

The Effect of Budget Formulation on the Public Sector Effectiveness Moderated by Participative Budgeting in Addis Ababa City Administration

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Abstract

The study aimed to assess the budget formulation and control practice in the Addis Ababa City administration. The study encompassed 30 public sectors, consisting of 11 sub-cities and 19 other sectors ranked at the first and second levels. Data were collected through a structured Likert scale questionnaire, with a total of 368 respondents contacted and 346 completed questionnaires returned. Descriptive statistics were employed using SPSS 26 for analysis. The average mean results of the variables in the study indicated that the majority of respondents expressed their disagreement with the overall effectiveness of the budget process, encompassing budget formulation and control. The analysis focused on various factors related to budget formulation and control, including strategic planning, budget preparation, budget approval, budget implementation, monitoring and evaluation, audit, accounting and reporting, and organizational effectiveness. To enhance effectiveness in the public sector, it is recommended that the city administration's public sectors align strategic planning with budget preparation, ensure timely budget approval, minimize underutilization of the budget, and maintain appropriate budget follow-up.

Keywords: Approval, Control, effectiveness, formulation implementation, planning, preparation

1. Introduction

National development planning has been recognized as an effective approach for resource mobilization and allocation in Ethiopia since the regime of Emperor Haile Selassie (Ayana, 2018). Over the past sixty years, multiple economic development plans have contributed to economic growth, job creation, poverty reduction, and advancements in critical sectors (Desta, 2017).

The Homegrown Economic Reform (HGER) is the current ten-year plan in Ethiopia focused on sustaining economic growth, achieving macroeconomic stability, and addressing income distribution disparities (Policy Studies Institute, 2019-2022). The plan emphasizes private sector-led growth, productivity improvement, and competitiveness enhancement. Planning and budgeting are closely linked, with annual plans translating policies into concrete actions and local budgeting plans providing specific programs (Gebreslassie, 2021). The government prioritizes budget administration, rigorous auditing, and monitoring to ensure proper fund allocation and responsible

resource management. These processes contribute to the efficient management of limited resources and the overall development and progress of the country (Policy Studies Institute, 2019-2022).

Managers play a vital role in identifying sector strengths and weaknesses and implementing corrective actions based on budgeting principles (Kalimullah, Alam & Nour, 2012). A budget serves as a plan outlining projected revenue, expenditures, standards, and performance for a specific timeframe (Kalimullah, Alam & Nour, 2012). Effective budget management involves strategic planning, preparation, approval, and implementation to achieve organizational objectives, as well as comparing actual outcomes with budgeted targets to establish a basis for potential policy revisions (Adongo & Jagongo, 2013). Enforcing budget management at all management levels, particularly top management, is vital for organizations to address the primary budget factor and effectively manage resources to overcome limitations, encompassing both budget formulation and implementation activities (Ugoani, 2019).

The budget formulation and control process involve creating and submitting essential documents for approval, and implementing and evaluating the budget following a budget calendar with specific timelines (Smith & Jones, 2022). The objective is to secure the enactment of an appropriations bill that designates monetary allocations for operational expenses, enabling the organization to manage resources effectively (Bryson, 2018). The budget serves as a primary management tool for planning and implementing activities in both governmental and non-governmental entities. It plays a crucial role in achieving economic and macroeconomic objectives (Georgiev, 2017). Governments finance public goods and services through budgets that rely on economic performance, involving resource mobilization, allocation, and control (Morrissey, 2015). The government's decisions on revenue collection and expenditure allocation are formalized through the budget, requiring approval from the national legislature (Ganesh, 2017).

Controlling public funds effectively to achieve policy objectives and ensure value for money can present challenges equal to those in the planning phase of budget allocation (Johnson & Lee, 2021). Therefore, budgeting fosters a commitment to management to ensure organizational renewal and effectiveness. Organizational effectiveness, influenced by strategic factors, the self-interest of evaluators, and the organization's stage of development, refers to the ability of an organization to accomplish its objectives (Peterson & Williams, 2019).

In the context of a local government's direct expenditure budget, alignment with intended targets and outcomes is crucial (Caperchione, Demirag & Grossi, 2017). Achieving organizational effectiveness, whether in public or profit-oriented organizations, depends on collective efforts, availability of resources, and well-defined processes (Smith & Jones, 2021). All parts of an organization must function harmoniously to ensure smooth operations, and deficiencies in any area can impede overall efficiency (Islam & Hossain, 2019). Therefore, proper budget management is crucial.

Budget management is particularly critical in the public sector, which comprises government-owned organizations that provide goods and services for the welfare of society (Stojanovic, Zivkovic, & Boskovic, 2014). In Ethiopia, the public sector includes schools, hospitals, and public infrastructure, aiming to deliver vital services rather than generate profits. Funding for these services comes from taxes, fees, and transfers from other levels of government. The public sector implements public policy and delivers services at federal, regional, and local levels, aiming to provide high-quality services while maintaining cost-effectiveness (Johnson & Williams, 2022).

However, factors such as budget complexity, low disbursement rates, administrative delays, and inflexible procedures can hinder the effectiveness of budget management and the smooth implementation of policies and programs (Zakuan et al., 2012; Akbar et al., 2020).

This study examines the budget formulation and budget control practice in Addis Ababa city administration. The study aims to provide valuable recommendations to decision-makers on strategies to enhance sector financing and improve budget execution. It addresses challenges in budget formulation and implementation within the public sector and offers suggestions to overcome them. By implementing these recommendations, the public sector can improve its effectiveness in achieving its goals and objectives.

2. Objectives of the Study

The objective of this study was to assess the budget formulation and budget control practices within the Addis Ababa City administration.

3. Literature Review

3.1 Review of Theories

3.1.1 Theory of Budgeting

Implementing an efficient control system for budgetary control serves as a solution for organizations to effectively plan for and address future risks and opportunities. Budgeting functions as a tool to identify discrepancies between organizational objectives and performance. The theory of budgeting encompasses the scholarly exploration of the political and social factors that influence government and civil society in their budgetary processes (Dakurah, 2020). During the progressive era, the theory of budgeting was predominantly examined by urban bureaus and academic institutions of that time. The focus was primarily on the crucial aspect of the executive budget (Kaijage, 2019). The focal point of the discourse revolved around the executive budget, which was devised to empower city mayors and city management in implementing necessary policy reforms during the progressive era. Budgets are also recognized as a fundamental component of the control process and, consequently, an integral part of the overarching concept of effective budgetary control. They serve as a means to project future financial performance, enabling the assessment of the financial feasibility of a chosen strategy (Kamau, Rotich & Anyango, 2017). A budget facilitates the establishment of goals and standards of effectiveness, allowing for subsequent comparisons between actual results and organizational goals and objectives. It necessitates a forward-looking approach rather than dwelling solely on past events.

3.1.2 Goal Setting Theory

Every organization, regardless of whether it operates in the public or private sector, has its unique set of goals and objectives. Locke and Latham (2013) elucidate the connection between goal setting and work performance. According to goal-setting theory, the organization considers the successful management of the budget as an achievement of its goals. The key variables of budget planning, budget evaluation, and cost standards serve as decisive factors in attaining these goals. According to this theory, the proper execution of these influential factors enhances the probability of goal achievement.

3.1.3 Theories of Public Expenditures

Public expenditure theories propose that government policy objectives, such as poverty reduction, can be achieved through various means. These encompass direct government spending through budget allocations, as well as indirect government spending through mechanisms like tax expenditures, contingent liabilities, loans, and other instruments. Moreover, tax policy, regulations, and direct command can also serve as tools to accomplish government policy objectives within the sphere of public expenditures (Bandyopadhyay & Singh, 2023). Nevertheless, direct government spending stands out as the most crucial instrument, with the government budget reflecting the financial aspects of the majority of government policies (Schiavo & Campo, 2017). This theory of public expenditures revolves around the attainment of government policy objectives, emphasizing government spending (budget) and budget implementation variables, with direct government spending being considered the foremost instrument. The theory also underscores the government budget's role as a financial reflection of government policies.

3.1.4 Budgetary Control Theory

For every organization, an appropriate budgetary control system is very important to utilize the enacted budget to its intended purpose established by the authority. This theory identifies the obligations of government organizations in providing social and basic services to the citizens. It indicates that administration-owned sectors are a basic principle of control on those rare resources they are intended to achieve. Simons (2019) argue that government entities have a dual role of providing resources and employment opportunities to citizens to fulfill their stated objectives. This implies that both the government and its staff share the responsibility of ensuring sound accounting practices and timely implementation and allocation of budgets. To achieve this, it is crucial to establish effective management controls and directions that guide the budgetary process and overall operations.

3.1.5 Accounting Theory

The objective of accounting theory is to establish a consistent and logical framework of principles that can be used to evaluate and improve accounting practices, as well as guide the development of accounting policies (Schroeder, Clark, & Cathey, .2022). The main purpose of the theory is to establish a benchmark for evaluating the appropriateness of the methods of accounting, ensuring that practices conform to this standard in practical accounting applications. Additionally, accounting theory assists in forecasting the expected outcomes of budgetary actions in specific scenarios and predicting the consequences of any alterations in the existing conditions (Franco-Santos, & Otley, 2018). Accounting theory plays a vital role in disclosing and supporting management actions to identify and obtain the necessary information for budget preparation (Kimani, 2014). It emphasizes that accounting methods failing to meet the standard should be rejected. The overall satisfaction level of the responsibility accounting system is influenced by various factors, including the effectiveness of assigning responsibility, adequacy of performance measurement techniques, and appropriateness of the reward system. This theory highlights the integral role of accounting in converting plans into budgets, accurately recording transactions during implementation, and generating performance reports. By examining these aspects, the theory provides insights into how accounting practices contribute to the effectiveness and success of the responsible accounting system.

To summarize, every research study should be based on a foundational theory that explains the rationale behind the study. The agency theory focuses on local government budgets, particularly regarding how voters elect politicians who shape public policies. It underscores the importance of aligning politicians' actions with the expectations and needs of the public to ensure effective and responsible budget allocation. However, Rosenbloom, Kravchuk, and Clerkin, (2022). notes that legislators and the general public may not always share the same preferences. In the budgeting process, the active participation of employees plays a crucial role in motivating them to achieve goals. The goal-setting theory specifically addresses the significance of participative budgeting as a variable that influences employee motivation.

Another important theory is public expenditures, which relate to achieving government policy objectives. It focuses on the execution or implementation of the budget, with direct government spending considered the most important instrument (Ho, 2018). This theory supports the idea that the government budget reflects government policies. Budgetary control theory is a relevant research framework that emphasizes the shared responsibility of government officials and staff in ensuring sound accounting practices, timely budget implementation, and appropriate allocations. It highlights the importance of establishing effective management controls and providing clear directions to effectively manage and control the budgetary process.

Additionally, accounting theory demonstrates how accounting plays a role in converting plans into budgets, recording transactions during budget implementation, and preparing performance reports. It is closely related to both budget preparation and evaluation and monitoring variables.

3.2 Empirical Review of Literature

Robert and Makina (2020) in their study the research conducted in Mombasa County, Kenya, titled "The Effect of Budgetary Processes and the Performance of non-commercial Marine Agencies," utilized four theoretical frameworks: Budget cycle theory, Agency theory, institutional Theory, and stewardship theory. The study employed a descriptive research design and targeted participants in various departments within the Marine sector, including Financial, Procurement, Audit, Monitoring, and Evaluation, as well as Chief Executive Officers. Data was collected from a total of 70 respondents using questionnaires as the primary data collection tool. The research utilized both primary and secondary data sources. The result of the analysis revealed a positive and significant association between budgetary processes, which encompass intensive planning, control, implementation, monitoring and evaluation, and organizational performance. These findings suggested that organizations adopt and grasp effective budgetary processes to enhance their operational outcomes.

Weetman (2019) the study titled "Budgetary Control and Organizational Performance" aimed to investigate the relationship between budgetary control and organizational performance, emphasizing its strength and significance for informing the public and organizations. The significance of budgetary control in determining the success of businesses was recognized as a vital indicator, fostering optimism and confidence among stakeholders regarding future profitability. A survey was conducted among the study population, involving the distribution of 150 questionnaires that utilized a five-point Likert scale. The mean score was employed to analyze the gathered data. Based on the findings, the study concluded that budgetary control has a positive impact on organizational performance and serves as a valuable guide for managers in decision-making. Furthermore, the study identified additional recommendations, suggesting that budgetary

control should be adequately prepared and implemented with the consent of line managers to avoid conflicts of interest and antagonism.

Gomero, Bhat, and Khan, (2020) conducted a study on the factors influencing the effectiveness of budget practices in the finance offices of the Assosa Zone. The sample size of 248 respondents was determined using Watson's (2001) formula. The study involved participants from various public organizations, including management team members, auditors, budget and finance officers, tax experts, and planning experts. Data was collected through the use of questionnaires and interviews. The study identified five independent variables: budgeting process, employee motivation, accounting reporting, monitoring activities, and information and communication. Hypotheses were analyzed and tested, revealing that effective budgeting processes contribute to the improvement of budget practices in public offices. This process assists in controlling the formulation and implementation of budgets across sectors, zones, and departments. The study concluded that variables play crucial roles in enhancing the effectiveness of budget practices in public organizations. These factors demonstrated statistical significance and a positive beta coefficient, indicating a positive impact on the effectiveness of budget practices. Collectively, these factors explained 62% of the observed variances in the effectiveness of budget practices.

Mahroqi et al. (2021) conducted a study to assess the impact of budgetary control on the financial performance of the Oman Telecommunications Company. The research also aimed to evaluate the effectiveness of budgetary control techniques within the company, considering the support and involvement of top management in implementing these techniques. The study adopted a survey approach, utilizing questionnaires and interviews for data collection. Data analysis employed techniques such as frequency distribution, correlations, and regression analysis. Descriptive and explanatory methods were used to analyze the interview data. The findings indicated a positive relationship between the independent and dependent variables. The study also identified the varying effects of different budgetary control techniques and confirmed the company's utilization of techniques like variance analysis and accounting responsibility. Additionally, the research emphasized the significance of budgetary control procedures and underscored the importance of top management support and engagement in implementing budgetary control techniques.

In their study, Osebo et al. (2019) investigated the impact of the budgeting process on organizational effectiveness in the public finance and economy development sectors of the Wolaita zone. The research employed a combination of qualitative and quantitative research methods. The study was conducted in five selected Woredas within the zone, chosen purposefully for the research. Stratified and simple random sampling techniques were used to select the samples. Data collection involved the use of questionnaires and document analysis. Findings revealed that there is a direct relationship between budgetary planning, budgetary implementation, budgetary control, and budgetary tax revenue budget with organizational effectiveness in the Wolaita zone's public finance and economic development sectors. However, the study also indicated that the impact of budget planning on organizational effectiveness was not as promising as initially anticipated. The significance of budget planning in contributing to organizational success was found to be weaker compared to other factors. Furthermore, the study highlighted that inefficient budget utilization and budget control within the organizations did not meet the expected levels of effectiveness.

Tegene and Ram (2021) conducted research titled "Assessment of the Effectiveness of Budgeting and Budgetary Control in the Case of Hawassa University." They gathered data from seventy-five budget holders at the university using a questionnaire. The researcher analyzed the data using percentages analysis to evaluate the effectiveness of budget and budget control. The study employed a descriptive survey research design. The findings revealed that budget holders and users at the university had limited involvement in the budget preparation and planning process. Additionally, the researcher emphasized that payments were not consistently executed with complete documentation and evidence. It was suggested that implementing computerized systems for record-keeping could reduce manual errors and eliminate the need for subsequent corrections through cross-checking.

Monitoring and evaluation are essential for maintaining stability and improving the effectiveness of local government entities in the face of various challenges (Smith et al., 2020). However, it is important to note that the monitoring and evaluation processes can be time-consuming as they rely on raw data to assess performance and may have a limited impact on overall performance improvement. Therefore, it is crucial to establish an optimal close of monitoring and control to ensure wide-ranging budget management and enhance performance at Hawassa University.

Dikasso and Tessema (2020) highlighted the increasing recognition of the budgeting process as a critical tool for achieving organizational effectiveness. However, they acknowledged that merely having a sound budget and financial system in place does not guarantee the achievement of desired targets. This underscores the importance of the rules and procedures governing the formulation and implementation of the budget, as they significantly influence organizational outcomes.

This study aimed to assess the impact of the budgeting process on organizational effectiveness within the government finance organization of the Hadiya zone. The research targeted 262 staff employees from five selected Woredas, which were chosen based on their priorities. A descriptive survey research design was employed, and a sample of 150 staff members was selected using a multi-stage sampling system that involved stratification and simple random sampling. The researchers utilized a structured questionnaire, unstructured interviews, and secondary sources of data for triangulation purposes. Data analysis was conducted using descriptive and multiple linear regression models, and statistical computer software was employed. The findings were presented through tables, figures, and discussions. The study established a strong positive and significant relationship between the capacity of the budgeting process and organizational effectiveness. Furthermore, the results indicated that government finance organizations should enhance their organizational capacity in the budgeting process to improve their overall effectiveness.

Taye and Tanu (2021) in their study titled "Assessment of Budget Preparation, Utilization, and Evaluation in the Case of Negelle Borena Town Municipality, Oromia Region, Ethiopia," evaluated the processes of budget preparation, utilization, and evaluation in the municipality. The study included nine out of seventeen budget holders and a total of 94 respondents, with input from ten key informants from each budget holder. Primary data was collected through structured questionnaires administered to five budget experts and five finance budget experts. The qualitative analysis of the study revealed several issues in the budget utilization process, including a lack of accountability, an absence of market-based cost valuation experiences, insufficient and inexperienced employees in the budget department, and a lack of evidence-based evaluation mechanisms at each level of the budget holder. To address these challenges and progress budget

preparation and utilization of Negelle Borena Town Municipality is crucial to implement remedial actions in the future. In a separate study conducted by Ponsian and Christina (2014), it was found that a well-designed administrative budget planning process has a positive impact on achieving organizational goals. The researchers concluded that effective budget planning is expected to contribute to organizational success.

Another study by Demera, and Yemer (2018) aimed to investigate the factors influencing budget control in Ethiopian public organizations within the Benishangul Gumuz regional state. The study focused on five selected public organizations, which were considered representative of other bureaus. From a total population of 428, a sample of 207 respondents was determined using Watson's (2001) formula. The study includes budget planning process, management support, competent internal audit staff, organizational commitment, budget monitoring and evaluation, information and communication, and cost reduction as independent variables and budget control as dependent variables. The analysis revealed significant positive contributions of the independent variables and together they accounted for 78% of the overall impact on budget control in public organizations. The study emphasized the importance of recognizing the substantial influence of these variables, as evidenced by their odds ratios greater than one, indicating a positive relationship between the predictors and outcomes. The implementation of these variables was recommended as a means to enhance budget control in public sector offices, ultimately adding value to their operations.

4 Research Design and Methodology

4.1 Description of the Study Area

Addis Ababa, the capital and largest city of Ethiopia, is a bustling center of administration, politics, and commerce, located at an elevation of 2,400 meters on the central plateau, surrounded by the scenic Entoto Mountains, spanning approximately 540 square kilometers and divided into ten administrative sub-cities, housing important government institutions and international organizations, with a diverse population representing various ethnic groups, blending modern and traditional architecture, renowned for its universities and museums, and having a well-connected transportation system (Gebeyehu & Bekele, 2022). The city has undergone significant infrastructure development and offers a vibrant social scene with diverse dining, entertainment, and recreational options. It plays a pivotal role in Ethiopia's political, economic, and cultural landscape.

4.2 Research Paradigm, Design, and Approach

Research philosophy encompasses the fundamental assumptions and beliefs that guide how researchers approach the process of gathering, analyzing, and applying information and observations, including the nature of reality (ontology) and the acquisition of valid knowledge (epistemology), with different epistemological approaches like positivism, interpretivism, realism, and pragmatism informing the research process (Otoo, 2020).

In this study, a pragmatism research philosophy was applied, integrating qualitative and quantitative data. An explanatory and descriptive research design was employed, using a concurrent triangulation strategy to combine multiple methods. The research approach refers to the plan for a study, with quantitative, qualitative, and mixed research approaches available (Creswell, 2018, 2014).

According to Creswell and Creswell (2018), a mixed research method combines both quantitative and qualitative techniques to provide a more comprehensive understanding of the research problem. Primary data, generated directly by the researcher, and secondary data, pre-existing data, were collected (Hill, 2012; Goldkuhl, 2012). Data collection tools such as questionnaires and interviews were employed. Questionnaires with a Likert-type scale was used for primary data collection, while interviews were conducted with higher officials (Alismail, 2020).

The targeted population for this study consisted of 48 public sectors, including sub-cities, which were categorized into two levels based on various factors such as their annual budget, number of projects, branches and expenditure centers, revenue collected, and utilization of shared services user offices, as outlined in the city administration BPR document from 2021. The total population comprised employees working in the finance, audit, planning budget preparation, monitoring and evaluation, and procurement and asset management directorates of the city administration's public sectors are 4580. The study specifically focused on these departments to gather information and draw conclusions that are relevant to employees within these areas. After categorizing the public sectors into three strata (first-level public sectors, second-level public sectors, and sub-cities), a total of 30 public sectors were selected, including nine from the first level, all 11 sub-cities, and an additional 10 public sectors from the second level based on their longevity of existence. The number of employees selected from each public sector was proportional to their total number of employees. From the target population of 4,580 employees, a sample size of 368 respondents was determined using the sample size determination formula developed by Yamane (1977) as follows:

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

Where:

n= sample size

N= Total population size

e = allowance of random error

$$n = \frac{4,580.00}{1 + 4,580.00(0.05)^2}$$

$$n = \frac{4,580.00}{1 + 11.45}$$

$$n = 368$$

5 Methods of Data Analysis

Data analysis involves the examination, refinement, transformation, and modeling of data to derive insights and draw conclusions. The quantitative data collected through the questionnaire was analyzed using SPSS 26 software descriptive statistics, with the mean values presented in tabular format and compared against the established standards. This allowed for a systematic examination of the responses related to strategic planning, budget preparation, budget approval, budget

implementation, monitoring and evaluation, audit, accounting, and reporting, as well as organizational effectiveness.

The qualitative data obtained through interviews was analyzed separately and integrated with the related quantitative findings to provide a richer, more holistic understanding of the phenomena under investigation. The questionnaire data was carefully screened and coded to ensure completeness and accuracy, with the responses organized into specific thematic ideas in a scientific manner to facilitate effective analysis. The data was then summarized and presented using appropriate table and figure formats, including the calculation of measures of central tendency (mean). The mean values provided insights into the central tendencies of the responses

6 Findings and Discussion

This subsection presents the descriptive analysis of the study variables to answer the first basic objectives or questions of the research which were stated as what are the current budget process practices of the city administration. In this chapter, the budget processes practices such as strategic planning, budget preparation, budget approval, budget implementation, accounting and reporting, Auditing monitoring, and evaluation are included. The analysis was done using descriptive statistics (average mean). The respondents of the study were asked to provide their level of agreement to statements related to budget process practices in their offices on a Likert scale (from 1= strongly agree to 7= strongly disagree).

To interpret Likert scale items, it is important to follow standard guidelines. To determine the range of a 7-point Likert-type scale, we subtract the minimum value (1) from the maximum value (7), resulting in a range of 6. We then divide this range by 7 (the greatest value on the scale) to get 0.86. To establish the maximum value for each scale item, we add 1 to this range. This consistent guideline is applied to interpret the mean score for each item as well as the overall grand mean score. The following range is used to determine the interpretation of the Likert scale items:

Table 1 Likert scale quintet weights

Likert scale	Weight Mean	Opinion
1	From 1 to 1.86	Strongly agree
2	From 1.87 to 2.72	Agree
3	From 2.73 to 3.58	Slightly agree
4	From 3.59 to 4.44	I do not know
5	From 4.45 to 5.30	Slightly disagree
6	From 5.31 to 6.16	Disagree
7	From 6.17 to 7.00	strongly disagree

Source: Modified from Abd-Elfettah (2008)

The grand mean, calculated by summing up the means of different groups or categories and dividing it by the total number of groups, provides an overall measure of central tendency for an entire dataset, combining the means of different subgroups or variables (Smith & Jones, 2021). It is commonly used in statistical analysis, especially in situations where data is organized into groups or categories (Stevens, 2013). Table 2 shows the grand mean of the study results.

Table 2 Likert scale quintet weights

Item	Particulars	Grand Mean
1	Strategic Planning	4.619
2	Budget Preparation	4.500
3	Budget Approval	4.538
4	Budget Implementation	4.696
5	Monitoring and Evaluation	4.868
6	Audit	4.440
7	Accounting and Reporting	4.380
8	Organizational Effectiveness	4.526

The mean score of 4.619 in Table 2 item 1 suggests that respondents, on average, expressed a notable level of disagreement regarding strategic planning practices in the budget process of public sectors, indicating a need for improvement in the effectiveness and implementation of strategic planning in public sector budgeting. The results highlight the importance of addressing discrepancies and enhancing the integration of strategic planning into the budgeting process, underscoring the need for strategies to bridge the gap between current practices and desired outcomes, aligning the budgeting process with the strategic objectives of public sectors. The result of the study is consistent with (Robert and Makina, 2020). To validate the quantitative data analysis, higher-ranking officials (participants A and D) were interviewed. Both participants shared similar responses, highlighting several contributing factors. The budgeting system, which focuses on individual expense categories rather than strategic goals, contributes to the issue. Additionally, there is a shortage of skilled employees with expertise in incorporating strategic planning into the budget preparation process. Commitment issues among public sectors also hinder the integration of strategic planning into the budget. Consequently, participants A and D do not believe that the yearly budgetary plan is prepared based on the strategic plan of the city administration. These factors limit the alignment of the budget with the long-term goals and priorities of the city administration.

Based on the analysis result of 4.5 in Table 2, item 2, respondents, on average, expressed a tendency towards disagreement rather than agreement with the budget preparation practices. This suggests areas of concern and the need for potential improvements in the process. The majority of respondents did not fully support or agree with the current practices, indicating a misalignment between the practices and their expectations. To validate the quantitative data, interviews were conducted with higher officials. Participant "A" explained that the yearly budgetary plan is not prepared based on the strategic plan of the city administration. This can be attributed to factors such as the use of a line-item budgeting system, a lack of competent human resources, and commitment issues among public sectors. Additionally, limited awareness and communication breakdown between the strategic planning and budgeting teams contribute to the problem.

In summary, the budget preparation process is not aligned with the strategic plan due to limitations in the budgeting system, a shortage of skilled resources, and a lack of commitment. These findings suggest the need for a more integrated and strategic approach to budgeting, with a focus on aligning the budget preparation practices with the overall strategic objectives of the public sector. Addressing these challenges can help improve the effectiveness and efficiency of the budgeting process, ultimately enhancing the delivery of public services.

Based on the analysis of Table 2, item 3, the average result of 4.538 respondents expressed a higher level of disagreement with the budget approval practices, indicating dissatisfaction with the current process. This highlights the need for improvements in the effectiveness and implementation of these practices. Interviews with higher officials (participants C and D) revealed that the main issue lies in the budget preparation process rather than the approval itself. The delay in budget approval stems from the public sector's failure to submit budget requests promptly and following prescribed timelines and procedures. Additionally, the budget review process does not actively involve stakeholders or seek their input before approval. While the transparency initiative of displaying the approved budget publicly is commendable, it suggests that direct consideration of stakeholder opinions and knowledge was not prioritized. Furthermore, budget changes were made by higher bodies without consulting the budget holders during the budget hearing, indicating a lack of budget holder involvement in decision-making. These findings emphasize the need to improve the budget preparation process, ensure timely submission of requests, and enhance stakeholder engagement during budget reviews. By addressing these issues, the budgeting process can become more inclusive, transparent, and aligned with the perspectives and needs of stakeholders. This can lead to better-informed decision-making, increased buy-in from stakeholders, and ultimately, more effective and efficient budget approval practices in the public sector.

Based on Table 2, item 4 the average mean score of 4.696 suggests that respondents generally disagree with the current budget implementation practices. There is a notable level of disagreement, indicating the need for improvements in the effectiveness and implementation of these practices. Interviewees reported that their office's budget was underutilized, despite the expectation that the approved budget should be fully utilized. This suggests a potential discrepancy between the expected and actual utilization of the budget within their office. Budget underutilization was attributed to issues with capital project accomplishment. Major capital projects were not completed within the specified contract period, indicating delays or obstacles in their execution. Contractors breaching contracts and delays in contract price revision were identified as contributing factors to this problem. Interviewees expressed dissatisfaction with existing efforts to monitor and track budget utilization, emphasizing the need for continuous and improved follow-up practices.

The type of budgeting system used by the city administration, a line-item budget, was identified as having a significant effect on budget utilization. Problems with the purchasing process, such as the last-minute rush to purchase goods and services at the end of the budget year, were also highlighted. This rush can lead to budget returns and ineffective utilization of allocated funds. It is attributed to poor planning, delays in decision-making, and a lack of time for strategic planning. The rushed approach to purchasing negatively affects decision-making, compromises the value for money, and results in inefficient allocation of resources. The interviewees emphasized the need to address these issues in the purchasing process to improve budget utilization. This result is consistent with (Knee, 2014)

The analysis result of Table 2, item 5, with a mean average of 4.868 shows that respondents expressed a high level of disagreement with the practices of monitoring and evaluation, indicating the need for improvements in these areas. Interviews with higher officials further highlighted the challenges in reaching all public sectors for monitoring and evaluation due to limited resources. The reliance on financial reports alone presents difficulties in assessing the effectiveness and efficiency of budget implementation. To enhance the monitoring and evaluation practices, it is necessary to address the resource limitations and expand the coverage across all relevant public sectors. This could involve allocating additional resources, developing a more comprehensive monitoring framework, and incorporating both financial and operational performance indicators. By strengthening the monitoring and evaluation processes, the public sector can better track the progress, identify areas for improvement, and make informed decisions to enhance the overall effectiveness of budget implementation. This will help ensure that public funds are utilized efficiently and achieving the desired outcomes for the benefit of the community. These findings align with the theory of budgeting, which emphasizes the influence of political and social factors on the budgetary processes of government and civil society ((Demera, & Yemer, 2018; Dakurah, 2020).

In Table 2, item 6, the mean score of 4.440 indicates an uncertain stance toward audit practices, suggesting the need for improvement. Interviews with participants revealed concerns about the competency and shortage of auditors, leading to unsatisfactory auditing and incomplete follow-up practices. Employee turnover and issues related to salary and benefits contribute to these deficiencies. The study is consistent with (Gomero, Bhat, and Khan, 2020)

The analysis of Table 2, item 7, with a mean score of 4.380, shows that respondents generally agree with the current accounting and reporting practices. However, interviews with higher officials revealed challenges with the completeness and reliability of reports received from the public sector. These challenges emphasize the need for improved reporting processes and competencies within the public sector. Furthermore, Table 2, item 8, with a mean score of 4.526, also indicates a tendency towards disagreement with organizational effectiveness. Collectively, these findings suggest that while the accounting and reporting practices are generally accepted, the audit function and overall organizational effectiveness require improvement. Addressing the issues related to auditor competency, resource constraints, and reporting reliability can enhance the integrity and transparency of the public sector's financial management. By focusing on strengthening the audit practices, improving the quality and reliability of financial reporting, and enhancing organizational effectiveness, the public sector can establish a more robust and efficient system for managing its resources and delivering services to the community. The result is consistent with the study (Mahroqi et al. 2021; Osebo et al., 2019)

Figures 1 and 2, representing the actual utilization of approved budgets, consistently show underutilization. This suggests challenges in effectively allocating and utilizing financial resources, potentially leading to project delays, insufficient funding for critical initiatives, and compromised service delivery.

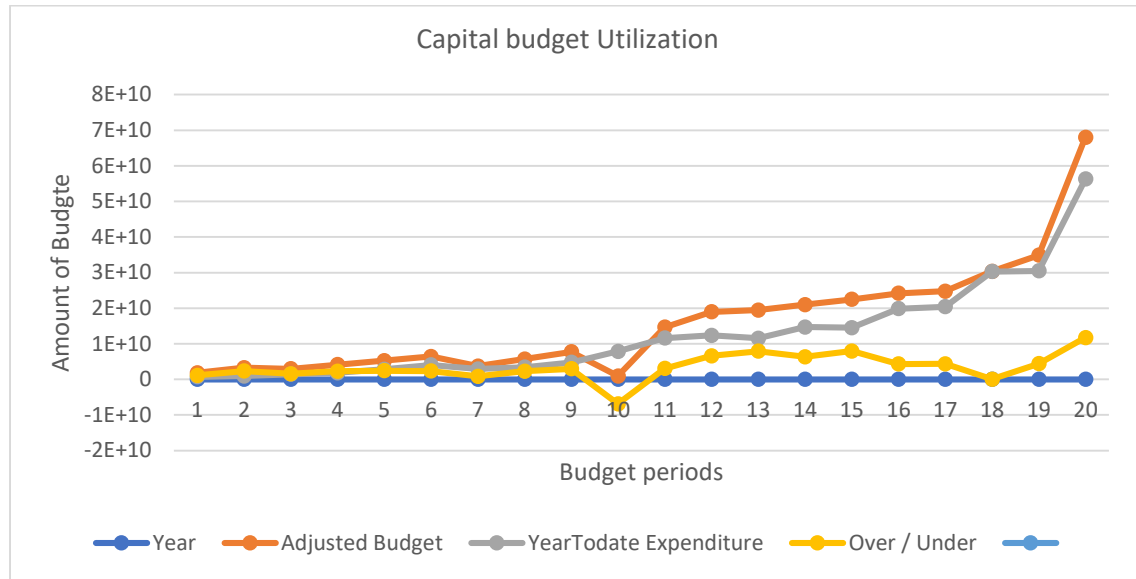


figure 1 Capital budget graph

Source: Budgetary report of the city administration from 1996-2005 EC

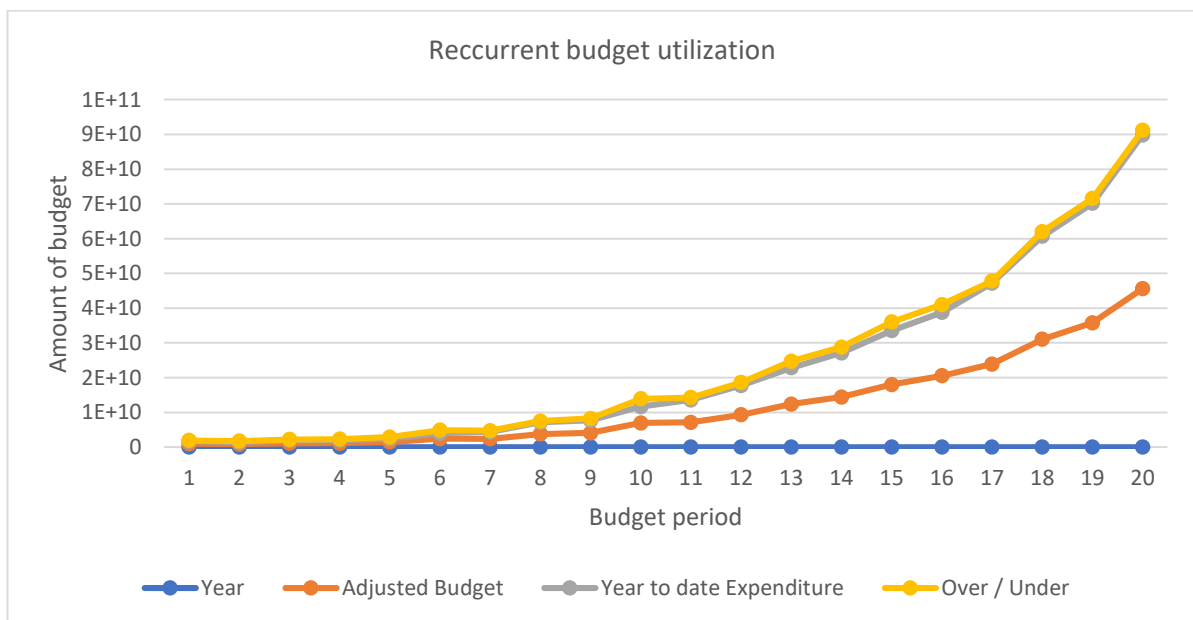


figure 2 Recurrent Budget graph

Source: Budgetary report of the city administration from 1996-2005 EC

Furthermore, during the interview session, Participant C acknowledged that the approved budget was consistently underutilized. They also mentioned that non-project purchases experienced fewer delays in delivering goods and services compared to capital projects. However, delays were still encountered in non-project purchases. The director identified challenges in selecting contractors and suppliers due to unclear procedures, resulting in decision-making delays and difficulties in

finding suitable vendors. Delays also arose during the initial contracting phase due to unclear issues like contract terms or project specifications. Participant D highlighted that delays in providing advance payments contribute to project inefficiencies. Administrative processes, financial constraints, and bureaucratic hurdles can cause delays in disbursing advance payments, which hampers contractors' ability to promptly mobilize necessary resources. Contract revisions, prompted by changes in project design and input prices, also lead to delays as they require additional discussions, approvals, and legal procedures.

Participant A emphasized that poor contractor performance significantly contributes to delays in capital projects. Factors such as inadequate project management, a lack of skilled labor, insufficient resources, and deviations from agreed-upon schedules can all result in project delays and compromised quality. Collusive practices between contractors and project consultants or inspectors, as raised by Participant C, were also a concern. These practices lead to favoritism, compromised quality control, and delayed project progress. The issue of retention payment for incomplete projects creates a disincentive for contractors to finish projects on time, as they prioritize new projects over ongoing ones.

7 Conclusions

The findings indicate a notable level of disagreement among respondents regarding the integration of strategic planning into the public sector's budgeting process. This suggests a need to improve the effectiveness and implementation of strategic planning within the budgeting framework to better align the budget with the long-term goals and priorities of the public sector. Factors contributing to this issue include the use of a line-item budgeting system, a shortage of skilled personnel, and a lack of commitment among public sector entities.

Respondents generally expressed disagreement with the current budget preparation and approval practices, indicating areas for potential improvement. The budget preparation process is not well-aligned with the strategic plan due to limitations in the budgeting system, a lack of competent resources, and commitment issues among public sectors. The budget approval process also faces challenges, such as delayed budget submissions, lack of stakeholder engagement, and changes made by higher bodies without adequate consultation with budget holders.

The research findings also shows that a high level of disagreement among respondents regarding the current budget implementation and utilization practices. Issues such as budget underutilization, delays in capital project completion, and problems in the purchasing process were identified as contributing factors. The line-item budgeting system and the rush to purchase goods and services at the end of the budget year were found to negatively impact budget utilization.

Respondents expressed a high level of disagreement with the current monitoring, evaluation, and audit practices in the public sector. Challenges include limited resources for comprehensive monitoring and evaluation, over-reliance on financial reports, and concerns about the competency and shortage of auditors. Improving the monitoring and evaluation frameworks, as well as addressing the issues related to auditor competency and resource constraints, can enhance the integrity and transparency of the public sector's financial management.

While respondents generally agreed with the accounting and reporting practices, there were concerns about the completeness and reliability of the reports received from the public sector. The

findings also suggest a tendency towards disagreement with the overall organizational effectiveness, indicating a need for improvement in this area.

Overall, the research findings highlight the need for a more integrated and strategic approach to public sector budgeting, with a focus on aligning the budgeting process with the strategic objectives, improving the effectiveness of budget preparation and approval, enhancing budget utilization and implementation, strengthening monitoring and evaluation, and addressing the challenges in audit practices and organizational effectiveness. Addressing these issues can lead to a more efficient and effective public sector budgeting system, ultimately benefiting the community and the delivery of public services.

8 Recommendations

Based on the findings and conclusions of the study, the following recommendations are provided.

Implement comprehensive strategic planning that is closely integrated with the budgeting process. This could involve transitioning to a program-based budgeting approach, investing in training and development of skilled personnel, and fostering a culture of commitment and accountability among public sector entities.

Streamline the budget preparation and approval processes by aligning them with the strategic plan, building competent resources, and ensuring meaningful stakeholder engagement. This could involve revising the budgeting system, improving training and staffing, and establishing clear communication and consultation mechanisms. Enhance the efficiency and effectiveness of budget implementation and utilization by transitioning to a more flexible and outcome-oriented budgeting approach, improving procurement practices, and addressing the issues related to the line-item budgeting system and end-of-year spending.

Strengthen the monitoring, evaluation, and audit practices by allocating sufficient resources, diversifying the evaluation methods, and addressing the issues related to auditor competency and availability. This could involve developing robust performance management systems, enhancing the capacity of auditors, and fostering a culture of transparency and accountability.

Enhance the completeness and reliability of accounting and reporting practices, and address the concerns about overall organizational effectiveness. This could involve improving the quality control mechanisms, enhancing data integrity, and implementing organizational development initiatives to improve the public sector's overall performance and responsiveness.

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