing the necessary information , documents and sacrificed their time to fill the questionnaires .

Last but not least, I would like to forward my thanks to my family and my office for their genuine and sustained encouragement to complete this research work.

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List of Abbreviations and acronyms

BOFED = Bureau of Finance and Economic Development

CIMA = Chartered Institute Of Management Accounting

EFY = Ethiopian Fiscal year

GTP = Growth and Transformation Plan

HSDP = Health Sector Development Program

ICAFW = International Conferences on Application of Fractals and Wavelets

IBEX = Integrated Budget Expenditure Frame work

IMF = International Monetary Fund

MOFED = Ministry of Finance and Economic Development

MOH = Ministry of Health

MTEF = Medium Term Expenditure Framework

OECD = Organization for Economic Co-Operation and Development

OFAG = Office of Federal General Auditor

UNICEF = United Nations International Children's Emergency Fund

WHO = World Health Organization

ZOFEC= Jimma Zone Finance and Economic Cooperation

CHAPTER ONE

1. INTRODUCTION

This chapter addresses the introductory part of the proposal. It basically includes a Statement of the Problem, Objectives of the study, Basic research questions, Scope of the study, Limitation of the study, Significance of the Study and Organization of the paper

1.1. Background of the Study

From the perspectives of public policy and budgetary process, the health sector shares many of the characteristics of other sectors of government. This means that the citizens of any country will benefit from a health sector that is subject to the same broad set of rules and procedures that are applied to other sectors. For budgeting and utilization processes to be effective and economic, they must be based on well-argued and elaborated plans and program. Contemporary studies show that governments which have effective fiscal rules have stronger budget discipline. These rules focus on formal and informal procedures for preparing and utilizing the budget (Schick, 2007).

Poor performance is often to be found in the weak links between policy making, planning and budgeting. At one level, policy making and planning are unconstrained by what a country will be able to afford over the medium term. At another level, policy making and planning are insufficiently informed by their budgetary implications and by their likely impacts in the wider community. The inadequacy of hard budget restraints on decision makers at the planning and budget formulation stage of the cycle leads to inadequate funding of operations, poor expenditure control and unpredictability in the flow of budgeted resources to agencies responsible for service (Malcolm, 1998).

When we see the case of Ethiopian budget classification system, it is possible to see exactly which resources are assigned to which public bodies and to follow up that the money has been used in accordance with the intended priorities. Budgets are assigned to public bodies or sector offices and their respective departments, divisions, programs or projects, in turn, assign responsibilities for their effective use. With devolution, it is crucial that the planning and budgeting cycles at each level are harmonized and coordinated. This is also why a basic

understanding of the procedures and timelines in preparing the budget at federal level is important in order to understand the budget process at regional, zonal and District level. Furthermore, budgets define “use” and “purpose”. The purpose or objective of a budget is related to the intended outputs. This means all budget items are related to the planned activities on which the public funds are spent and the purpose of the spending. Finding adequate resources to finance health systems has become a real challenge for countries around the world. This challenge is exacerbated in developing countries that lack sufficient funds to meet their populations’ basic health needs and demands. Increased pressures on health care resources have led policymakers, administrators and clinicians to search for more efficient ways to deliver health services. Increasing public resources for health or more precisely, expanding “fiscal space” for health does not necessarily need to come from greater tax revenue or larger budgets. Often times, it is not the amount of health spending, but the effectiveness with which those funds are used, that matters most. Effectiveness and efficiency improvements in the health sector, even in small amounts, can yield considerable cost savings and even facilitate the expansion of services for the community. Minimizing waste, corruption and other forms of ineffectiveness and inefficiency estimated between 20-40 percent of total health spending, World Health Organization Report (2010), that means countries’ health systems can achieve more with the available resources.

In the case of Ethiopia one of the main challenges hampering health care access and quality is the lack of resources. To address this challenge and hence to mobilize adequate resources for the health sector, different resource mobilization activities have been implemented, including: (i) revenue retention by health facilities for quality improvement; (ii) implementation of fee waiver system for enhanced equity; (iii) establishment of private wings and outsourcing for better efficiency; and (iv) pilot and implementation of community based and social insurance schemes for improved financial access to health services, avoiding payment at the point of care delivery (HSDP IV report, 2006).

Besides to this, for effective use of resources and to gain an understanding of how public funds have been utilized, and how they contribute to government policies, it is important to monitor the results of expenditure. This has led to the establishment of government monitoring and evaluation (M&E) systems. A common feature of such systems involves the Ministry of Finance

keeping spending agencies in check by requesting reports on financial and non -financial performance. The latter is also referred to as the results of government spending, and can be measured at the levels of outputs, outcomes and impacts, which involves defining performance indicators. It is important for governments to define and keep track of indicators to consider what they are trying to achieve with their policies and how far they are progressing and to use the information to plan accordingly. For this reason, there is a strong link between budget monitoring (understanding how public resources are being utilized) and performance-based budgeting (Rebecca, Natasha & Imran, 2011).

Rotich (2015) stated that the aim of government is to utilize budget in effective and efficient way but budget utilization are affected by a factors like lack of arrangement between the organizational structure and structure of performance reporting requirements, value and effectiveness of performance information were found to undermine budget utilization.

Abera (2014) finding concluded that lack of debate, delay of budget disbursement , lack of training on financial management, lack of internal audit and control, limitation in use of financial materials and rules and guidelines were among problems indicated. The amount of allocated budget to implement plan was inadequate. There were necessary financial rules and guidelines whose application was limited. Finally there was infrequent internal auditing implying lack of timely audit and internal control system.

To the best of the researcher's knowledge ,there is no document that reports the practices of budget preparation and utilization in Jimma zone Health Sector and this is a major motivation to carry out this research

To sum up, this paper explores how the public budget is being prepared and utilized effectively and how this can be enhanced. Having assessed these issues, the paper puts forward viable recommendations for decision makers regarding strategies to take advantage of existing and emerging opportunities for improved sector financing and budget execution. It suggests steps to be taken in the preparation and utilization of budget in Jimma Zone Health sector, by taking existing problems into account. This will help contribute towards improved and sustained future health service development interventions.

1.2. 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 key problems and controversial issue related to government budgeting is reflected in the preparation, 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-sectorial 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.

There are different budget users at different level of Health Office and each of the budget users has the responsibilities of preparing and utilizing budget. In budget preparation and utilization there are various type of problem encountering. In the case of Jima Zone Health office, the problems can be categorized in two levels: On each level of budget users and on Planning and Budget Department of the Health Office (Jimma Zone Health office and FECO manual, 2019).

According to Ymisrach (2012) finding critical challenges facing government, in relation to budget utilization is the lack of adequate institutional and managerial capacity to support its implementation, variation in understanding the concept of differentiating objectives from targets, lack of harmony and uniformity on terms and definitions and difficulties in making the structures of the organizations. In many of the budget users, gaps are observed in organizing their plans as per the strategy of the Health Office; from the performance of the sector, inefficiencies are seen in budget preparation and utilization. Some of the deficiencies observed are lack of strong follow up and control by successive leaders on the budget preparation as well as utilization at each respective budget users; each budget users is unable to report comparisons of budgeted

and utilized budget including the related justification. On the other hand, Planning and Budget Department of the Health Office, has a lion's share to follow-up the implementation of health office budget whether it is prepared and utilized for the intended purpose or not. In this regard, there is no strong way in budget reporting, supervising and controlling system by the Health office budget department for each level of budget users and problems would arise for weak budget preparation and utilization. This problem requires further investigation with scientific approach how the budget preparation and utilization proceeded within the Jima Zone Health Sector. Among the gaps that faced when I prepare this research was the absence of different researches on this area, especially at Jima zone level .

Different local researches have been conducted. For instance, Gebeyehu (2013) has conducted his research on Assessment of Budget Preparation, Utilization and Budget Performance in Addis Ababa Mass Media Agency. The findings shows that recurrent and capital budget allocation is not well known specifically and the utilization is based on arbitrary mechanism. It lacks management guidelines, and performance to estimate current and project cost. The level of spending mainly determines the performance of the activities. Currently, effective budget expenditure planning does not support capital budget allocation. This is due to lack of capacity and political commitments for improving budgetary management systems of the agency. However, this study paid little attention to Jimma Zone health sector.

Therefore, the researcher believed this research fulfills that gap by using mixed approach. The research is concentrated on the Assessment of budget preparation and utilization in Jima zone Health sector. Little has been done to evaluate/determine the causes that probably affect the preparation and utilization of budget in Jima zone Health sector. This research thus bridges an evident research gap as there is no document to the best of researcher knowledge that reports any study on the probable causes that may hinder the preparation and utilization of budgeting in the Jima zone Health Office.

1.3. Basic Research Questions

In order to achieve the intended objectives of the study and to address the research problem, the following research questions were formulated:

- How is the budget preparation process or system adopted by the organization?
- How is Budget Utilized in the selected Jimma Zone Health Sector ?
- Does Planning and Budget Department have a means to take corrective action on the weaknesses of budget preparation and utilization?
- What weaknesses are observed in budget preparation and utilization?

1.4. Objectives of the study

1.4.1. General Objectives of the study

The general objective of the study is to assess issues related to Budget preparation and utilization Practices in the case of Jimma zone Health sector.

1.4.2. Specific Objectives

- To assess the budget preparation process or system adopted by the Jimma Zone Health Sector
- To review how budget is utilized in the case of Jimma Zone Health Sector
- To assess the means how the planning and budget Department takes corrective action on the weakness of budget preparation and utilization
- To identify possible suggestions on the observed problems and gaps in budget preparation and utilization

1.5. Scope of the study

The scope of this research was limited at Jimma Zone Health Sector within 7 District Health offices, Two District Hospitals and One Zonal Health Office. The research investigates how budget is prepared and utilized in the selected area of the study. The time horizon of the study covered by this research is limited to assess the last five years budget utilization of Jimma Zone Health sector covering from 2007 up to 2011 E.C. During the recent five years, a budget utilization trend of the Health Office is observed from five years budget performance obtained from secondary data in Jimma Zone Finance and Economic Cooperation (ZOFECC).

1.6. Limitation

Even though this research focuses on the assessment of Budget preparation and utilization Practices in Jima zone Health Sector. The scope of the research was limited to generalize the findings, there are also limitation on local studies on Jimma Zone Health Sector Budget preparation and utilization Practices. To minimize this limitation the researcher tried to review related sectors research which was issued in abroad. There are also data constraints, in terms of interviews questions where focus on management and expert of the selected public sector have willing to respond the interview question.

1.7. Significance of the Study

It was likely certain that some benefit would be derived from this study. The researcher believes that the result of this research was having the following significances. Apart from being the obligatory requirement for fulfillment of the study, the research report gives some necessary recommendation to have relevant information for Jimma Zone Health Sector on budget preparation and utilization Practices . At large, the study may be employed by Jima Zone Health Sector in addressing some of the problems related to budget preparation as well as utilization. It may also contribute to create awareness among the budget users, and any other concerned body on the role of budget management and to the success of vision of Health Sector. It helps the organization officials by giving a recommendation to some existing problems which need some improvement regarding budget preparation and budget implementation. And also, Contains or provide information most useful to management. Moreover, it can be referred and make the base for further research on the same topic for other researchers.

1.8. Organization of the Paper

The study was organized in five chapters as follows: Chapter one is Consisted of the Introduction ,Background of the study, statement of the problem, objectives of the study, research Questions, Significance of the Study, Scope and Limitations of the Study, Chapter Two deals with the Literature Review. It covers an Overview of issues related to Budget preparation and utilization Practices. Chapter three is the Methodology. This looks at the Type of Research, Population, Sample and Sampling Techniques, Data Collection and Method of Data Analysis. Chapter four indicates the Results and Discussion of Findings. This covers General Information on Jimma Zone Health Sector, Data Presentation and Analysis, and Discussion of Research Findings. Chapter five gives the Summary of Findings, Conclusion and Recommendations of the Study.

CHAPTER TWO

2. LITERATURE REVIEW

In this chapter the concept of budgets, budget preparation and the budget utilization and some empirical literatures are discussed. This is achieved by gathering the available literature by scholars and academicians on the subject.

2.1. Theoretical Review

2.1.1. Concepts of Budgets

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

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

2.1.2. Budget Cycles In The Governmental Sector

This cycle or system ensures greater accountability for decisions. It also allows decision Makers to modify the budget for efficiency and effectiveness. The budget cycle has three phases: executive preparation, legislative approval and budget execution. The budget execution: at the beginning of the fiscal year, bureaus carry out or execute their approved budget. Spending is monitored by the bureau and the executive budget office in order to ensure that appropriations are not overspent. This was usually done through the use of accounting software that is designed

to ensure that spending is within authorized amounts. Monthly, Quarterly, and Midyear budget reports were issued that provide comparisons between actual revenue received to date and revenue projections actual expenditures compared to appropriations. If revenue projections were off the target, Modifications should be made to ensure that the budget is balanced. Budget short falls can cause serious operating and personnel problems for bureau heads. A weak budget system and a poor budget choice aggravate social problems. More over even, where budgets are allocated to reach the poor and vulnerable groups, the funds may not reach the intended beneficiaries due to weak expenditure and program/financial management. All these factors justify the need for effective budget management (mathur.1996).

2.1.3.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 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 Financial Calendar

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

Source: Adapted from Streak, 2020

2.1.4. Budget Preparation

Maitland (2001) mentions that the process of preparing and agreeing on a budget is a means of translating the overall objectives of the organization into detailed, feasible plan of action. Public budget preparation is one of the tedious tasks that any country should look upon. The preparation process for the annual budget involves a great deal of energy, time, and expense. Hence, it is important that a country must be able to follow accurately all the methods of preparing an annual budget. In budgeting, the focus is not only to prepare the budget, but more importantly to have a follow-up operation for budgeting and to act according to known data.

Falk (1994) states that budgets are financial expressions of a country's plan for a period of time. It tells where and how the organization will spend money and where the money will come from to pay these expenses. Budget preparation is a process with designated organizations and

individuals having defined responsibilities that must be carried out within a given timetable. This process is normally established and controlled by a legal and regulatory framework. While generally sharing broadly common procedures, budget preparation (and execution) systems do exhibit differences depending on their historic origin. Given the common heritage of many countries, it is possible to identify four main patterns--francophone, Latin American, (British) Commonwealth, and transition economies. To understand the budget preparation process in a given country or organization, it is important to: assess the basic soundness by judging the budget preparation system against certain internationally accepted standards or "budget principles"; know where to find the rules governing the budget preparation process; and from those rules, identify who has the responsibility for what elements of the budget preparation process. Based on the objective macroeconomic assessment of available revenues and financing, ideally, the expenditure budget should aim to be comprehensive, transparent, realistic, policy-oriented, and allow for clear accountability in budget execution

He adds that budgets set limits. Besides setting limits, Andrews and Hill (2003) say that budgets also provides the assurance that the most important needs of a country are met first and less important needs are deferred until there are sufficient funds in which to pay for them. Even though budget preparation is not the sole thing that needs consideration in budgeting, the basis of it is still needed in order to have at least close estimation.

As per Shah (2007) preparation of the budget usually takes many months and involves all public institutions: the Ministry of Finance manages the process; the Cabinet/President sets or approves the policy priorities, line ministries plan and advocate for their resource needs and the legislature reviews and approves the final plan. Preparation is at the heart of the political process: it is the decision on how to allocate the state's limited resources to competing demands.

Preparing a budget proposal that suggests a set of recommended policies and stays within whatever financial limits are considered politically realistic has been a prominent issue in public budgeting (Bunch and Straussman, 1993). One approach is to set specific dollar ceilings on budget requests. This approach has the distinct advantage of making agencies prepare requests that include only financially feasible options (Lee 1992). This method is often called fixed ceiling budgeting. Budget ceilings instruct agencies to request next year's budgets based on certain assumptions, such as their set of priorities regarding rankings. Another approach is for the

governor to provide policy guidance in terms of overall priorities and/or guidance by major program.

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

As Schiavo-Campo (2007) stated a successful budget preparation process combines top-down direction and bottom-up planning. The overall budget envelope and sector/ministry spending ceilings are usually set by the Ministry of Finance and the Cabinet/executive in accordance with policy objectives. These are then communicated to the line ministries, which are responsible for preparing their respective sector budgets. Through an iterative process of review, debate and bargaining, a consolidated budget is hammered out. A budget proposal is then presented to the legislature, where it is debated and negotiated with the executive and eventually passed into law.

2.1.5. 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 into 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).

2.1.6. Budget Utilization

Once a budget has been approved by the legislature, the government embarks on the challenging task of spending funds. Utilizing public funds effectively to meet stated policy objectives while ensuring value for money is often just as challenging than planning how to spend it. Several reviews of Public Financial Management performance in developing countries show that countries score significantly better on budget preparation than on budget utilizing.

According to Schiavo-Campo and Tommasi (1999) budget utilization is the phase where resources are used to implement policies incorporated in the budget. As they argued, it is possible to utilize badly a well-prepared budget; it is not possible to utilize well a badly prepared budget.

As per Allen and Tommasi (2001), successful budget utilization depends on numerous factors, such as the ability to deal with changes in the macroeconomic environment, and the implementation capacities of the agencies concerned. Besides to this, the budget system should assure effective expenditure control. In addition to a realistic budget to begin with, a good budget utilization system should have complete budgetary/appropriation accounting system. It is necessary to track transactions at each stage of the expenditure cycle (commitment, verification, payment) and movements between appropriations or budget items (Schiavo Campo and Tommasi, 1999).

2.1.7. Concepts Of Under and Over Utilization Of Budget

Allen and Tommasi (2001) Stated that over utilizations are sometimes caused by non-compliance of budget managers with the spending limits defined in the budget, when committing expenditures. Since cash allocated to spending units for appropriated expenditures is generally controlled, these overruns generate spending arrears. Overruns are often the result of off-budget spending mechanisms (payment from special accounts, etc.). In some countries, payments made through exceptional procedures are not controlled against the appropriations and are therefore an important cause of overruns; lack of compliance can be addressed through strengthening the

audit system, and reporting system, and ensuring the effectiveness of the basic budget execution controls. Moreover, overruns can be caused by deficiencies in budget preparation. Sound budget preparation processes and adequate institutional arrangements are a prerequisite for avoiding overruns. (Allen and Tommasi (2001)

On the other hand, Allen and Tommasi (2001) expressed in a number of countries, the official budget is under spent, particularly its non-wages expenditure items. This does not necessarily mean that there is good fiscal discipline in these countries. In some countries with poor governance, under spending of the official budget may coexist with large amounts of off budget spending. On the whole, in most cases, underutilization as well as over utilization is related to insufficiencies in budget preparation and program preparation. An overestimated budget and unrealistic projections of revenues may lead to budget revisions during budget utilization and to a practice known as “repetitive budgeting”.

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

2.1.8. Reason for Variations between Budgeted and Actual Expenditure

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

2.1.9. Internal Control

As explained by Rebecca, Natasha & Imran (2011) internal control systems are the policies and procedures put in place by the management of a government agency in order to ensure the agency achieves its objectives and complies with external laws and regulations. Such policies and procedures tend to cover financial accounting and reporting, performance monitoring, asset management and procurement. Large agencies will have an internal audit unit comprising internal auditors that independently review and report on the implementation of management policies to the head of the agency.

2.1.10. Managing and Monitoring Budget Utilization

As indicated by Tommasi (2007) there should be distribution of responsibilities for budget utilization, budget appropriation management rules and budget revisions, various special issues related to budget utilization, and the monitoring of budget execution. At the same time budget execution covers both activities related to the implementation of policies and tasks related to the administration of the budget. Both the central agencies (the ministry of finance, the ministry of planning in a dual budgeting system, and the prime minister's office) and the spending agencies are involved in these tasks. The distribution of responsibilities in budget management should be organized according to the agencies' respective areas of responsibility and accountability.

2.2. EMPIRICAL REVIEW

According to Horngren, Sundem, Stratton, Burgstahler & Schatzberg, (2008) state that, recent surveys show just how valuable budgets can be. They assert that, a study of more than 150 organizations in North America listed budget preparation and utilization as the most frequently used as most important part of budget process. One of the usefulness of the process of budgeting forces manager to become a better administrator and puts planning in the fore front of managers' mind.

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

over 92% of the 150 companies in North America prepared and utilized budget and remarked budget process as the top among the top activity expected from management. In the same view, in a roundtable discussions organized by CIMA and ICAEW in 2004 on “The traditional role of budgeting process in organization”, it is stated that budgeting and the accompanying process are indispensable and that, research in organizations seems to suggest that this is a commonly held view.

It was further stated that, traditional budget process remains widespread. Some claim that as many as 99% of European companies have a budget in place and no intention to abandon it (Kennedy&Dugdale 1999, cited in CIMA-ICAEW, 2004).

Consistent with this, Anand (2004), in a survey carried out in India found out that good budget process as one part of management control system is wide spread. Precisely, 88.7% of the respondents in their study prepared budgets. They assert that nearly all the companies in Australia, Japan, UK, and USA prepare budgets (Asada et al., 1989, Blayney&Yokoyoma, 1991, Chenhall & Langfield 1998 all cited in Anand et al., 2004).

On the contrary, research also shows that over 60% of companies claim they are continuously trying to improve the budgeting process to meet the demands set for management in creating sustainable value (Ekholm&wallin, 2000,cited in CIMA-ICAEW, 2004).

According to Bourne (2004), Cranfield. University in 2001 teamed up with Accenture's finance and performance management service line to undertake a large worldwide review of planning and budgeting. They focused on 15 companies in the US and Europe which had already made adjustments to their budgeting practice. In addition, the researchers reviewed over 100 academic and practitioner books on the subject. The result showed a widespread dissatisfaction with the budgeting process (Bourne, 2004).

However, empirical evidence from Nigeria showed that from country other than the developed ones on the value of budget preparation and utilization. The study concludes that most companies in Nigeria operate budgets annually, thereby confirming its widespread use. We can also conclude that budget preparation and utilization is a veritable part of budget process. It is recommended that efforts through researches should be directed towards improving the budget preparation and utilization rather than calling for its total abandonment.

2.2.1. Budget Process Overview In The Case Of Ethiopia

Currently, the annual budget formulation process has two dimensions: the identification of priorities and goals, and allocation and management of funds. The budget formulation process has four stages: the planning stage, the budget preparation stage, the budget legislation and budget implementation and control stages. Several stakeholders are involved at each step of the budget cycle, with some contributing exceedingly more than others. The executive body has considerable power in the budgetary process with Ministries playing important roles in planning, budget formulation and implementation. Ethiopia has a dual budgeting system in which recurrent and capital expenditure are considered separately (MOFED, 2009).

MOFED is the major clearing house for the preparation of the federal budget in Ethiopia, although this is done in consultation with the various ministries that are the beneficiaries of the budget. The responsibilities of the Minister of Finance and Economic Cooperation, as stipulated in the Council of Ministers Financial Regulations No 17/1997, consist of formulating and issuing directives that detail government financial policies in all areas of government finances; developing and maintaining appropriate standards of work and conduct for application throughout all public bodies; internal auditing functions; and preparing a financial plan for the country. Each public body needs to take the initiative to commence budget preparations before they receive the budget call letter from Ministry of Finance and Economic Cooperation (MOFEC) with their budget ceilings, such as development of unit costs (where appropriate), a midyear program review, and the preparation of work plans. (Financial Regulations No 17/1997)

Various steps are involved in the process of budgeting in Ethiopia. The first step in the process is the sending of Budget Calls and ceiling notifications to line ministries by the MOFED. The various line ministries submit their budget request as per the established regulations. After the budget hearing and defense process at the MOFEC, the final budget will be submitted to Parliament by the Prime Minister for approval. It is important to distinguish between the approved budget and the annual appropriations. The budget that is approved by the Council of Peoples Representatives is a detailed budget, i.e., by public body, sub-agency, project, expenditure item, etc. However, the appropriations are at a more aggregate level. An

appropriation is a legal mandate to spend money out of the consolidated fund. After the Council of Peoples Representatives has approved the budget, it is the responsibility of the civil service to implement that budget. Implementation of the approved budget is also known as budget execution MOFEC (2006). The implementation phase of the budgetary process covers not only measures for disbursing funds already allocated but also the monitoring of how funds are spent to ensure that they are used judiciously and for the intended purposes. It is the responsibility of Ministry of finance and economic Cooperation to inform all public bodies of their approved budget. It uses forms to notify each public body of their approved recurrent and capital budget respectively; and between July 8 and 15 (MOFEC, 2006).

Funds are dispersed to ministries each month on the basis of the allotted budget. Every Ministry is required to submit a monthly disbursement request in which it reports the previous month's expenditure, detailing what was spent and how it was used, and makes a request for the next month's allocation through a work plan. The Ministry's Fund Disbursement Department handles the process of fund disbursement for the ministries and keeps records of all transactions. The budget registrar in the Disbursement Authorization Department records the original budget, all transfers and supplementary budgets, the disbursements made and any undisbursed allocation. Each public body is required to enter details of its approved budget onto their budget expenditure subsidiary ledger cards for each budget institution, sub-agency, or project. The cards are used to keep track of approved budget, budget adjustments/transfers, supplements, and commitments. Although planning and budget processes should be thorough and attempt to anticipate needs of the next year, not all future circumstances can be foreseen with accuracy. When the situation demands, the approved budget can be legally adjusted during the year to adapt to unforeseen circumstances. Budget adjustments are not desirable and can be avoided by proper planning and budgeting. There are two types of budget adjustment permitted by law: budget transfer and budget supplement. (World healthy report 2010)

2.2.2. Budget Transfer

It is Possible to move budgeted funds between public bodies, budget institutions, projects or items of expenditure, without changing the total approved budget. Budget transfers between public bodies, budget institutions, projects or items of expenditure are authorized by the

Financial Administration Proclamation No. 648/ 2009 and the Financial Regulations No. 17/1997, subject to certain restrictions and the required level of approval or authorization. These include: No transfers are permitted from other recurrent expenditure to salaries, wages or allowances; No transfers are permitted from the capital budget to the recurrent budget; all other transfers must be approved by the authority specified in Part Four of the Financial Administration Proclamation No. 648/2009 and the Financial Regulations No. 17/1997.

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

2.2.3. Budget Supplement

The total approved budget can be increased with the approval of the Council of Peoples Representatives on recommendation of the Council of Ministers. It is additional authority to spend beyond the original approved budget. During a budget year, while an approved budget is in the process of being implemented, it is possible that an un foreseen or urgent need for increased expenditures arises, (e.g. a natural disaster) or a new project, not included in the original approved budget, is approved for commencement during the budget year; Additional resources become available (e.g. from external assistance or loans) that can fund increased total expenditures, including any new projects. Any of these circumstances may require additional expenditures during the budget year by a public body beyond those in the approved budget. In these situations a supplementary budget and appropriation are required. These are also authorized by Part Four of the Financial Administration Proclamation No. 648/2009 and the Financial Regulations No. 17/1997.

Supplementary budgets are coordinated and prepared by MOFED, based on requests or proposals received from public bodies. Public bodies are required to prepare their supplementary budget requests in writing and submit to MOFED Budget Department. Then, MOFED notifies public bodies of their approved supplementary budget. Subsidiary ledger card must be kept up to date by public bodies so as to show the correct adjusted budget and to prevent any overspending or over commitment of funds available. MOFEC coordinates the management and control of public funds in Ethiopia. It is this Ministry that keeps the accounts of the federal budget and

prescribes regulations on financial management and control for ministries and government agencies. In addition, ministries are required to manage and control funds allotted to them following the central regulations and directives on financial management set out by MOFED. The regulatory mechanisms of the budget include requirements that: Budgetary receipts are recorded in the appropriate budgetary account as prescribed in the financial regulations and in a timely manner; Collected revenue is recorded under the appropriate revenue account; Expenditure only is made in compliance with the financial regulations; All books of accounts are closed each month and a monthly receipt and disbursement be prepared and submitted to MOFEC at the centre and regional finance bureau in the regions; Periodic financial statements are prepared and submitted to the Council of Ministers and regional executive committee's by MOFEC at the centre and regional finance bureau in the regions (MOFEC, 2009).

A consolidated annual report be prepared and sent to the Council of Ministers and regional executive committees by MOFEC and regional finance bureau. MOFEC can be seen to play a central role in the budgetary process of the country. It controls the formulation and implementation of the budget of line ministries at various levels. During the writing of the Budget Calls, it can make changes in the budget allocation of line ministries after review and analysis of the budget estimate submitted by the ministries. It decides the level of the budget to be recommended to the Council of Ministers. During implementation, it has the power to disburse funds. Through the monthly accounting reports, it scrutinizes the performance of the ministries in budget implementation, and it can decide on the level of funding to be authorized for disbursement. It can also approve transfers and recommend supplementary allocations (MOFEC, 2009).

As stated by Alemayehu Geda and Dawit Birhanu (2011) the new fiscal year budget implementation begins with the issuance of budget notification from MOFEC to budgetary institutions. Institutions are expected to submit action plans (financial and physical) for the budget year based on the approved budget spending. Budget utilization is implemented using a three month rolling disbursement request to MOFEC by the budgetary institutions. MOFEC in turn releases funds according to their request. Previously institutions were obliged to submit their requirement monthly. When we see the annual budget cycle, it is devoted to budget implementation and control. This stage focuses on: Notification of the approved and allocated

budget to the budgetary institutions by MOFED; Submission of annual and sub-annual cash flow needs planning by the budgetary institutions and release of fund by MOFEC through zero-balance cash flow management system, Evaluation and monitoring of implementation of projects, Comprehensive auditing of Federal Government accounts by the Office of the Federal General Auditor and submission of the audit report to the Parliament; and approval of the report by Parliament; and Take corrective actions based on the audit findings and recommendations by Alemayehu Geda and Dawit Birhanu (2011) &(MOFEC, 2009).

2.2.4. Health Office Budget Process

Health sector has undergone decentralization since 2003 .However the administrative structure has been decentralized, in actual policy implementation, the health bureau's budget and activity plans are based on the city's strategic plan. Even though the health bureau is considered to be the program owner, it is given instructions on how to spend funds by BOFEC. Recurrent expenditure on health is funded by BOFEC whereas program activities (capital expenditure) are covered by BOFEC and international donors (UNICEF, USAID, WHO). Funds for certain program activities (e.g. UNICEF's vaccination program), are channeled directly from the Federal level (MOFEC/MOH – Channel 2) to the Health Bureau. In general, funds are released quarterly or as lump sum (USAID, 2013)

According to World Healthy report, (2010) the Health Bureau mainly interacts with BOFEC directly through, for instance, financial activity reports. Zones, Districts, Hospitals and health centers are designed as cost center and implement health services. Jima Zone has 6 Hospital 122 health centers. (Jimma Zone Healthy sector profile 2011)

Health Centers are managed by Districts. For the allocation of recurrent budget discussions are made among representatives of Health Bureau, Zones, Hospitals and Districts but the decision is made by BOFEC and approved by the regional cabinet. (Jimma Zone Health sector profile 2011)

2.2.5. Budget Utilizing Bodies In Jima Zone Health Office

According to the budget guide, Jima Zone Health Office has identified the following budget executing bodies at each level of the health sector in Jima Zone i.e. at Zonal Health Office, District and Hospitals. i.e. Human Resource management department, Curative Health service department, Disease prevention and health promotion, Planning and budgeting department, Finance department, Purchasing and store administration department, Internal auditing department, Pharmacy department, Laboratory department and Communication department. These budget utilizing bodies are regarded as the major users that hold the direction of the health Office in terms of activities and programs based on the strategy of health sector in the Zone that the Health Office needs to achieve within five years. These activities and programs are implemented through the whole budget users i.e. District, Hospitals and Health Centers at the same time the structure of health office is similar from health office to health facilities levels (Jimma Zone Health sector report, 2011).

2.2.6. Transparency in Budgeting Process

ECA's 2002 (cited in (ECA 2005, p. 2) defines 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 sociopolitical, 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 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 (Elizabeth, Article 12).

Therefore, based on these theoretical concepts the research 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 Jimma Zone Health Sector .

2.3. Conceptual Framework

According to Zikmund and Griffin (2009) research design is a master plan that specifies the methods and procedures for collecting and analyzing the desirable information. Based on the nature and objective of the study, the researcher adopted both quantitative and qualitative research design. The researcher used primarily data and already available facts to analyze and make a critical evaluation of the data. The main objective of study is to assess budget preparation and utilization Practices in Jimma zone selected Health sector. This is accomplished by adopting descriptive research design. The Budget preparation and Utilization are used as key variables of the research . (Source: Developed for the research Purpose).

CHAPTER THREE

RESEARCH DESIGN AND METHODOLOGY

3. Introduction

The objective of the study was to assess Budget preparation and utilization Practices in Jimma Zone Health Sector. In this chapter operational definition of concepts and terms, the research design that was employed regarding to methods of data collection, sources of data, sampling design, data collection tools, and methods of data analysis and presentation are discussed in detail.

3.1. Research Design

A research design expresses both the structure of the research problem and the plan of investigation used to obtain empirical evidence on relations of the problem. This study used a cross sectional, descriptive and survey research design with the application of both qualitative and quantitative approaches of data collection .A descriptive research design is a scientific method which involves observing and describing the behavior of a subject without influencing it in any way (Kothari, 2004). Descriptive research is also considered appropriate because subjects are normally observed in their natural set up and can result in accurate and reliable information (Kothari, 2004). A survey in form of standardized questions in a questionnaire was used to collect data. A survey is defined by Zikmund&Babin (2007) as a method of collecting data from people about who they are, how they think (motivations and beliefs) and what they do (behavior). This study was guided by two variables; Budget preparation and utilization practice.

3.1.1. Research 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 basic research 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 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 adopted a Qualitative and quantitative approach because there are many ways in which government budget is prepared .

i. Questionnaire

Questionnaire is a general term including all collection techniques in which each person is asked to respond to the same set of questions in a pre-determined order. So, this method allows significant amount of data to be collected in a standardized form. Questionnaires as a method of data collection are advantageous in that they are inexpensive to administer, can be completed anonymously, easy to compare and analyze (because each person (respondent) is asked to respond to the same set of questions) can be administered to many people, allow collection of a lot of data, and many sample questionnaires already exist.

ii. Interviews

This was used in order to understand respondents’ impressions, experiences, or learn more about their answers to questionnaires. The interviews were of three types: structured interviews, semi-structured interviews, and unstructured interviews duo to quantitative approach implemented. 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. Total

population of the research area taken from those related with budget in the health sectors were 58 and the sample size of 50 was used by using non probability sampling method through purposive sampling technique.

3.2. Source and Type of Data

A questionnaire is an enquiry of data gathering provided or responded to statements in writing and used to get factual information, (Best and Kahan, 2005), so the researcher used questionnaires for similar cases. The questionnaires included open ended and close ended items. For the purpose of carrying out a good analysis and reaching a reasonable conclusion, data was collected from various sources either through the primary source and secondary source.

Primary source: The primary data used for this work were getting through questionnaire and oral interview which is administered to the respondent. Secondary Source: The secondary data were collected from textbooks, journals, newspapers, magazines and bulletin auditing report, auditing manual etc.

The questionnaires were distributed to 50 respondents of the budget users, particularly to staffs in the District Health Office, Hospitals and zonal Health Office. Other questionnaires were also sent to seven (7) budget experts of Planning and Budget Department of Districts, Hospitals and zonal Health Office and three (3) budget professionals of (ZOFEC) budget department for more information clarification. Generally from 50 questionnaires were distributed 44 (88%) were responded by the respondents and returned to the researcher (response rate) The questionnaires for Health Office budget users contained general information, questions related to planning and budget preparation, implementation, and overall utilization of budget.

Most of the questions designed were closed-ended. Likert scales of questionnaire were distributed to collect the data from all respondents. The scale was leveled as: "Strongly agree", "Agree", "Neutral", "Disagree", and "Strongly Disagree". Additionally, "Yes" or "No" form questions were used.

The questionnaires also include open-ended questions. The questionnaires for Jima zone Finance and Economic Cooperation (ZOFEC) was related to how the budget was prepared and utilized in the health Office.

3.3. Sampling Design or Sampling Technique

Jimma zone has one zonal health office, 21 (twenty one) district offices and 6 Government Hospitals administered under it. There are 28 budget holders in the Health Office with more than ten budget user units in each budget holder. Thus, the study used purposively selected budget users. Accordingly, 10 budget holders were selected from 28 budget holders' i.e. two Hospitals, seven district offices and one zonal Health Office were taken with a total of fifty respondents involved by taking 5 respondents from each budget holders.

Besides to this, for the purpose of getting more information clarification , since most of the budget issues are prepared and followed by the help of Plan and Budget experts in each of budget holders, budget experts were purposively selected and included from each budget holder. On top of this, for the purpose of the response given by Health Office key informants, 3(three) budget professionals were purposively selected and taken from ZOFEC. Sample is a small or selected group used to represent the whole.

The sample size that was used to represent the whole population was determined using the Yaro Yamane as it would not be easy to use the entire population.

The “Yare Yamane, 1969” Formula is as stated below

$$n = \frac{N}{1 + N(e)^2}$$

When: n= the sample size

$$n = \frac{58}{1+58(0.0025)}$$

N= total population size

$$n = \frac{58}{1.145}$$

e= the acceptable sampling error

$$\underline{n = 50}$$

3.4. Data Analysis Techniques

The primary and secondary data was gathered and analyzed by using both qualitative and quantitative data analysis methods. The data collected through questionnaire was analyzed using SPSS software version 25 and presented using descriptive statistics (frequency and percentage) to achieve the first objective of the study. Qualitative methods of data analysis were used for open-ended question and interview for each of response was given by respondents of budget user staffs, health office budget experts and Jima zone Finance and Economic Cooperation Budget Experts in explanatory way. The literature review was entirely depended on secondary sources whereas; the analysis part relied on primary data that was collected through structured questionnaire and personal interview as well as budget utilization report which was provided by ZOFEC .

The main variables of this paper were Budget Preparation and Budget Utilization. The findings of this study were presented using tables. Every table is also accompanied by result interpretation.

3.5. Five point Likert Scale

In this research one of the ordinal measures called “Five Point Likert Scale” were used. A Likert scale consist of a series of evaluative statements concerning an attitude object; respondents are asks to rate the object on each statements using a five point as follows. Strongly agree 5, Agree 4, Neutral 3, Disagree 2, strongly disagree 1. By using this scale, it will be easy to find out which factors affect for Effectiveness of the internal control system. Based on the values indicated in the questionnaire a mean value for each question is calculated.

XI= Mean value of variable.

I=1, 2, 3, 4, 5

X1 = Mean value budget preparation practice

X2 = Mean value utilization.

The value of each respondent for a variable is compared with the mean value. Therefore the decision rule is formulated as follows.

Decision Criteria Decision Rule

- $1 \leq X_i \leq 2.5$ Factors Low Supportive to budget preparation practice and utilization
 $2.5 < X_i \leq 3.5$ Factors Moderately Supportive to budget preparation practice and utilization
 $3.5 < X_i \leq 5$ Factors Highly Supportive to budget preparation practice and utilization

Source: - (International Journal of Scientific and Research Publications, Volume 6, Issue 6, June 2016 600 ISSN 2250-3153 Mrs.S.Kumuthinidevi, Senior Lecturer GII).

CHAPTER FOUR

RESULTS AND INTERPRETATION

4. Introduction

In this chapter, the researcher addresses research objectives of the study. The main objective of the study is to assess the budget preparation and utilization Practices in the case of Jimma Zone Health Sector . 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 Preparation and Utilization practices in the Health Sector are discussed. Thirdly, the linkage between sectors plan and budget Utilization of processes was identified. Fourthly, the level of financial transparency available in budget utilization processes was also assessed and presented. And finally, conclusions and recommendations are given .

4.1. Characteristics Of The Respondents

The respondents used in this research paper are classified into three types namely: budget users selected from samples of all the budget holders, budget experts of Planning and Budget Department and Budget experts from Jimma Zone Finance and Economic Cooperation Office.

Structured questionnaires (attached in Appendix 1) were sent to 50 respondents in samples of 10 budget holders as listed in Appendix 1. Forty four of the respondents (90%) have filled and returned the questionnaires properly. The questionnaires were distributed to and filled by budget experts, budget heads, and finance experts, in each budget holders. The characteristics of the respondents are presented below as follows in terms of gender, Age, education level, and service year.

Table 4.1: Level of Education Vs Service Year - respondents from budget users

		Frequency	Percent	Valid Percent	Cumulative Percent
1. Gender	M	29	65.9	65.9	65.9
	F	15	34.1	34.1	100.0
	Total	44	100.0	100.0	
2. Age	25-30	4	9.1	9.1	9.1
	31-40	15	34.1	34.1	43.2
	41-50	20	45.5	45.5	88.6
	Above 50	5	11.4	11.4	100.0
	Total	44	100.0	100.0	
4. Level of Education	Diploma	3	6.8	6.8	6.8
	Degree	35	79.5	79.5	86.4
	Masters and above	6	13.6	13.6	100.0
	Total	44	100.0	100.0	
5. Work experience	<5 Years	10	22.7	22.7	22.7
	6-10 Years	16	36.4	36.4	59.1
	11-15 Years	10	22.7	22.7	81.8
	Above 16 Years	8	18.2	18.2	100.0
	Total	44	100.0	100.0	

Source; Survey 2020

The gender composition indicates that 65.9 % were male while 34.1% were female. The gender proportion showed that both male and female were participated in this particular study. The age composition indicates that 43.2% 40 and below 40 years of age while 45.5% were 41 to 50 years and 11.4 % are above 50 years old . According to their level of education, 6.8 % had

diplomas, 79.5% had bachelor's degrees, and 13.6% had master's degrees. . Considering their professional experience, 22.7% had worked for not more than five years, 36.4% had worked 6 to 10 years, 22.7% % had worked for 11 to 15 years while 18.2 % had worked for over 16 years. So, the researcher can conclude that the respondents have adequate educational qualification to understand budget preparation and utilization.

4.2. Results

4.2.1. Health Office Budget preparation

Some questions were forwarded to assess the budget preparation process. The response of budget users is depicted as follows in relation to budget preparation. The summary of the responses presented in table 2 below.

Table 4.2: Budget Preparation by Budget users' and their response rate

	Budget preparation process	M.V	SD.		SA	A	N	DA	SD	Total
1	You have an adequate understanding to prepare plan and budget	3.55	1.190	F	8	21	6	5	4	44
				%	18.2	47.7	13.6	12.5	9.1	100
2	Your office has adequate number of budget professionals(budget officers) who prepare plan and budget	3.16	1.200	F	8	7	17	8	4	44
				%	18.2	15.9	38.6	18.2	9.1	100
3	Your office has strong relation with Health Office plan and budget department	3.61	1.125	F	8	22	6	5	3	44
				%	18.2	50	13.6	11.4	6.8	100
4	Your office prepares the budget in relation to plan	3.52	1.171	F	7	22	6	5	4	44
				%	15.9	50	13.6	11.4	9.1	100
5	Your office revises its plan frequently in relation to budget	3.57	1.228	F	10	18	7	5	4	44
				%	22.7	40.9	15.9	11.4	9.1	100
6	Budget is prepared based on reliable data and estimates	3.70	1.173	F	10	22	5	3	4	44
				%	22.7	50	11.4	6.8	9.1	100
7	Plan and budget is prepared for each program	3.70	1.173	F	12	17	8	4	3	44
				%	27.3	38.6	18.2	9.1	6.8	100
8	The amount of budget prepared for each program line item is over estimated	2.09	1.007	F	1	3	9	17	14	44
				%	2.3	6.8	20.5	38.6	31.8	100

9	There is problem of matching plan with budget in your office	2.39	1.125	F	2	6	9	17	10	44
				%	4.5	13.6	20.5	38.6	22.7	100
10	Your office prepares its annual plan based on strategic document of the zonal administration	3.02	1.355	F	6	14	7	9	8	44
				%	13.6	31.8	15.9	20.4	18.2	100
Valid N (listwise)		3.23	1.175							

Source; Survey 2020

The overall mean of the Budget preparation process was 3.23 which indicates an agreement of the Budget preparation practice in Jimma Zone Health sector. The highest mean of 3.70 indicate that large amount of the respondent agreed that the Budget preparation is based on reliable data with 72.7% were agree and strongly agree and also Plan and budget is prepared for each program with 65.9% were agree and strongly agree. The survey result also showed that Jimma Zone Health Sectors has strong relation with Health Office plan and budget department who prepare plan and budget with Mean Value of 3.61 with 68.2% agree and strongly agree. The respondents also agreed that office revises its plan frequently in relation to budget in the office with mean value of more than 3.57 with 40.9% agree and 22.7% strongly agree for each components of Budget preparation practice. Having an adequate understanding to prepare plan and budget with mean value of 3.55 were 47.7% agreed. In the cases of problem of matching plan with budget with a mean value of 2.39 were 38.6% disagreed.

But, Minimum Mean Value of 2.09 with 38.6% disagrees, 31.8 strongly disagree and 20.5% neutral in this category indicate that the amount of budget prepared for each program line item was over estimated. From the table, respondents were 38.6% neutral with a mean value of 3.16 were not sure whether in the office has adequate number of budget professionals (budget officers) who prepare plan and budget. The office prepares its annual plan based on strategic document of the zonal administration which has the highest standard deviation 1.355 with mean value of 3.02 which was 31.8% agree.

Actually on the above table from the total of 44 informants 29 of them strongly agreed and also agreed on the existence of plan prepared in relation to budget with a mean value 3.52 were 65.9%.

To sum-up that, the overall budget preparation practice is moderate with the mean score of 3.23 and standard deviation of 1.175. The mean score and standard deviation shows that the overall practice of budget preparation ranges between 2.09 and 3.70 (i.e. below and above a mean of 3.23 & 1.175 standard deviation).which indicate that the average response by respondents is concentrated around agree. Therefore, based on the respondents, the budget preparation practice in Jimma zone health sector was moderate.

Table 4.3. BUDGET PREPARATION ISSUES“YES” OR “NO” QUESTION

No	Issues	yes,	%	No comment	%	No	%	Total	%
1	Do you think that the department has enough number of skilled personnel that conduct effective budget analysis	15	34.1	17	38.6	12	27.2	44	100
2	Do you believe that budget holders give special attention when they prepare their budget request?	30	68.2	6	13.6	8	18.1	44	100
3	Do you agree that there is a wide mismatch between plan and budget in budget users?	18	40.9	9	20.4	17	38.6	44	100
4	Are the plans and budgets of budget users realistic, based on valid assumptions and developed by knowledgeable individuals?	29	65.9	6	13.6	9	20.4	44	100

As it is depicted on table 4.3 the respondents were asked whether the department has enough number of skilled personnel or not that conduct effective budget analysis and as we see from the table, the respondents 34.1% of them replied yes, 27.2 % no and the remaining 38.6% no comment for their idea. As it is displayed in the response, the respondents replied 68.2% yes, 18.1 % no and 13.6 % neutral on the question whether they believe that budget holders give special attention when they prepare their budget request .When we see the question whether the is a wide mismatch between plan and budget in budget users, the respondents replied 40.9% yes, 38.6% no and 20.4% no comment. Finally, for the question whether the plans and budgets of

budget users realistic, based on valid assumptions and developed by knowledgeable individuals, the respondents replied 65.9% yes, 20.4% no and 13.6% neutral or no comment.

Open Ended Questions on Budget preparation

Besides to this Likert scales of questionnaire, there were answers provided by the respondents in appendix 1 for open-ended questions . It is indicated that there was mismatch between plan prepared and annual budget requested. As the respondents stated, because of the mismatch between plan and budget, the departments are obligated to revise plan to include new activities. In most of the case low attention is given to the preparations of plan and budget. The cause for the revision of budget was mainly contributed by failing to consider the amount of budget needed for the fiscal year at the beginning of the budget year. On the other hand, other departments considered that plan is always prepared by the planning department only and they left out for themselves. Such situation has resulted in preparing budget without the exact basis of reasonable estimates and base line data.

As recognized from their written response, some budget users units prepare their annual budget by coping from the previous year budget request because of inexperience. Furthermore, they explained that budget users plan does not consider the approved budget of the health office and overall there is seldom orientation given about plan and budget preparation by ZOFEC and Health office Budget department for the budget users.

Both of the plan and annual budget preparation are synonymous. To achieve mission of the organization, flexible strategic plan has great value. What is complained by the budget users is infrequent revision of the strategic plan (or rigidity) periodically has put in burden on annual

plan of units. Nevertheless, plan should be a stable but flexible document over time that comprises the administrative outputs required for the management of the institution function including the provision of policy, strategy, plans, program and budgets.

By interview response revealed by plan and budget department during 2012 E.C third quarter report, the following problems were observed by budget users in connection with plan and budget preparation for successive budget years. The plan and budget was prepared without the participation, discussion, and approval of concerned units and persons, prepared budget did not include the relevant issues and the Health Office's strategic plan fully and there is a tendency of presentation of budget demand without work plan. In addition to this, majority of the respondents confirmed that budget users have limitations in: budget preparations, timely submissions of budget requests, and on the validity of assumptions taken in preparing the annual budget. In addition to this, there was questions forwarded to budget experts and some of them are depicted as follows:

- Are the plans and budgets of budget users realistic, based on valid assumptions, and developed by knowledgeable individuals?
- Do you believe that budget holders give serious attention when they prepare their budget request?
- Do you think that the department has adequate number of skilled professionals?

The respondents' answers are summarized as the follows: greater part of budget experts agreed on the existence of weaknesses in budget preparation even though there are others who do not agree. Some of the respondents explained that some budget users prepare their annual budget by over estimating. And they do not give priority of activities while preparing the financial plan. Moreover, most of the time, the amount of budget requested for each item is purposely exaggerated. The main reason is that they consider as the office allocates budget by reducing some percentage from the initial request. So that, according to their intention, if they submit actual demand without overestimation, the amount approved for that budget year would become less than what is expected.

Of the five budget experts, all of them stated that Health office Plan and Budget Department has no adequate number of skilled persons to conduct budget analysis. Moreover, for the question on

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

In general, the practice of budget users is not on the right track with the budget preparation principles like 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. In addition to this, it contradicts with what literatures mention on budget preparation.

For instance, according to Schiavo-Campo and Tommasi (1999) and Allen and Tommasi (2001), the main starting points for the preparation of the annual budget should be a clear definition of fiscal targets and a strategic framework consisting of a comprehensive set of objectives and priorities.

4.2.2. Health Office Budget Utilization

According to Allen and Tommasi (2001), to utilize budget successfully it depends on various factors, such as the executing capability of the agencies or institution concerned. Every budget user department has the obligation to register transaction of budget movement and maintain the balance on the ledger prepared for this purpose. In principle Budget users under Health Bureau has the responsibility to submit monthly report to Health Bureau planning and budget department. Further, the budget user is required to utilize the allocated budget for the specified period.

According to the report revealed by the Planning and Budget Department of Health office in 2012 EFY third quarter, the following problems were observed in budget utilization for the past budget years. There is weak supervision and control by the budget user leaders and their successive subordinates; almost there is no performance evaluation on budget utilization; unable to make continuous and regular evaluation in order to correct the observed problems.

As per the survey result, majority of the respondents in the sample budget users have denied the existence of under budget utilization and follow-up weaknesses in their respective offices. The outcome of the survey has been indicated as follows in table 3.

Table 4.4: Budget users' response rate on budget utilization

	Budget utilization				SA	AG	N	DA	SD	Total
1	Your office utilizes the approved budget based on its plan	3.75	1.144	F	13	16	8	5	2	44
				%	29.5	36.4	18.2	11.4	4.5	100
2	Your office has the practice of regular follow up on its budget utilization	3.95	1.077	F	16	17	5	5	1	44
				%	36.4	38.6	11.4	11.4	2.3	100
3	Your office has adequate capacity to evaluate budget with its main activities	3.93	.900	F	11	24	4	5	0	44
				%	25	54.5	9.1	11.4	0	100
4	Your office is criticized for accumulation of unutilized budget	2.50	1.000	F	2	4	14	18	6	44
				%	4.5	9.1	31.8	40.9	13.6	100
5	Your office faces budget shortage during the budget year	3.16	1.293	F	8	12	7	13	4	44
				%	18.2	27.3	15.9	29.5	9.1	100
6	Your office has strong budget control mechanism	3.41	1.300	F	10	14	9	6	5	44
				%	22.7	31.8	20.5	13.6	11.4	100
7	Your office submits repeatedly a request for adjustment of budget allocation after it is approved	2.86	1.133	F	2	13	12	11	6	44
				%	4.5	29.5	27.3	25	13.6	100
8	There is under-utilization of budget in your office	2.70	1.286	F	5	6	14	9	10	44
				%	11.4	13.6	31.8	20.5	22.7	100
9	The current budget utilization and control of your office is sufficient	2.91	1.522	F	9	11	1	13	10	44
				%	20.5	25	2.3	29.5	22.7	100
10	All expenditures are sufficiently documented	3.73	1.246	F	15	13	8	5	3	44
				%	34.1	29.5	18.2	11.4	6.8	100
11	Your office presents timely, explanatory and complete budget utilization report	3.55	1.109	F	8	19	8	7	2	44
				%	18.2	43.2	18.2	15.9	4.5	100
12	Budget utilization reports are consistent With plans.	3.55	1.150	F	9	17	10	5	3	44
				%	20.5	38.6	22.7	11.4	6.8	100
13	Your office has strong relation with Health Office Plan and Budget Department	3.00	1.276	F	2	21	4	9	8	44
				%	4.5	47.7	9.1	20.5	18.2	100
14	Planning and Budget Department has a means to take corrective action on the weaknesses of budget preparation and utilization	3.73	1.020	F	11	17	9	7	0	44
				%	25	38.6	20.5	15.9	0	100
	Valid N (listwise)	3.33	1.175							

Source; Survey 2020

As depicted on the table above, the overall mean of the Budget utilization is 3.33 which indicates an agreement of the Budget utilization practice in Jimma Zone Health sector . The highest mean value of 3.95 indicates that large amount of the respondents agreed that the sector had the practice of regular follow up on its budget utilization. As we see from the table above the respondents replied to the question whether the sector had adequate capacity to evaluate budget with its main activities within the Health sector with mean value 3.93 and 79.5% agree and strongly agree. The survey result also showed that Jimma Zone Health sector was criticized for accumulation of unutilized budget with Mean Value of 2.50 and 72.9% of disagree and neutral. The respondents also gave majority agreements for the question whether expenditures are sufficiently documented in the institution with mean value of 3.73 and 63.6% of strongly agree and agree. The respondents replied to the question whether the Planning and Budget Department has a means to take corrective action on the weaknesses of budget preparation and utilization with a mean value 3.73 and 38.6% agreed and 25% strongly agree . The question whether the Office has strong budget control mechanism was responded with a mean value of 3.41 and 31.8% agreed and 22.7% strongly agree. Whether the office faces budget shortage during the budget year was replied by respondents with a mean value of 3.16 and 29.5% disagree.

The question on the availability of Strong relation with Health Office Plan and Budget Department was replied by respondents with a mean value 3.00 and 47.7% agree and 20.5% disagree.

The response for whether the office Submits repeatedly a request for adjustment of budget allocation after it is approved was responded by respondents with a mean value of 2.86 , 29.5% agree and 27.3% neutral. The issue of Under-utilization of budget was replied by respondents with a mean value of 2.70, 31.8% neutral and 22.7% strongly disagree.

The respondents also agreed that the office has the practice of regular follow up on its budget utilization with mean value of more than 3.95, 75% strongly agree and agree for each components of Budget Utilization. On the issue of Presenting timely, explanatory and complete budget utilization report was responded by respondents with a mean value of 3.55 , 43.2% and agree. Budget utilization reports are consistent with plans was responded by respondents with a

mean value. Of 3.55, 38.6% agreed and 22.7% neutral. From the table above respondents are not sure in the office whether the current budget utilization and control of the office was sufficient which has highest standard deviation 1.522 with mean value of 2.91, 29.5% disagree.

On the utilization of budget whether it was according to the plan or not we can see from the result that 36.4% of the respondents agreed and 29.5% strongly agree up on the utilization of approved budget based on the annual plan. On the other hand 18.2% were neutral and the rests 15.9% considered as they do not agree and strongly disagreed up on it.

To conclude that, the overall Budget utilization practice is moderate with the mean score of 3.33 and standard deviation of 1.175. The mean score and standard deviation shows that the overall practice of Budget utilization ranges between 2.50 and 3.95 (i.e. below and above a mean of 3.33 & 1.175 standard deviation). Which indicates that the average response by respondents is concentrated around agree and neutral. Therefore, the researcher concludes that budget utilization practice in Jimma Zone Health Sector is moderate and so it needs further improvements.

Accordingly, Allen and Tommasi (2001) expressed in most cases, underutilization was related to insufficiencies in budget preparation and program preparation. An overestimated budget and unrealistic projections of revenues may lead to budget revisions during budget utilization.

Table 4.5 . BUDGET UTILIZATION YES OR NO QUESTION

No	Issues	yes,	%	No comm ent	%	No	%	Tot al	%
1	Do budget users submit budget utilization report to your department as per the Calendar?	27	61.4	8	18.1	9	20.5	44	100
2	Do budget holders utilize their approved budget based on their plan?	29	65.9	8	18.1	7	15.9	44	100
3	Do budget users keep unutilized budget without being functional?	6	13.6	14	31.8	24	54.5	44	100
4	Does your department provide timely feedback to budget users to correct the detected weaknesses budget utilization?	28	63.6	9	20.4	7	15.9	44	100

The results depicted on table 4.5 shows that 61.4 %, 18.1 % the respondents replied either partially yes or no with the statement about budget users submit budget utilization report to the department as per the Calendar. On The other hand, on the question whether the budget holders utilize their approved budget based on their plan, the respondents replied 65.9% yes, 15.9 % no comment and the remaining present or around 18.1% are no for their idea. And also on the issue whether budget users keep unutilized budget without being functional, the respondents replied their idea 13.6% yes 54.5 % no and 31.8 are neutral. Finally whether the department provide timely feedback to budget users to correct the detected weaknesses on budget utilization, the respondents replied their respond 63.6% yes, 15.9% no and 20.4% neutral. The researcher also concluded from the above table on the issue of whether budget users keep unutilized budget without being functional ,the respondents responded that around 13.6 % budget of the sector was un used and so that the researcher recommend that un utilized budget should be improved so far.

Open Ended Questions on Budget utilization

The open-ended questions, majority of the respondents admit occurrence of unutilized budget. Peter (1998) identified that the main weaknesses in resource allocation and use are: poor planning; deficient links between policy making, planning and budgeting; poor expenditure control; inadequate funding of operations and maintenance; little relationship between budget as formulated and budget as utilized; inadequate accounting systems; unreliability in the flow of budgeted funds to agencies and to lower levels of government; and poor cash management.

Apart from this, respondents mentioned that many problems related to budget utilization which has not been reflected in the close-ended questions. Of these difficulties, many of the respondents consent that what is planed is not implemented properly. Besides to this, less attention to internal periodic evaluation, during budget utilization, there is complicated procedure in procurement of items i.e. long procedure hinders the purchasing process at the same time leads to underutilization of budget (finance). Furthermore, the respondents stated in open ended question that there is some reason for underutilization of budget i.e. shortage of skilled manpower or expert exacerbated the problem, lack of coordination between budget and finance sections, untimely expenditure (such as towards the end of the period), and unreality of strict accountability were other reasons for the occurrence of budget utilization weaknesses.

Some literatures show that it is possible to utilize badly a well-prepared budget; but it is not possible to utilize well a badly prepared budget. On top of this, successful budget utilization depends on the utilizing capability of the agencies concerned and it involves a great number of players than budget preparation, and calls both for assuring that the signs given in the budget are correctly transmitted, and for taking into account feedback from actual experience in implementing the budget.

The main responsibilities of Health sectors Planning and Budget Department are: budget, preparation, budget allocation, distribution and control. With this aspect, budget experts at different levels have stated their perceptions on budget utilization, monitoring and evaluation to budget users.

Then the Budget users submit budget utilization report, Budget holders utilize their approved budget based on their plan, Budget users keep unutilized budget without being functional, and Provide timely feedback to budget users to correct the detected us clearly there is existence of discrepancies on budget utilization, especially budget users keep unutilized budget without being functional, and almost all of the four respondents disagree on provision of budget utilization report of budget not provided, majority of budget experts do not provide timely feedback to budget users to correct the detected problems so that the researcher point out that if there is no interaction and strong feedback mechanism, the budget utilization status is not known.

To sum up, the professionals mentioned on the open ended question there is lack of skilled manpower and experience among the driving forces that fetch discrepancies in budget utilization, the experts clued that the department does not arrange regular short-term training to improve the skill of budget personnel engaged in budget holders, the structure of budget department is not attractive for skilled and budget professionals to stay in the department i.e. there is low benefit package as they explained.

As it was stated in the research methodology data verification technique in chapter one, the research started with survey, followed by unstructured interviews and which in turn followed by revision of documents and reports. In this case weakness of one approach of data collection method is offset by the strength of other. This method would strengthen the validity of the

results. Therefore, the audited budget utilization report provided by JZFECO and district administration level at different period is presented in table 6below

Table 6: Audited budgetary revenue and expenditure reports of Health Bureau presented by JZFEC

Ethiopian Fiscal years	Adjusted budget	Actual Expenditure	Over (-) or underutilization of budget(+)
2011	104,375,314.53	72,399,752.14	+31,975,562.39
2010	314,823,759.55	309,282,084.62	+5,541,674.93
2009	265,447,342.95	258,103,991.77	+7,343,351.18
2008	82,996,694.50	78,316,647.78	+4,680,046.72
2007	165,907,672.78	165,258,405.91	+649,266.87

Source; Survey 2020+

As show on table 6, the whole approved budget of Health Office is set for both capital and recurrent budget expenditures. Under spent budget has huge amount in each year from the report. Relevant reports explained that such underutilization arose from low capacity to utilize approved budget. On the other hand, although respondents said to be appreciative for utilization of its budget in the previous question they filled, under spending seen from audited report of JZFEC on the above table that ensure us there is low performance in the approved budget in each years.

As per some scholar stated that official budget may coexist with large amounts of off budget spending. As per Allen and Tommasi (2001), underutilization 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.

4.3. Finance and Economic cooperation office Audited Budget report

Jimma Zone budget department is tasked with the responsibility of undertaking to evaluate budget utilization of the offices and organizations of Jimma Zone. It does this by registering on IBEX the actual performance budget utilization of all Woredas sectors and agencies under the Zone government. Keeping this in mind, the researcher sent questionnaire to 5 Budget experts who follow Health Office budget performance.

Short interview was also made with the head who is concerned to Health sector budget from Finance Sector. The analyses of these responses are provided as follows:

There is existence of discrepancies on budget utilization, especially the sectors keep unutilized budget without being functional, and almost all of the health sectors do not submit budget utilization report ,do not utilize their approved budget based on their annual and strategic plan keep unutilized budget without being functional majority of budget experts do not provide timely feedback to the sectors to correct the detected problems. So, the researcher point out that if there is no interaction and strong feedback mechanism , the budget utilization status is not known.

To sum up, as experts mentioned on the open ended question, there was lack of experienced manpower that fetch discrepancies in budget utilization, the experts clued also that the department does not arrange regular short-term training to improve the skill of budget personnel engaged in budget holders bureaus, the structure of budget department is not attractive for skilled budget experts to stay in the department i.e. there is no attractive salary and benefit package as they explained. Under utilization does not necessarily mean that there is good fiscal discipline in the region. Sound budget preparation processes and adequate institutional arrangements are a prerequisite for avoiding these discrepancies.

Budget Performance Of Jimma Zone Health Sector

BOFED is responsible to evaluate and control budget utilization of public sectors and organizations under the National Regional States. It does this by registering the actual performance budget utilization of all regional public organization and agencies under the National Regional Government on IBX. According to JZFEC report , the whole approved budget of the year (2007-2011) is set for both capital and recurrent budget expenditures and under spent budget has huge amount as it is indicated in the above audit report . Relevant reports explained that such underutilization arose from low capacity to utilize approved budget. As per Allen and Tommasi (2001), under utilization 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.

CHAPTER FIVE

FINDINGS, CONCLUSION AND RECOMMENDATION

5. 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 preparing and utilization government budget to Jimma Zone health sectors and finally the identified weakness were suggestions or recommendations for further research were forwarded.

5.1. Summary Of Findings

As it is indicated in chapter one introduction part, the general objective of this research paper was to evaluate and assess budget preparation and utilization of Jimma Zone Health sector and to recommend on the key problem areas that seek attention and improvement. Therefore, the following findings were identified during the analysis.

The objective of the study is to assess issues related to Budget preparation and utilization Practices in Jimma zone Health sector. Descriptive statistics analyses were used. Based on these, the research findings are summarized as follows.

On Budget Preparation .As recognized from respondent's written response, some units present their annual budget by coping from the previous year budget request because of inexperience. Inadequate orientation is presented about plan and budget preparation by JZFEC and Health

Sector Budget department. There is no regular reporting system, supervision and strict follow up of budget holder for their subordinate. The plan and budget was prepared without the participation, discussion, and approval of concerned units and persons, prepared budget did not include the relevant issues and the Health Sector strategic plan fully and there is a tendency of presentation of budget demand without work plan.

Discussion on the basic variable of the data collected described that budget preparation practice is moderate with the mean score of 3.23 and standard deviation of 1.175. The mean score and standard deviation shows that the overall practice of budget preparation ranges between 2.09 and 3.7 (i.e. below and above a mean of 3.23 & 1.175 standard deviation) which indicates that the average response by respondents is concentrated around agree. Therefore, the researcher concluded that budget preparation practice variable is moderately applicable in Jimma zone health sector and needs further improvements.

On budget utilization , Even if most of the respondents denied the existence of underutilization of budget and follow-up weaknesses in their respective offices, it was obvious that their answers were contradictory to each other.

It was revealed by JZFEC five years audited report that the budget users spent their budget below the appropriation i.e. the sector had been utilizing below the approved budget. It was prevailed the occurrence of unutilized budget and long procedure for the purchase of items. There is no clear accountability for the occurrence of budget underutilization. JZFEC and Planning and Budget Department of Health Sectors do not arrange short term trainings to improve skill of budget experts. There is weak supervision and control by the budget holders' leaders and their successive subordinates; almost there is no performance evaluation on budget utilization; unable to make continuous and regular evaluation in order to correct the observed problems.

Discussion on basic variable of the collected and analyzed data described that Budget utilization practice is moderate with the mean score of 3.34 and standard deviation of 1.175. The mean score and standard deviation shows that the overall practice of Budget utilization ranges between 2.50 and 3.95 (i.e. below and above a mean of 3.34 & 1.175 standard deviation) Which indicates that the average response by respondents is concentrated around agree and neutral. Therefore, the

researchers concluded that budget utilization practice variable is moderately applicable in Jimma zone health sector and needs further improvements.

5.2. Conclusion

It is known that the study concentrate on the Assessment of budget preparation and utilization of Jimma Zone Health sectors considering the budget users. For this reason, it has been seen relevant literatures review and documents, and gathered primary data from ten budget holders' on their budget preparation and utilization tendencies in the health sectors and the researcher concluded the following points based on the analysis. There is inadequate and inexperienced manpower that has been worsening results of plan and budget preparations disparities; there is also lack of awareness of budget users about the role of plan and budget to the health Sectors; it is possible that to infer budget users have various levels of understandings during budget preparations and on top of these, plan and Budget Department does not arrange short-term training to improve the skill of budget personnel engaged in budget holders.

To sum up, the researcher concluded that the causes for underutilization of budget are mainly due to lack of coordinated effort in purchasing, lack of consistency and delay in purchase processes, incapacitated budget staffs in terms of skill and knowledge in each respective budget offices and lack of information by management at each level of the health sector to evaluate the budget utilization status which lead towards underutilization of budget.

5.3. Recommendations

The major interest of this research paper is to assess the budget preparation and utilization practices of Jimma Zone Health sectors weaknesses observed by budget holders, and suggests possible recommendations to overcome such problems. Therefore, the following recommendations are suggested to Jimma Zone Health Sectors.

A. In budget preparation

1. The researcher recommended that budget preparation practice needs more focus to capital (investment Budget) rather than recurrent budget.
2. The shortage of planning and budgeting skills in the zonal to district level office and their virtual absence among elected officials is a severe constraint to effective budget formulation . Sectors may have strategic plan but, have not been implemented. Therefore, the Jimmaa Zone Health sectors should improve the number of professionals (budget officers) in their institution and strengthen their capacity by giving training on how planning and budgeting is formulated.
3. The concerned sectors should assign skilled professionals who have adequate knowledge on budget preparation at each level of respective budget office i.e. the right person should be assigned to the right position and it is better to create conducive environment for budget expert to minimize high staff turnover.
4. Trainings should be arranged and delivered to develop uniform skills among budget workers.
5. The budget workers found at each level in the health office should participate during budget preparation period.
6. The annual budget should be prepared according to the plan that has been already targeted and the current market price of items should be considered.

7. Transparency: The jimma zone Health sector should provide timely and clear budget information to the public in order to improve budget transparency in the sector.

B. In budget utilization

1. Diverting budget from planned activities to unplanned activities and continuous budget adjustment request is mainly due to poor planning .To avoid this weakness budget preparation stage should be given due attention and be considered as essential function of the leaders of the sector rather than leaving it to the planning department only .
2. For improved budget utilization performance, making strong supervision and control by the budget holder leaders and Building Strong auditing system by employing required number of professional employees and supporting their effort is greatly advisable .
3. Responsibility and accountability should be given to each level units for effective utilization of their budgets.
4. Purchase procedure should be shortened and there should be coordinated effort with other departments.
5. There should be strong supervision and control by the budget holder leaders and their successive subordinates; on budget utilization in order to correct the observed problems.
6. The health office should use opinions suggested on the feedback given by Jimma Zone Finance and Economic Cooperation Office and should be considered thoroughly.

In general, Jimma Zone Health sector should take all possible actions to correct the observed weaknesses and avoid repetition of the problems in subsequent years.

5.4. Recommendations for Further Research

This section discusses suggestion for further research. Even though this research is descriptive type, 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 district councils participation in debating and prioritizing the issue. It might be interesting to find out how stakeholders can engage in setting priorities and the process of budgeting, starting from the top 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 Jimma Zone Health sector public bodies as well as the cabinet did not seriously analyses planning with available budget in preparing annual working plan .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 insightful.

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JIMMA UNIVERSITY
COLLEGE OF BUSINESS AND ECONOMICS
DEPARTMENT OF MANAGEMENT
RESEARCH QUESTIONNAIRE

Dear respondent,

This research will be conducted as a partial fulfillment of Master of Business Administration (MBA) graduate student of Jima University College of Business and Economics Department of Management. This paper is designed to gather primary data on Assessment of Budget Preparation and Utilization Practices – A Case of Jima Zone Health Sector.

In the questionnaire, the researcher asks about the Assessment of Budget Preparation and Utilization practices in your organization.

The Questionnaire is categorized into four main sections:-

- The first section of the questionnaire is designed to gather few demographic data of your organization.
- The second section is mainly designed to Questions related to budget preparation process or system
- The third section is about the Questions related to how the mechanisms in budget utilization in the Planning and Budget Department and budget users proceeded.
- Finally, the fourth portion is about the Questions related to possible recommendations on the observed problems and gaps of budget preparation and utilization.

The researcher is grateful if you would be so kind as to take 15 -20 minutes to fill this short questionnaire.

Finally the researcher likes to ask you to be realistic and objective in assessing your organization. The researcher assures complete anonymity of the gathered data. These will be represented on aggregate level alone.

Thank you Very much!

Appendix I

Questionnaire Distributed to Health Office Budget Users

Please give answers in the spaces provided and tick in the box/blank space that matches your response to the questions where applicable.

Part One: DEMOGRAPHIC INFORMATION

1. Sex: Male _____ Female _____
2. Educational Background: Diploma____, Degree____ Masters____, Other please specify _____
3. Years of experience in the organization: 1-5 _____, 6-10 _____, 11-15 _____, >15 _____
4. Income per month: Up to 2000_____, 2001-4000_____, 4001-6000_____, >6000_____
5. Level of position in your organization _____

In the following section, the researcher is requesting for your specific perceptions toward research questions. Please kindly indicate (X) mark to express the extent to which you agree or disagree on the given statement from the choices:

1=STRONGLY DISAGREE (S. D)

2=DISAGREE (D)

3=NEUTRAL (N)

4=AGREE (A)

5=STRONGLY AGREE (S.A)

Part Two: Questions related to budget preparation process or system

S/N	Questions	S D 1	D 2	N 3	A 4	S A 5
B	budget preparation process					
1	You have an adequate understanding to prepare plan and budget					
2	Your office has adequate number of budget professionals(budget officers) who prepare plan and budget					
3	Your office prepares its annual plan based on strategic document of the zonal administration					
4	Your office prepares the budget in relation to plan					
5	Your office revises its plan frequently in relation to budget					
6	Budget is prepared based on reliable data and estimates					
7	Plan and budget is prepared for each program					
8	The amount of budget prepared for each program line item is over estimated					
9	There is problem of matching plan with budget in your office					
10	Your office has strong relation with Health Office plan and budget department					
C	Budget utilization					
11	Your office utilizes the approved budget based on its plan					
12	Your office has the practice of regular follow up on its budget utilization					
13	Your office has adequate capacity to evaluate budget					

	with its main activities					
14	Your office is criticized for accumulation of unutilized budget					
15	Your office faces budget shortage during the budget year					
16	Your office has strong budget control mechanism					
17	Your office submits repeatedly a request for adjustment of budget allocation after it is approved					
18	There is under-utilization of budget in your office					
19	The current budget utilization and control of your office is sufficient.					
20	All expenditures are sufficiently documented					
21	Your office presents timely, explanatory and complete budget utilization report					
22	Budget utilization reports are consistent With plans.					
23	Your office has strong relation with Health Office Plan and Budget Department					
24	Planning and Budget Department has a means to take corrective action on the weaknesses of budget preparation and utilization					

Part Four: Open-Ended Questions

Questions related to possible Suggestions on the observed problems and gaps in budget preparation and utilization

1. What would you suggest about the causes of the mismatch between budget and plan in your office, if there is any? What about the solution?

2. What would you suggest about the causes of unutilized budget, if there is any in your office?

What about the solution? _____

3. In your opinion, what problems does your office face with regard to budget preparation and utilization? _____

+ _____

4. In your opinion, what are the main weaknesses observed in your office in relation budget preparation and utilization?

In general, what should be done to improve health office budget preparation and Utilization ?

5. Any other comment

Thank you for your Cooperation!!!

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The purpose of this questionnaire is to collect the information from your organization related to budget preparation and utilization process and to suggest some recommendation based on the finding. For anything you have responded on, the confidentiality is strongly kept.

Thank you very much for your time and cooperation.

Appendix II

Questionnaires distributed to Planning and Budget Department experts

PART I- DEMOGRAPHIC INFORMATION

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

PART II- BUDGET PREPARATION ISSUES

1. What are the major tasks and responsibilities of your department with respect to budgetary issues?

2. Do you think that the department has enough number of skilled personnel that conduct effective budget analysis? Yes No NO Comment

3. Do you believe that budget holders give special attention when they prepare their budget request? Yes No No Comment.

3. If "No", in your opinion, what are the reasons for giving less attention in the budget preparation? _____

5. Do you agree that there is a wide mismatch between plan and budget in budget users?

Agree Disagree No Comment . If "Agree", why ?

What are the reasons, in your opinion?

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

7. Would you please mention some of the main problems in your organization budget preparation? _____

PART III- BUDGET UTILIZATION

1. Do budget users submit budget utilization report to your department as per the

Calendar? Yes No No Comment If "No", why?

2. Do budget holders utilize their approved budget based on their plan?

Yes No No Comment If "No", what is your opinion? _____

3. Do budget users keep unutilized budget without being functional?

Yes No No Comment If "Yes", what is your opinion

? _____

4. Does your department provide timely feedback to budget users to correct the detected weaknesses budget utilization? Yes No No Comment

If "No" what is your opinion?

5. Would you please mention some of the main problems in your organization budget utilization?

6. What should be done to improve your organization budget utilization?

If you have any other comment, please try to say!

Thank you for your Cooperation!!!

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The purpose of this questionnaire is to collect the information related to budget preparation and utilization process and to suggest some recommendation based on the finding. For anything you have responded on, the confidentiality is strongly kept.

Thank you very much for your time and cooperation.

Appendices III

Questionnaires distributed to Jima Zone Finance and Economic Development Office Budget Section

PART I- DEMOGRAPHIC INFORMATION

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

PART II- BUDGET RELATED QUESTIONS ON HEALTH OFFICE

1. Does your organization provide a report on budget utilization on the health office? If so please describe it?

2. In what frequency does your organization follow on budget utilization of the health office?

Yearly semiannually bitrarily Any comment?

3. What are your suggestion on budget preparation and utilization on the health office?

4. What are the weakness observed on the budget preparation and utilization of the health Office? _____

5. Do you think that in your observation the health Office utilize the allocated budget effectively?

Yes No No comment If your answer is no, what are the reason?

6. What are the major challenges in budget preparation and utilization of the health office?

7. If there are problems in budget preparation and utilization in the health office, what are the solutions you recommend? _____

8. Any Other comment?

Interview questions

1. What process or step do you follow in budget preparation ?
2. What are the key challenges to effective Budget preparation and utilization?
3. If you have additional comments please explain?
4. Is there a practice of preparing budget considering the current market price ?
5. How is the monitoring and control system of budget utilization ?