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DEPARTMENT OF ACCOUNTING

A RESEARCH PROPOSAL ON CAPITAL BUDGET PLANNING, IMPLEMENTATION
AND CONTROL IN OROMIA REGIONAL STATE IN CASE OF JIMMA
MUNICIPALITY

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ABSTRACT

This study is intends to examine capital budget planning, implementation and control in Oromia Regional State in case of Jimma municipality. This research will follow mixed approach. Descriptive types of research design will be employed for this research. As instruments of data collection questionnaire, interview and document review will be employed. As a sample size 65 respondents will be selected through simple random sampling technique and 15 participants will be purposively selected for an interview. The Statistical Package for Social Science (SPSS Version 20) will be utilized for data analysis.

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CHAPTER ONE

INTRODUCTION

1.1. Background of the study

Frederick (2001) defines budget as a plan that is measurable and timely. In addition, Drury (2006) defines budget as a plan expressed in quantitative, usually monetary term covering a specific period of time usually one year in other words a budget is a systematic plan for utilization of manpower and material resources.

In a business organization a budget represents an estimate of future costs and revenues. A government budget is a document that sets out how a government in power in a particular country proposes to collect and spend money. The proposals contained in a government budget reflect its policy priorities and fiscal targets. In this way, the budget expresses the objectives and aspirations of a government in power. In outlining its plans for spending money a government is explaining how it intends spending money that belongs to the public. In a democratic society, citizens give the government a mandate via their votes. Politicians are obliged to translate that mandate in to policies and plans that are part, reflected in the budget.

The central government and the regional state have the aim of improving the living standard of their people. In order to achieve this end the central (federal) government and the regional state normally have to use several incentive mechanisms and policy directions through which the objectives are followed. Formulation and implementation of Budget is among the means of achieving the desired policy objectives.

As per Shah (2007) planning of the budget usually takes many months and involves all public institutions: the Ministry of Finance manages the process; the Cabinet sets or approves the policy priorities, line ministries plan and advocate for their resource needs and the legislature reviews and approves the final plan. Budget planning or 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.

Efficient and effective capital Budget implementation programs are critical to promote economic growth and equitable access to economic opportunities for all segments of the society. Well planned and implemented capital Budget spending strategies can promote

technical allocated efficiency and equity through timely and appropriately focused Budget implementation and service delivery. Even the best-designed budget can be undermined by shortcomings in the actual spending of funds. Large differences between approved and executed budgets can appear, especially in countries with limited tracking, monitoring, and controls of public spending (Nice, 2002).

A well prepared budget and resource allocation is used to control aggregate spending and deficit, facilitate strategic prioritization of expenditures across policies, programs and projects for allocation efficiency and equity. It is to improve planning for cash as well as close and timely monitoring of government's cash position. Provides adequate implementation of reporting at various levels of budget execution; encourage better use of budgeted resource to achieve out comes and produce outputs at the lowest possible cost (peters, 1998).

A capital budget is broadly described as an outlay on projects that result in the acquisition of fixed assets and the provision of development services. Jacobs(2008) defines capital expenditure as the "outlay of the acquisition of improvements to fixed assets, and includes expenditures made for consultancy services "such outlays include: expenditure on physical and social infrastructure, machinery and equipment, research studies and design management, supervision and direct labor cost, transfer payments like taxes related to projects. The concept of capital budget has therefore a wider coverage than simple outlays in fixed investments, since it includes expenditure on development services like agricultural research and transfer payments related to a project. Therefore, capital budget needs careful planning, budgeting, implementing and managing throughout the budget period in order to achieve organizational objectives.

The problem and controversial issues related to government budgeting are reflected in the planning, enactment, execution and review (Audit) phases of the budget cycle.

In a decentralized form of the government, fair and transparent allocation and control of the public budget is the true test of genuine federalism. In most federally structure countries the major actors in the public budgetary process are the parliament, the ministry of finance, spending agencies, and the institutions. Budgeting for results is to insure that public sector agencies are focused on delivering the goods and services to their respective clientele within the resource allocated. This is important to insure not only efficiency and effectiveness but also accountability (WSSCC, 2000). At some time, capital budget is to achieve development.

Unfortunately, citizens have traditionally been excluded from budget decision making and monitoring as have civil society organizations, legislatures and the media. Budget management, transparency and accountability are often weakest in countries where poverty and inequality are highest. The result is massive leakages of scarce public resources into unnecessary projects, corruption and ineffective service delivery undermining efforts to reduce poverty (De Renzio and Krafchik, 2000).

1.2. Statement of the problem

In developing countries, the role of government in guiding development activities is indispensable. In these countries where there is no well developed private sector, state intervention for the provision of basic infrastructure and social goods is very crucial. Government believed to be the leading actor in bringing development in those countries and an important instrument used by government to intervene in developmental activities through the budget and fiscal control. According to various scholars, problems and controversial

issues related to government budgeting are reflected in the preparation, enactment, execution and review phase of budget cycle.

Maitland (2001) mentions that the process of planning and agreeing on a budget is a means of translating the overall objectives of the organization into detailed, feasible plan of action.

Furthermore, Public budget planning is one of the tedious tasks that any country should look upon. 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. He adds that budgets set limits.

Besides setting limits, Andrews and Hill (2003) states 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 planning or 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.

Budget implementation system should ensure accurate aggregate expenditure control, but also effective and efficient use of resource in accordance with budget priorities. The system must ensure that fiscal targets are effectively enforced and that managers comply with the budget authorized. However, it should not limit itself to the traditional input control, which would not give managers the flexibility in the allocation of inputs. Keeping budget execution under control requires effective management controls. Proper budget utilization is the main thing in determining economic and social development rural and urban as well as in the country in general. Literature on budget planning, budget implementation and control identify several interrelated factors that may lead to the problem of proper budget implementation (Premchand, 2007, Nice, 2002). Failure in budget preparation, Lack of linkage between planning and budgeting, Lack of adequate institutional capacity on the part of the executive body to analyze debate, and challenge (control) in budget allocation and implementation, Weak procurement, accounting and reporting systems, Weak controlling system, Absence of performance auditing practice to evaluate the efficiency and effectiveness of budget utilization in public agencies may lead improper implementation.

Traditional budgetary control system tries to measure extent of budget utilization only by referring to the amount of budget used in relation to appropriations. Use of such approaches

in budgetary control was misleading since it measured budget implementation in terms of amount of money expended regardless of the actual work performed during the period.

One of the earlier studies by Tilahun (2010) reviews Budget management and control with special emphasis on ministry of national defense. In addition, the study analyzes or paper centered on the process by which military budgets are developed, implemented, recorded and monitored. Another study by Ketema (2015) examines assessment of budget preparation and utilization in case of Addis Ababa City Administration Health Bureau.

However, the study undertaken mentioned in the above do not considered or conducted mainly on the capital budget planning, implementation and its control. Particularly, in my research sites Jimma municipality research has not been conducted.

To fill this gap, this study intends to investigate, document and analyze the whole process capital budget planning, implementation and its control in case of Jimma municipality.

Therefore, this study will rise the below research questions and intends address the critical problem by suggesting possible recommendation in the future based on the findings of the study.

1. How is capital budget prepared in Jimma Municipality?
2. What are the trends of capital budget performance in Jimma Municipality?
3. What are the factors that affect utilization of capital budget in Jimma Municipality?
4. How the capital budget controls were practiced in Jimma Municipality

1.3. Objectives of the study

1.3.1. General objective

The general objective of the study is to assess capital budget planning, implementation and control in Oromia Regional State in case of Jimma municipality.

1.3.2. Specific Objectives

1. To study how capital budget is prepared in Jimma Municipality
2. To examine the trend of capital budget performance in Jimma Municipality.
3. To identify factors that affect utilization of capital budget in Jimma Municipality.
4. To investigate the capital budget control practice in Jimma Municipality

1.4. Significance of the Study

This study will be significant in providing new findings for practical and academic purpose, in helping to reconsider earlier assumptions and arguments, regarding the capital budget planning, implantation and control.

On the part of the government, the outcome of this evaluation will, to some extent, inform policy makers on capital budget planning, implantation and control strategies that can be replicated to address the problem of capital budget planning, implantation and control in the area and other parts of our county.

The researcher believes that the result of study will have the following significances. Apart from being the obligatory requirement for fulfillment of this study, the research report will give some necessary recommendation to have relevant information for Jimma Municipality on budget planning, implementation and its control. Moreover, it may also serves as reference material for those who want to undertake intensive study on the same topic.

1.5. Scope and Limitation of the study

The study will focuses only on Jimma town municipality regarding capital budget planning, implementation and its control. Theoretically the study intends to focus on capital budget planning, implementation and control. Jimma town municipality will be selected as a study

area because such research has not been done so far especially capital budget planning, implementation and control with evidence from the municipality. Therefore, this paper should be regarded as the first attempt to investigate the existing capital budget Planning, implementation and control in Jimma town municipality.

While conducting this study the researcher may face the following expected limitations: In order to build sound theoretical and empirical basis, review of literature, magazines, books, insufficient studies and literature are one of the limitations of the study. While conducting this study the researcher may go to face overlapping of works, time and resource constraints.

1.5. Organization of the study

The structure of this study will have five chapters. The first chapter embraces background of the study, statement of the problem, objectives of the study, significance of the study, scope and limitation of the study, Chapter two deals with review of related literature. The third Chapter looks at the methodology intended for the study, finally last chapter deals with time schedule and budget breakdown.

CHAPTER TWO

REVIEW OF RELATED LITERATURE

2.1. Theoretical literature

2.1.1. Concepts on Budget versus Budgeting

Different authors define budget and budgeting in different ways. However, most of them have similar meanings. To look one among many of the definitions: budget is a quantitative expression of plan of action; it is numerical statement expressing the plan, policies and goal of an enterprise for a definite period of time (Bland and Rubin, 1997). Budget is a document or a collection of documents that refers to a financial condition and the future plans of an organization including information on revenues, expenditures, activities and purposes or goals (Robert et al, 2004) budget is both a plan as well as a control devise. The budget should be related were 000ever possible to physical unities of output, setting standards of efficiency for each part of the administration and providing means of giving achievement (Zainul Abidin and Bin Yabaya, 1981).

On the other hand, Premchand (1984) argued that budget is the detailed plan expressed in quantitative terms that specifies how resources will be acquired and used during specified period of time including planning, facilitating, communicating and coordinating, allocating resources, controlling the operational activities and evaluating of performance such as comparing actual result with the budget results.

According to Jesse (1956) the word “Budget” originally meant the money bag or the public purse, which served as a receptacle for the revenue and expenditure of the state. In Britain the term was used to describe the leather bag in which the Chancellor of the Exchequer carried what to parliament that shows the government needs and resources. Eventually, the term came to mean the documents, which were contained in the bag plans for government finances, submitted for the approval of the legislature (Meyers, 1999).

Basically, budgeting has two types (1) Expenditure budgeting and (2) Revenue budgeting

Expenditure budgeting reflects what activities are going to be done and at what cost in particular year. On the other hand revenue budgeting is the identification of revenues sources and determining the amount of revenue from each source.

Expenditure can either be a recurrent expenditure or a capital expenditure. The former refers to expenditures spent for payment of salaries and other office expenditures that are incurred periodically. Such expenditures do not generate revenue, capital expenditures, however, are designed for economic development like the construction of infrastructure and the like. They are usually one-time and massive expenditures.

2.1.2. Scope and Functions of Government budgeting

Budgeting is the decision making system for allocating funds and tapping resources in order to achieve government priorities and objectives efficiently, economically and effectively and it is an important tool for effect short term planning and control of the organization. In reality the government budget is at the center of public policy and the development prospects of a country.

The scope of the budget depends on the field of activities of the government, but, must also be in a form to allow government policies to be appropriately scrutinized by the legislature and the public. It is important to review revenues and expenditures together. In many countries draft laws in public expenditure proposals and tax changes are presented to parliament separately. This may generate many problems in relation to the coherence of policy making and in relation to parliamentary scrutinizing of the budget. It is necessary during the budget formulation process to coordinate the preparation of the budget and the revenue portions of the budget and consolidate them into a single document when presented to the parliament. Determination of the scope of the budget is dependent on the scope of the government and on the purpose of the budget. Both have exerted strong influences on the shape of the government budget (Premchand, 2007), According to Premchand et al, (2007) the role of budget is greater for governmental and not-for profit organizations than the private sector. It is useful in key managerial function such as planning, organizing, coordinating and controlling. It provides for the decision makers information and indicates the society concerned what decisions have been made of the organizations objectives. The key managerial functions of budget are discussed below:

I. Planning

A budget that provides a detailed action plan for an organization enable the manager to anticipate organizational emergencies long before they arise. Then managers seek solution through careful study and to prepare for anticipated problems/conditions.

II. Organizing

One of the main functions of budgeting is to increase efficiency. Budgeting, especially program budgeting reveals the facts described be neat. Whether operational departments or responsibility centers exist only for historical reasons, whether the departments are accomplishing activities for which they are responsible and whether inter-departmental communication is minimal or non-existent at all. Thus, the economical methods to

accomplish objectives should be set; diseconomies can be identified in organizations under budgeting. This contributes to a great deal of efficiency to the organization.

III. Coordination and Cooperation

Budgetary control promotes better coordination among different levels of departments in their effort so that the objectives of the organization as a whole harmonize with the objectives of its parts. For any organization to function effectively, every responsibility center manager must be aware of the plan made by others. That is, each has specific, well defined responsibilities and all activities are organized along program lines. Interdepartmental programs are designed so that each participant is fully aware of its role. Thus, budgeting through managerial participation in the budget in the budget preparation, pools together the plans of each manager in an organization, and there by improves coordination and cooperation.

IV. Resource Allocation

Organizational resources are generally limited and with alternative set of competing uses.

Budgeting provides a wise means of allocating the resource among those uses in accordance with their priority goals (Tommasi, 2007).

V. control

A budget is a plan, and budgets are subject to changes in circumstances. Nevertheless, a budget is a benchmark against which actual performance is compared. The comparison, as a measure of performance, helps managers to evaluate the effectiveness of the firm. Control is necessary to ensure that plans and objectives as laid down in the budget are being achieved. Control is applied to budgeting, is a systematized effort to keep manager informed of whether planned performance is being achieved or not. For this purpose, comparison should be made between plans and performance. The difference is reported to decision makers for taking corrective action or for deciding incentives to those who perform well. Thus, control is no means possible without planning and budgeting (Jacobs, 2007).

The following interrelated functions are performed through budgeting sources:-

- ❖ A budget allocates resources to various programs designed for attaining the goals of the government

- ❖ It stabilizes the economy through fiscal policy which focuses on expenditure, tax and debt
- ❖ It helps operating agencies accountable for the efficient and effective use of resources
- ❖ It controls expenditure; which is one of the fundamental functions of budget. The budgets make sure that the expenditures are legal, accurate and compatible with the policies of political decision makers. The control of expenditures is made through:
 - A. The allotment process, and
 - B. The accounting system

Transfer funds: the budget is used as a mechanism for transferring funds for different levels of government (Jacobs, 2007)

2.1.3. Budget coverage

Budget coverage should be comprehensive as possible by considering effective instrument in the budget process. The expenditures financed from external sources (loans and grants) should be budgeted in the same way as other government expenditures, off-budget spending include expenditures financed by external loans and multi-year investment projects. Since often appropriate instruments for managing these expenses are not place, the special management arrangements, tax earmarking and user charges should be budgeted and lastly budget should cover the social security funds which are a compulsory nature for social security schemes and their far –reaching social, economic and financial implications (Jacobs,2007).

2.1.4. Importance of Government Budget

Budgeting and budgetary control are part of democratic governance that prove accountability. The objective of budgeting and budget is to control the organization’s approved project and verify the annual budget to the extent of approval, and to examine carefully the evaluation and utilization of those budgets.

In addition government budgeting is important to citizens to know what money is being spent on, and what decisions their elected representatives make on their behalf. It is only with this knowledge that elected officials can be held accountable for their budget planning, allocations and implementation. It provides a forum for purposeful and concrete engagement between then executive, the legislative and civil society around critical choices and outcomes (Shultz, 2002). People also expected government budgeting to accommodate a number of

different needs, from setting goals and priorities and managing the economy to promoting accountability and controlling the use of public resources (Nice, 2002).

In addition (Saha, 2007) the objective of budgeting and budget is to control the organization's approved project and verify the annual budget to the extent of approval, and to examine carefully the evaluation and utilization of those budgets. Thus, projects controlled and budgets approved for implementation of physical and financial performance.

Capital budgets in the governments have multiple roles, as instruments of compensatory fiscal policy, as windows on the net worth of public bodies, and as vehicles for development particularly in the area of economic infrastructure through greater reliance on debt than on such conventional sources of financing as taxation. Governments have introduced capital budgets to for an organization serve all these objectives, singly or collectively, depending on the context. The definition of capital or development budget refers to the investment program consisting of works and acquisition of physical assets (durable goods such as buildings, roads, bridges, machinery and equipment). It is used to describe the planning and financing for plant assets. Capital budget differ from ordinary expenditures in that they:-

- ❖ Usually involves very large sums of money
- ❖ Do not occur as often as expenditures for payroll and inventory
- ❖ Commit a firm to a long-term course of action (Saha,2007)

More specifically capital budget is broadly described as an outlay on the projects that results in the acquisition of fixed assets, and the provision of development services. According to Jacobs (2007), capital expenditure as the “out lay of the acquisition of or the improvements to fixed assets, and includes expenditures made for consultancy services” such outlays include; expenditure, on physical and social infrastructure, machinery and equipment, research studies and design. The concept of the capital budget has therefore a wider coverage than simple outlays in fixed investments, since it includes expenditure on development service like agricultural research and transfer payments related to a project.

2.1.5. Types of Budget

2.1.5.1. Recurrent Budget

Recurrent budget: is spending on items that are consumed and are repeated every budget year, such as salaries for teachers, health workers and development assistants, offices,

operational costs, medicines, books and electricity. Salaries for employees of public bodies dominate the recurrent budget (MoFED, 2009).

2.1.5.2. Capital Budget

Capital Budget: is spending on items that will last for several years, like building, roads and water points. Money is needed to build schools, health center, post, water points and roads.

Once constructions under the capital budget, for roads, water points, etc..., are completed, the maintenance and service provision in most cases continues to be assigned in the recurrent budget.

Capital budgeting is the process of making long term planning decision for investment. Poor long-term decision can affect the future stability of an organization, because it is often difficult to recover money tied up in bad investments. Good long-term decisions help an organization to extend its reach into the community and to expand the services it provides (MoFED, 2009).

A key challenge in government budgeting is to define an appropriate balance between current and capital expenditures. Budgeting for government investment also remains not well integrated into the formal budget preparation process in many countries. Experience shows that in the absence of properly organized capital budget, governments resort to borrowing without due consideration of the sustainability aspects, assets are inadequately maintained and major projects suffer from over all poor management and performance (Saha,2007).

2.1.6. Techniques of Capital Budgeting

Capital budgeting can be carried out in a number of different ways, but several components exist in many capital budgeting systems. First officials need to develop a paramilitary long term plan. Second, they need careful financial analysis the capital budget decision. Third, official must try to reconcile project costs, the availability of financial recourses, and the priority attached to individual projects (Permachand, 2007).

2.1.6.1. Capital Improvement Plan

Developing a capital improvement plan begins with an assessment of a locality or a state or nation long term needs. How much population growth is expected in the next 20 years? Are new laws likely to require the country to make public facilities more accessible to people in wheelchairs? Will enough road networks be available to all localities and states? What new

programs or projects would we like to begin? A great many future conditions may affect the work load of public facilities (Permachand, 2007).

The capital improvement plan also helps official's assessment of the current condition of public facilities. This assessment will typically include description of each facilities physical condition and also its adequacy for meeting current needs and capacity for handling additional demands (Nice, 2002).

2.1.6.2. Financial Analysis

Financial analysis is a tool of financial management. It consists of the evolution of financial condition and operating performance of a business firm, an industry, or even the economy and the forecasting of its future condition and performance. It is, in other words, a means for examining risk and expected return (Frank, 2003).

2.1.6.3. Reconciliation

The major phase of capital budgeting is reconciliation of the preliminary capital improvement plan and the analysis of cost and the financial concerns. Many considerations are involved at this phase: safety concern, legal requirements, promoting economic development and minimizing disruption of other programs and activities (Permachand, 2007).

CHAPTER THREE RESEARCH METHODOLOGY

3.1. Research Design

This research will follow both qualitative and quantitative approaches to research. The design of this research most closely follows descriptive type of research design because this type of research design enables the researcher to describe the existing problems as they exist.

The researcher conceived that there are no bridges and fences between qualitative and quantitative methods. Carvalho and white have noted that both methods are often more powerful when combined (Carvalho and white et al., 2005:21).

3.2. Description of the study area

Jimma is the largest town in south eastern Ethiopia, located in the Oromia region; it is commercial center for coffee production region. The current population of the town is estimated 195'443 out of this 97,629 are Male and the rest 97,814 are Female (Socio-economic profile of profile of Jimma town, 2016).

Currently the town undertakes its administrative duties and responsibility with municipality with three sub city, and 18 kebeles.

Geographically, the town is located at 7°40''N latitude and 36°60'E longitude. Elevation within the town boundary ranges from the lowest 1720 m.a.s.l. of the airfield (kitto) to the highest 2010m.a.s.l. of Jiren. Jimma town administration is located in the south western part of Oromia National Regional State it is 356 kms from capital city of the country. It is bordered by Kersa Wereda in the east; with Manna Wereda in north, and Manna & Seka Chekorsa in west, Dedo in south direction Socio-economic profile of profile of jimma town, 2016).

The name of today's Jimma was derived from Mecha-Oromo clan called Jimma Wayu. These people had started to live in the main quarters of the town namely Jiren, Hirmata and Mendra.

In the 18 century the kingdom of Jimma which was one of the five Gibe States (Shanan Gibe) next to Gera, Guma, Limmu Inariya and Gomma was established by Abba Jifar I.

He transferred his capital from Manna to Jiren so as to control the growing Hermata Market. The Prominent successor of Abba Jifar I was Abba Jifar II (1875-1933) consolidated and expanded his administration of the town. This king constructed a mosque and palace (Masara) at hills located in the village of Jiren 130 years ago. At that time Jiren was the seat of government *and a center of administration* (Socio-economic profile of profile of jimma town, 2016).

The Italian ruled Jimma in the period (1936-1941). During their five years stay at Jimma, they made town the center to administer the whole western regional parts of Ethiopia. During their regime they constructed most of the current asphalt roads, airport, and the current old buildings. The Italian prepared the first master plan for the town in 1937. This master plan designated Hermata as White Quarter which today's Frenj Arada, Mentina, Showa Ber and part of Mendera. Those areas which were located southwest of Hermata were designated as black quarter.

After the defeat of Italian, the restored Ethiopian government made Jimma as the capital of Keffa province in the late 1941. The municipality of the town was established in 1942 in decree number 1/1942. During this time municipal system divided the town to four sefers (quarters) which were named Bosa, Hermata, Mendera and Jiren (socio-economic profile of profile of jimma town, 2016).

3.3. Sources of Data and Method of Data Collection

Sources of both primary and secondary data will be used in this study. The sources of primary data will be obtained from the Jimma municipality employees of five selected sectors that are stated below under target population of the study.

By being consistent with the theoretical foundation of the choice of research methods, secondary source data has been obtained from the existing documents such as documents of project performance reports, and plan documents, internet sources as well as other published and unpublished documents will be considered.

As instruments of data collection questionnaire, both closed and open ended, document review and key informant interview will be used to collect any available information that support the study.

Particularly, the researcher will employ the following tools of data collection in order to gather relevant and necessary information that helps to achieve the stated objectives.

The questionnaires will be open ended and closed item in order to compensate the limitation of either of them. It will help helped in achieving greater uniformity of measurement and reliability as well as flexibility. Therefore, the researcher going to distribute 65 questionnaire papers to purposively identified respondents.

Another instrument employed will be interviews that will be made with identified 15 key informants with regard to issues required clarification and justification. The interview questions will be semi-structured to enable the interviewee's express themselves without inhibition in order to get deeper and richer information.

The interview will be held with three respondents from each selected sectors. The respondents will be manager, vice manager and one process owner from each selected offices will be taken for an interview.

The reviewed documents will be taken from 2014–2017 terms Activity or terminal project evaluations and Working Reports mostly focuses on the affairs of capital budget planning, implementation and control. That year is selected because it is the enactment year of poverty reduction strategy paper, (PRSP): Growth and Transformation Plan.

Documents and reports will be reviewed for consistency and getting more information and trends are used in the study to support the claim with facts. The triangulation of these methods helps the quality data assurance from which a conclusion will be drawn from the findings.

3.4. Target Population

The target populations that are selected for this study will be the employees Jimma Municipality of the five selected sectors (Jimma town Health office, Jimma town Education Office, and Jimma town Job Creation and Food Security Office, Plan and Economic Development Office and Finance and Economic Cooperation Office well as head of the office, vice manager or head coordinators process owners and audit experts will be selected as a target population of the study.

3.5. Sampling

It is known fact that capital budget is allocated for poverty reduction strategy and to bring infrastructural development. Therefore three sectors engaged and selected as poverty reduction sectors will be selected because the government allocate capital budget

consecutively (Yearly) for those offices. Thus the researcher intends to engage on capital budget implementation and its control by focusing on the selected sectors based on the Jimma town Finance and Economic Cooperation direction and recommendation because of the above said justification forwarded by them. Hence the selected sectors will be Jimma town Health office, Jimma town Education Office, and Jimma town Job Creation and Food Security Office. And in order to get richer and better information regarding the implementation and controlling mechanisms Jimma town Plan and Economic Development Office and Jimma town Finance and Economic Cooperation Office shall be considered.

The sample size of **65** respondents will be selected out of the total **182** selected sectors, through simple technique stated by yemane,1967) in order to determine sample size of the population which is less than 10,000, the sample size is calculated by using the following formula. Based on this the researcher used the formula to determine the sample size.

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

$$n = \frac{182}{1 + 182 * (0.1)^2}$$

Where; n=sample size

$$n = \frac{182}{1 + 182(0.01)}$$

N=total population

e=sampling error (Yemane, 1967)

$$n = \frac{182}{1 + 1.82}$$

$$n = 65$$

Hence, after the sampling size is determined the participants from sectors will be selected through simple random sampling (lottery method) because a given population has equal chance to be selected

3.6. Method of Data Analysis and Presentation

As stated above the data collection strategies will be employed in order to gather vast amount of evidences during a case study for analysis. The major task during analysis should be organizing the data through transcription, generating categories, themes, and patterns; coding the data; reviewing the emergent ideas and searching for alternative explanations.

Therefore ,qualitative methods of data analysis will be undertaken by converging the data generated using both quantitative and qualitative approaches, which have contribute much to clarifies and understand the issue by applying descriptive statistics via SPSS soft ware programs; logistic regression, tables, frequencies, figures and charts will be used to present and interpret the data.

In addition, qualitative data analysis technique will be adopted for data collected via questionnaire and interview that cannot expressed in quantitative form. Finally, the findings are interpreted presented by using descriptive statistics.

Time schedule and budget breakdown

4.1. Time schedule

No	Planned Actions	Oct	Nov	Dec	Jan	Feb	March	Apr	May	June
1	Problem identification	x								
2	Proposal development		x	x						
3	Proposal writing and finalizing			x						
4	Data collection				x	X	x			
5	Data analysis						x	x	x	
6	Submitting first draft								x	
7	Finalizing									x

4.2. Budget break down

No	Stationary materials	Qty	Unit cost	Total cost	Remarks
1	A4 paper	2	150	300	
2	Note book	1	50	50	
3	Pen	5	4	20	
4	CD-RW/Flash Disk	1	400	400	
5	Printer ink	1	900	900	
6	Binding	-	-	36	
Stationary cost total				1706	
Other activities					
1	Transportation	-	-	500	
2	Perdium for data collection	10	200	2000	
Grand total				4206	

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- Sectors submit exaggerated or understated budget
Others, _____
8. What are the reasons for the above Problem (question No. 3)?
 Skill gap Lack of Commitment Lack of clarity in guideline
 Manpower turnover others, _____
9. Who is responsible for the implementation of the capital project in the municipality?
 The Firm itself External contractor both together
10. Who is responsible for monitoring and control of the project in the municipality?
 The concerned employee Managers at different level
 External consultant Board of directors
 Government Body Others, _____
11. Which of the following tools is/ are used for project monitoring and control the municipality
 Gant Chart Project Evaluation & Review Technique
 Periodic Reporting Field visit
 Critical Path Model (CPM) Others, _____
12. Is there any project delay in the municipality?
 Yes always yes sometimes Never at all
13. If your answer for question 8 above is yes always/yes sometimes, what are the reasons for the delay?
 Lack of finance Lack of raw material
 Lack of Foreign currency Inflation
 Lack of skilled manpower Legal causes
 Government decision Others, _____
14. Who is responsible for the post implementation audit of capital budget projects in the municipality?
 The concerned employee Top Level Managers
 External consultant Board of directors
 Government Body Others, _____
15. Frequency of budget monitoring and evaluation in the municipality?
 Once per year Two times per year Three times per year Four times per year
16. Do you think that your finance office allocate and utilize its annual capital budget based on the financial calendar of the institution? Yes No
17. What are the challenges in capital budget allocation in your town /municipality?
 Lack of clear criteria Lack of transparency
 Lack of adequate data Lack of experience
 Lack of accountability Others, _____
18. What are the challenges in capital budget utilization in your town/ municipality?
 Budget not released on time Frequency request of additional budget
 Lack of strict procurement procedure Lack of strict finance procedure
Others _____
19. To what extent do you use ICT for your budget preparation and utilization?
 Manual system is used IBEX is constantly used Only Excel and word application are used
 we use a combination of manual and computerized system
others, _____
20. What are the challenges related to computerized budget systems in the municipality
 Lack of Computer Lack of skilled manpower Frequent power interruption
 Lack of experience of budgetary system skilled manpower turnover
others, _____

21. In what way your Organization employs periodic project control evaluation techniques

- In monetary terms
- Progress of the project
- Both

22. The organization makes a proper procurement

- In terms of quality
- In terms of time
- In all aspects

23. Which of the following is the cause for low performance of physical work and under utilization of capital budget?

- Rigidity of financial regulation
- Lack of coordination between plans and budget
- Problem to release fund on time once budget is approved
- Absence of trained human resource to handle budget
- Lack of budget preparation program
- Others specify _____

24. In what way your Organization submits its capital budget implementation report to the Plan and Economic Development Office?

- Every month
- Every three month
- Semi annually
- Annually
- Up On the Request of the Plan and Economic Development Office

Budget preparation issues

No	Questions	Very strong	Strong	Moderate	Weak	Very weak
25.	To what of extent the annual plan and annual capital budget is linked with the strategic plan					

26.	To what extent your organization prioritize your program according to policy of the country of the region					
27.	The capital budget preparation in your organization begins from organizational goals and annual objectives					
28.	The current budgeting system adopted by the government effectively addresses the organizational strategic and annual objectives					
29.	Your organization or project has appropriate human resource (Interns of skill and knowledge to prepare capital budget)					
30.	Your organization seriously analyze their capital budget in relation to their plans before they submit their budget needs for infrastructural development					
31.	Do think that strong relationship between project planning and utiization of capital budget in the organization					
32.	The organization completes the project according to the plan					

33. Mention main problems regarding project dalliance in the organization

Budget Execution issue

No	Questions	Very strong	Strong	Moderate	Weak	Very weak
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34.	The finance regulation of the Jimma town Finance and Economic cooperation office is flexible enough to transfer budget from one cost center to another in relation to the majority activity of the organization					
35.	The current budgetary system provides enough flexibility to transfer budget figure					
36.	In your finance, all employees are accountable and transparent about capital budget implementation.					

37. Mention main problems regarding procurement activities in the organization

38. What are the problems in implementing capital budget in organization?_____

Budget controlling issues

No	Questions	Very strong	Strong	Moderate	Weak	Very weak
39.	The accounts of the organization project are audited periodically					
40.	the organization settled arrears (Account receivables and payable timely					
41.	Performance auditing practice is the means for the budgetary control guide for evaluation the performance of the projects in the organization					

42.	The budget performance evaluation principle of the economy effectiveness and efficiency are employed in the organization to conduct performance evaluation					
43.	The current budgetary control system is vulnerable to corruption					

44. Mention main problems regarding to the organization budget controlling system

Thank you very much

ANNEX II: Interview checklist

JIMMA UNIVERSITY

COLLEGE OF BUSINESS AND ECONOMICS

DEPARTMENT OF ACCOUNTING AND FINANCE

Interview checklist

1. What are the weakness observed on the budget preparation and utilization of the Jimma municipality?
2. What are your suggestion on budget preparation and utilization on Jimma municipality?
3. Mention problems of municipality regarding budget controlling system?
4. In what way/how / the capital budgeted allocated is implemented is your organization?
5. Is there a challenge during capital budget implementation? If yes please elaborate
6. What do you recommend to solve the challenges of capital budget implementation?

Thank you!