

An assessment of the challenges and opportunities of implementing program budgeting systems (PBS) in two selected Federal Ministries in Ethiopia

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Abstract

This study delves into the principles and processes of sustaining the implementation of program budgeting system (PBS) in the two ministries in Ethiopia, namely, Ministry of Finance and Economic Development (MoFED) and Ministry of Education (MoE). Drawing data from field survey, it attempts to show the progresses made in adopting PBS and the extent to which the system is understood and complied with in the government agencies. Down the road, the paper also puts premium on the prospects and the challenges of PBS in the intimated federal ministries. The paper employs a mix of qualitative and quantitative approach to generate data that have a significant bearing on diagnosing facts ascertained through semi-structured questionnaire and in-depth interview, with the latter specifically being used to elicit information from senior staff and experts in the field.

The finding demonstrated that quite impressive progresses have been registered in revising the program budget manual and training modules, significant program budget training, and piloting of PB at federal level and gradual improvements on the budget submission formats. Equally important, however, there are challenges that deserve serious attention

Keywords: program budgeting system, Ministry of Finance and Economic Development, Ministry of Education, performance indicators, monitoring, evaluation, Ethiopia.

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Introduction

The national budget is the most important policy vehicle to achieve a country's economic and social priorities within the scarce resources that are available to government for public expenditure. It plays a vital role in the process of government, fulfilling economic, political, legal and managerial functions of the government (Richard and Daniel, 2001).

Public budgeting systems are intended for carrying out numerous significant functions. Among the functions of a budget, the most fundamental one is controlling public expenditure, which is commonly carried out by exercising financial control over inputs. It is also instrumental for allocating scarce resources to government priorities so that government objectives are achieved in the most efficient and effective manner (Bradley, 1968). The budget can thus be seen as the tool for policy implementation. Rosenberg (1999) asserted that a budget is not only a tool of macroeconomic policy but also a management mechanism. It can help to achieve administrative efficiency, economy, and honesty through businesslike behavior. Last but not least, the budget document can be a major tool of accountability, whether to the legislative body or to the press and the public. It can help hold administrators accountable not only for the funds they receive but also for a given level of performance with those resources. Typically, a budgeting system cannot execute these functions equally well at the same time. The relative strength of each function depends on budgeting tools and techniques, but most critically on political decisions about which issues matter to the government (Shah, 2007).

The line-item approach embodies several impediments to promoting efficient and effective public planning and management as well as to fostering results-oriented accountability in public sector institutions. A line-item budget emphasizes inputs; it provides information on how much money is spent and how it is spent rather than on what it is spent. It does not link inputs with outputs and therefore says nothing about how efficiently resources are used. The line-item budget tends to focus decision making on details rather than on efficiency and effectiveness. The focus on detailed line-item control leads to micromanagement of agency operations by central budget offices and finance ministries and to hierarchical controls within the agency. Public managers thus exercise very limited managerial discretion and cannot be held accountable for the performance of government activities (Bradley, 1968).

Budget reforms have sought to remedy these deficiencies first in the 1950s by linking planning with budgeting through program budgeting (Bradley, 1968). Program budgeting (PB) is the performance budgeting mechanism which has had the most enduring influence. Program budgeting comprises the objective based program classification of expenditure and the systematic use of performance information to inform decisions about budgetary priorities between programs (Robinson, 2007).

The primary objective of program budgeting was improve allocation efficiency through better expenditure prioritization. The major concern was a belief that expenditure allocation in the public sector was not sufficiently responsive to changing social needs and priorities, and that money could keep flowing year after year to ineffective programs because of a lack of proper expenditure planning processes or of accountability for results linked

to the budget process (Robinson, 2007). Robinson (2007) argued that program budgeting exponents viewed traditional line item budgeting as a key part of the problem.

By the same token, the line item budgeting approach in the Federal Government of Ethiopia has not been well-attuned to priority setting in order to achieve policy objectives. The shift from line item to program budgeting for the federal government in Ethiopia has occurred progressively since 2005, as part of the budget reform agenda. Starting with a pilot of three ministries, Ministry of Finance and Economic Development (MoFED) has since 2006 made steady progress in developing a program budgeting approach for the federal government. After three years of producing indicative program budgets at the federal level, MoFED has introduced program budgeting embedded in a medium-term expenditure framework to 170 government bodies starting in July 2011 for the EFY 2004. While a good beginning has been made in introducing performance orientation in the budget process, the PB framework faces a number of challenges which needs to be addressed in the process of deepening this reform (Khemani, Kuteesa, Anderson, Ayaya, and Schaeffer, 2011)

Program budgeting in Federal government of Ethiopia is primarily designed to act as a basis for supporting Public Finance Management (PFM) reforms by enhancing performance management and accountability, enabling a stronger linkage between the annual budget and policy objectives, and improving transparency and accessibility of information. Shifting to program budgeting aims to facilitate the flow and quality of information so as to provide a robust basis for resource allocation decision-making and to

create the right environment and mechanisms that will strengthen the improved PFM.

Program budgeting requires data collection, and put pressure on information technology and data collection systems. Factors which determine the speed and success of PB reforms include both the character and quality and of public institutions and laws within the country, plus the degree of technical knowledge, degree of effort and experience applied to design and implementation of these methods(K[^]sek, and Webber, 2009). PB reforms involve a range of complex steps starting from changes to budget classifications, some completely new managerial concepts, introduction of new IT systems and changed behaviors of public servants. All of this requires a positive and determined attitude by government with good communication between the Ministry of Finance and line ministries and spending agencies. An effective program/performance budgeting system depends highly on reliable performance measurement and reporting (K[^]sek, and Webber, 2009). The construction of a performance measurement and reporting system provides a channel for public officials to reach agreement on program goals/objectives and, discuss and compromise on the selection of performance measures, to address their questions and concerns. Accordingly, this research will focus on the analyzing the challenges and prospects of implementing PB in Ethiopian government public bodies.

Drawing data from the two selected ministries, namely, the Ministry of Finance and Economic Development (MoFED) and Ministry of Education (MoE), this paper attempts to show the progresses made in adopting PBS and the extent to which the system is understood and complied with in these public agencies.

Statement of the problem

Over the past several years the scope, complexity and cost of government services have increased significantly and the demand for infrastructure and services confronts every government in the developing world. Such governments are therefore faced with the challenge of finding ways to provide infrastructure and services, within their limited financial resources. Hence, it is the duty of the government that these services must be provided with resources barely equal to the task.

There have been significant practical problems that arise in linking organizational unit budgets and program budgets. While the former is organized around activities, the latter rather emphasizes policy objectives. As Robinson (2010) noted, one of the difficulties for program budgeting is the relationship between programs and organizational structure. Similarly, Clifton (2010) stated that indeed the lack of congruence between a ministry's organizational structure and its strategy (i.e., outputs and outcomes) is often the biggest challenge in developing a program budget structure that transparently links the budget to service delivery and performance. In addition, Pugh (1984) argues that staff capacity to address the information requirements of program budgeting is the main institutional prerequisite.

Many countries do not fully benefit from all the possibilities of program budgeting in terms of budget credibility, expenditure control and public resource allocations. One common reason is that while they prepare the budget based on programs, they do not organize their accounting and expenditure control systems on a program basis. There is little value for

these countries in further developing program budgeting if spending cannot be accounted for, reported, and controlled according to programs.

The Ethiopian Government has been designing and implementing budgeting system since 2005 by recognizing the need to improve the efficiency and effectiveness of its spending in order to achieve national goals and objectives and enhance public service delivery. The budget reforms are primarily focused on curtailing dual budgeting through development of Medium-Term Expenditure Framework (MTEF), and moving from the traditional line-item budgeting system to a Program Budgeting (PB) system that links resources provided to agreed outputs.

Currently, the implementation of PBS at federal government level faces challenges and needs to be investigated. The persistence of input control, lack of performance information, the prevalence of dual budgeting, lack of monitoring and evaluation, ambiguity in conceptual framework and program establishment on the basis of traditional organizational structure are the area that require concrete study in Ethiopian context. In addition, lack of trained staff needed to carry out the required analysis and absence of information system that fully supports the program budgeting system are among the issues salient in the process of implementing PBS. Besides less research is done which accentuates the gaps in the area.

Objectives of the study

The main objective of this study is to delve into the prospects and possible challenges of implementing program budgeting and suggest potential

scenarios how it can best be utilized in the Ethiopian context in terms of effectively allocating the much needed resources in the country.

Discussion and analysis

This section deals with data discussion, analysis and interpretation. As noted earlier, the facts were gathered through in-depth interviews and structured questionnaires. Key experts and senior staff of both ministries were interviewed to ascertain valuable information. Questionnaires were also distributed to 30 staff members of budget preparation and administration directorate and planning and budget and finance offices of the two federal ministers. Out of the 30 staff members to whom questionnaires were distributed, 22 of them were budget and finance experts, 5 were planning officers and 3 were budget directors. Moreover, archival documents and relevant unpublished materials are also used to supplement the discussion.

Characteristics of Respondents

Table 1 presents demographic information of sample respondents in terms of level of education, work experience as well as the expertise that the respondents possess.

Table 1: Respondents by position, qualification, level of education and work experience

No	Items	Count	Percentage
1.	Position		
	Budget expert	22	73.3
	Planning officer	5	16.7
	Director	3	10.0
2.	Qualification		
	Accounting	3	10.0
	Management	9	30.0
	Economics	13	43.3
	Other	5	16.7
3.	Level of education		
	Certificate		
	Diploma		
	BA/BSc Degree	18	60
	Masters degree	12	40
4.	Service in Years		
	1-2	2	6.7
	3-4	7	23.3
	5-6	6	20.0
	7-8	5	16.7
	Above 8	10	33.3

Source: Field Survey

The Table demonstrates that out of 30 sample respondents, 22 (73.3%) are budget experts, 5 (16.7%) are planning officers and 3 are (10.0%) budget directors. In terms of work experience, 2 (6.7%) of them worked 1-2 years

in their current position and 7 (23.3%) have worked 3-4 years. Moreover, while 20.0% of the respondents in the two federal ministries have 5-6 years of work experience in their current position, 5 (16.7%) of them have 7-8 years of work experience, with the balance (i.e., 10 or 33.3%) are the respondents who have well over 8 years of work experience.

Table 2 also depicts qualification of the sample respondents. Accordingly, 12 (40.0%) have masters degree and 18 (60%) of the respondents are holders of BA and/or BSc degrees in different fields of studies, with the majority of them being specialized in economics. This is followed by other fields such as management (30.0 %), accounting (16.0%) and the balance (10.0 %) got their degrees in the various other fields.

In terms of both mix of expertise and experience, not only are the majority of the respondents budget experts, planners, and possessed relevant knowledge in the area; but also have they worked significant number of years in their positions so much so that responses are in the main reliable.

Program budget implementation

This sub-section shall discuss key areas that deserve attention in terms of due process and budget implementation. The discussions emphasize awareness of program budgeting, its concepts, its relation to organization structure, use of information technology, the benefit as well as the challenges of PBS.

Effectiveness of program budgeting

PBS was launched to address the critical problems of efficient and effective use of public money and other resources. The respondents were therefore asked to give their opinions as to whether or not PBS brings effective utilization of public money in Ethiopia.

Table 2: Effectiveness of PBS in resource use

Respondents	Response			
	MoFED	MoE	Count	Percentage
Yes	9	10	19	63.3
May be	6	5	11	36.7
No			0	0.0
Other			0	0.0
Total			30	100

Source: Field Survey

Table 3 shows that 19 (63.3%) respondents agree that the use of program budgeting can create effective utilization of public money; with 36.7% of the respondents expressing that there could be an effective utilization of resources with some doubt. Here, one can deduce that the use of PBS is more advantageous compared to the previous budgeting systems. As argued in the literature, use of PBS budget has to be drawn up in a way that looks at why money is allocated and whether its use produces the desired results. This demonstrates that the budget preparation offers ways that significantly departs from line item budgeting. For instance, MoE and MoFED have for years focused on allocating funds to administrative units, but now they specify their task and define their objectives and outputs. As discussed in the literature (MacManus, 1998), the disadvantage of line item budgeting is

that it focuses on inputs that have little connection with outputs, and it is also difficult to reach any conclusion about effectiveness, efficiency and equity in spending. In other words, line item budgeting system is oriented toward how much resources, staff, facilities, etc. are made available for a program or ministry. In contrast, program budgeting allows to make political choice among objectives and rational allocation of resources by prioritizing expenditures. This ensures that public money is spent on programs which are effective or be made effective by redesigning or improving management of programs.

How far has PBS been understood?

The level of understanding among the employees in the planning and budget departments of the ministries is different. A question was raised to determine how far PBS been understood by the respondents. The following table depicts the result.

Table 3: The level of understanding of PBS

How far has the new system been understood	Response			
	MoFED	MoE	Count	Percentage
Great			0	0.0
Moderate	13	12	25	83.3
Barely	2	3	5	16.7
Not at all			0	0.0
Total	15	15	30	100

Source: Field Survey 2012

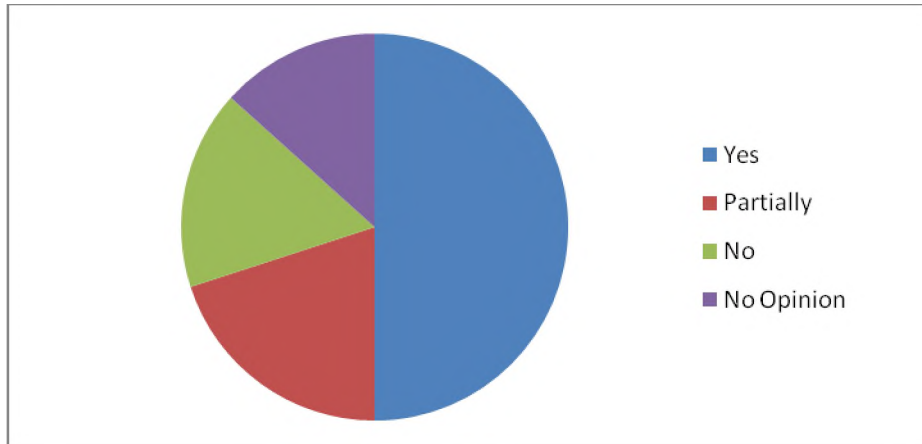
As depicted in the table above, while 83.3% (25) of the respondents from both ministries disclosed that there is a moderate level of understanding of

PBS, 16.7% (5) of the respondents claimed that they barely understood its process and implementation. One can, therefore, deduce that PBS has not been well understood by the respondents. In their responses to the questionnaire respondents offered some reasons why this low level of understanding on program budgeting. Absence of tailor-made as well as timely and practical training scheme, absence of open exchange of ideas and communication between policymakers and program implementers, and lack of motivation and commitment from all stakeholders chief among others are the limiting factors that rendered heightened level of understanding difficult.

The need for new computer software technology to implement PBS

Information technology is one factor that can improve public financial management. It enhances improved budget planning and execution through provision of accurate data for budget management and decision making. As noted earlier, PB is an information intensive system so much so that appropriate information system should be put in place to manage the flows of information and thereby assist sound decision-making. The respondents are of the opinion if installed properly; ICT can streamline the operationalization of effective PBS. The following Figure indicates the need to have new information system to assist an effective implementation of program budgeting.

Figure 1: The need for new information technology to implement program budgeting



Source: Field Survey

As shown in Figure 1, 50% of the respondents from both ministers asserted that PBS calls for new computer software technology to run PBS. 20.0% of the sample respondents have even suggested the necessity of additional new software to prop up the existing software. 16.7% of the respondents, however, are of the opinion that the existing software can sufficiently support the operationalization of PBS. The remaining 13.3% of the respondents rather expressed that they have no idea whether a new software should be introduced.

The responses of most of the persons involved in the study has been corroborated by government policy documents in that budget preparation, budget execution and accounting are supported by locally developed financial management software known as Integrated Budget and Expenditure (IBEX). There have also been significant efforts made to accommodate PB in IBEX system although that ended ineffectual. As a

result, macro excel system was designed in MoFED that made possible the generation of reports in program format. Since the budget submission formats are not fully supported by IBEX, macro excel found to be a suitable tool to lean on. Later on, another system, namely, Integrated Financial Management Information System (IFMIS) was introduced, but it remained on pilot basis being tested in six federal ministries. Should the pilot process works out well it is hoped to fully support PBS. Past experiences have revealed that the existing technology found to be incompatible with the requirements PBS.

Human resource requirement for the implementation of PBS

In addition to the IT support badly needed for the implementation of PBS, the availability of adequate human resource to sustain PBS is also another aspect of the requirement for its effective execution in the public organizations. To this end, respondents were asked whether the existing human resource is adequately provided to run PBS. The following table shows the responses as follows:-

Table 4: Sufficiency of human resource for PBSimplementation

Respondents	Response				
	1	2	3	4	Total
MoFED	4	7	4		15
MoE	3	8	4		15
Total Response Counts	7	15	8		30
Response Percent	23.3	50.0	26.7		100.0

Source: Field Survey 2012 1= yes 2 = partially 3 = no 4 = No opinion

While about 50% of the respondents replied that human resource is not sufficient for the implementation of PBS, 26.7% of them agreed that there should be additional human resource support to be able to effectively implement PBS. The remaining 23.3% of the respondents felt that there is enough human resource to implement PBS.

Interview responses, on the other hand, revealed that the availability of staff of the required quantity and quality (competence) to support PBS implementation is called into question. In all, questionnaire and interview results demonstrated that program budgeting is not that an easy undertaking which rather demands sufficient and capable manpower not only for planning and budgeting but also for monitoring and evaluation. The literature corroborates that when introducing program budgeting model, which promotes managerial freedom, it became evident that greater managerial flexibility and trained personnel could be viewed not only as a tool to improve efficiency but also to achieve expenditure targets that had been set (West et al, 2009).

Program budget training to staff

When there is a plan to introduce a new system, apparently it is imperative to conduct training so that employees have a measure of understanding of the principles, the concepts and the objective behind adopting the new system. Asked whether employees took training to promote their understanding of PBS and all its aspects, and how far they were satisfied with the training, respondents reacted as follows:-

Table 5: Staff's reaction to PBS training

Respondents	Response		
	1	2	Total
MoFED	15		15
MoE	15		15
Total Response Counts	30		30
Response Percent	100		100

Source: Field Survey 2012 1= yes 2 = no

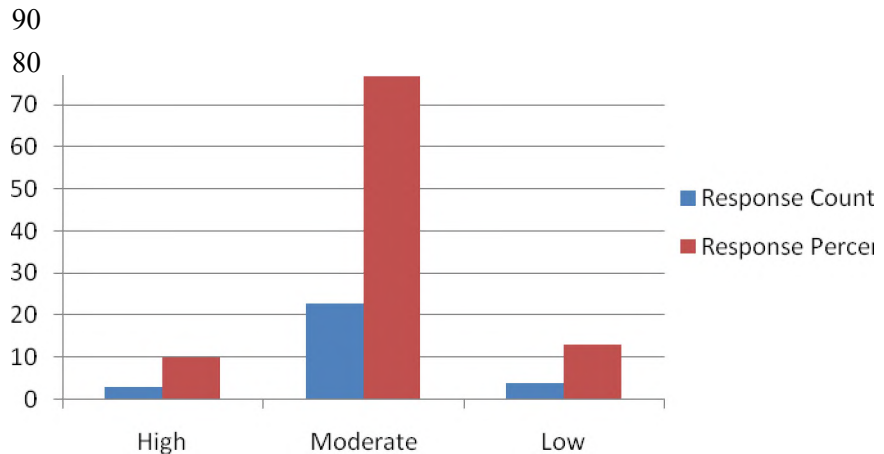
As the Table shows all of the respondents (100%) confirmed that they were indeed trained, and this in turn shows that staffs are familiar with the basic concepts and ideas of the new system.

Furthermore, information ascertained from the Budget Preparation and Administration Directorate also confirmed that series of training to orient and familiarize staff about PBS have been organized and training course were offered to the most of the planning and finance department personnel of both ministries two to three days. The same exercise was also scheduled continuously on annual bases for the rest of the staff in both ministries. Documents obtained from MoFED indicated that a training manual was prepared to meet the purpose of the training.

However, critical deficiencies in the training exercise were observed. Among others, the right persons who should receive orientation on PBS did not come to the training, the trainers did not seem to have adequate knowledge in the area, and sufficient time was not allocated for training to ensure that trainees receive enough understanding about the newly introduced system. This suggests that although some efforts have been

exerted to provide training, the effectiveness of the training exercise called into question because of the reasons already mentioned.

Figure 2: Level of satisfaction on the training



In terms of the level of satisfaction, while 23 (76.7%) respondents were fairly satisfied, 13.3% of the respondents were however not satisfied with the training and felt that they need additional training exercise to improve their understanding of the concepts and principles of PBS. In contrast, 10.0% of the respondents are highly satisfied with the training.

Figure 2 indicates that most respondents from the two ministries were not content with the training and the way it was organized. It was felt that the training did not go far enough to enhance their ability to implement PB.

Program budgeting and organizational structures and their Relationship

The essence of program budgeting in federal establishments is allocating budgetary resources in accordance to government policy objectives and

priorities. To make PBS in line with the program structure of the government organizations, program structures have been designed for the implementation of PBS. Respondents were asked to determine whether program budgeting system needs any change in organizational design and/or whether there exists any relationship between program budgeting and organizational structure. The responses as follows:-

Table 6: Program budgeting and organizational structures

Questions	Response									
	Yes	%	Partially	%	No	%	No Opinion	%	Total	%
Does program budgeting system require any change in organizational design?	5	20.8	10	52.6	15	88.2			30	50
Is there any relation between program budgeting structure and organizational	19	79.2	9	47.4	2	11.8			30	50

Source: Field Survey 2012

The above table (Table 6) demonstrated that a great majority of the respondents (i.e., 88.2%) seem to condone that there hardly exists a need for new organizational design to implement PBS in the Ethiopian federal ministries. In contrast, 52.6% of the respondents indicated some reform is needed to be carried out for the purpose of designing organizations to serve in enhancing the implementation of PBS. The program budgeting principle calls for programs to be result-based, although organizational structures are not always results-based. According to Cabri (2010), program structure is important in generating clarity on government policy implementation by showing how the activities of the ministry support policy objectives and

how resources are allocated. The design of program budget structures must be linked to an organization's strategic plan and output indicators relevant to the program rather than the administrative structure (Cabri, 2010). Therefore, it can be said that the PBS does not require change in the organizational design but demand adjusting the new budgeting structure within existing organizational design of the federal ministers. Furthermore, information ascertained from the budget document of two ministries seem to testify that program structures are defined based on the already designed of organizational objectives and it keeps programs within the existing organizational structure by clarifying lines of accountability and program management.

On the other hand, 79.2% of respondents agreed that there exists close relationship between program budgeting and organizational structures. About 47.4% of the respondents claimed that PB and organizational structures are partially related. The balance (i.e., 11.8%) responded that they have no relationship. Carlin (2004) noted that one of the thorniest concept for program budgeting is the relationship between programs and organizational structure.

Moreover, the result of interview and the current practice revealed that the program budget structure in the federal public ministries comprise four levels. These are: program, sub-program (where needed), output and activity/project. In line with the quality of programmatic structure adopted in federal ministries so far is fair in some way but still needs refinement. As Carlin (2004) stated, if ministries have major organizational units which straddle several programs, significant practical problems arise in linking organizational unit budgets in the organization structure and program

budgets. In addition, interviewees perceived certain weaknesses that rendered adopting better program structure difficult in public bodies there have been confusions in designing the program in some public organizations either because activities are too detailed or appropriate indicators are not used. The chief problems that have hindered in adopting PB structure are lack of understanding of the essence of PB, lack of well trained and capable manpower at all levels of the government organizations and the resistance to accept new structures.

The challenges of implementing PBS

Program based budgeting has emerged and been implemented in many countries and is actively promoted by international economic institutions such as the OECD and the IMF. Many countries, both developed and developing, have more than a decade of experience in implementing PBS, although they are still facing problems of implementation. Compared to countries which have long been implementing PBS for many years and countries which have highly trained civil servants, Ethiopia can face many challenges. The pilot programs seem to confirm this fact although they have prepared PB format with the quality significantly varying from ministry to ministry. It is against this background that Ethiopia launched PBS. The secondary and primary sources demonstrated herein under indicate the same concern.

Table 7: Potential challenges in implementing PBS

<i>Response Options</i>	1	2	3	4	5	Response Count	Rating Average
Lack of leadership/ commitment in promoting or supporting program budgeting	2 (6.7%)	4 (13.3%)	7 (23.3%)	14 (46.7%)	3 (10.0%)	30	3.4
Lack of framework/guidance on program budgeting	7 (23.3%)	10 (33.3%)	8 (26.7%)	4 (13.3%)	1 (3.3%)	30	2.4
Information overload - too much information is presented and not always clear which are more useful for decision-	8 (26.7%)	10 (33.3%)	7 (23.3%)	4 (13.3%)	1 (3.3%)	30	2.3
Program budgeting procedures too bureaucratic, lengthy,	12 (40.0%)	11 (36.7%)	5 (16.7%)	1 (3.3%)	1 (3.3%)	30	1.9
Allocation of costs e.g overheads	3 (10.3%)	4 (13.8%)	8 (27.6%)	11 (37.9%)	3 (10.3%)	29	3.2
Lack of capacity/training for staff/civil servants	2 (6.7%)	5 (16.7%)	5 (16.7%)	12 (40.0%)	6 (20.0%)	30	3.5
Lack of resources (time, staff, funds)	3 (10.3%)	4 (13.8%)	6 (20.7%)	11 (37.9%)	4 (17.2%)	29	3.3
Performance information provided not relevant for budgetary decision-	6 (20.0%)	9 (30.0%)	5 (16.7%)	8 (26.7%)	2 (6.7%)	30	2.7
Unclear what role, if any, performance information presented in the budget has played in allocation decisions	4 (13.3%)	7 (23.3%)	9 (30.0%)	8 (26.7%)	2 (6.7%)	30	2.9
Unclear policy/program objectives make it difficult to set performance	0 (0.0%)	4 (13.7%)	8 (26.7%)	13 (43.3%)	5 (16.7%)	30	3.6
Lack of accurate and timely data to serve as input for performance measures	0 (0.0%)	3 (10.0%)	7 (23.3%)	9 (30.0%)	11 (36.7%)	30	3.9

**Source: Field Survey 2012 Strongly disagree = 1; Disagree = 2; Neutral = 3; Agree = 4
and Strongly; agree = 5**

As the Table above shows, respondents were asked to rate the possible challenges of implementing PBS. Out of the 30 respondents, 46.7% of them agreed that lack of leadership/commitment in promoting or supporting program budgeting is a key challenge that affect its implementation. Furthermore, 23.3% of the respondents preferred to take neutral stance, 13.3% of them disagreed, 10% strongly agreed and 6.7% rather strongly disagreed. It can be deduced that the majority of the respondents perceived that there is much less commitment in supporting PBS. As Kluvers (2001) noted a program budget cannot be effectively implemented in the face of insufficient support and guidance from the political and bureaucratic leadership.

As shown in the table, most of the respondents are of the opinion that lack of guidance did not pose any serious challenge to the implementation of PBS. Moreover, information overload is another factor put to forward to respondents. Overall, while 60 percent of them disagreed or strongly disagreed on the issue, 16.6 % agreed or strongly agreed that excess information presenting serious problems on the decision-making process. Similarly, the challenge originating from program budgeting procedures being too tardy, bureaucratic, lengthy, and complicated was not rated.

Table 7 also depicts that out of 30 respondents 12 respondents (i.e., 40% respondents) agreed that lack of capacity/training for staff/civil servants is a challenge for the effective implementation of PBS. Moreover, 20.0% of the respondents also strongly agreed that lack of training can affect PBS. This shows that sufficient training and capacity building is essential for the effective implementation of PBS. Moreover, lack of financial and human

resources were reported to be posing serious challenge hindering PBS implementation.

Amongst the most important challenges that are rated as 3.6 and 3.9 are unclear policy/program objectives that make setting performance measures/targets difficult and absence of accurate and timely data to serve as input for performance measures respectively. Out of 30 respondents, for instance, while 43.3% agreed that lack of clear program objective makes setting performance target difficult, 26.7% of them did not perceive it much of a problem, although still 16.7% of them strongly agreed that it is a challenge. However, 13.7% said it doesn't have effect in the implementation of program budget. When it comes to lack of accurate and timely data, 66.7% of the respondents are of the opinion that absence of sufficient data poses a serious challenge to the effective implementation of PBS.

Performance monitoring and evaluation

Citizens have always demanded results from their governments. As a result, governments faced increased pressure from fiscal limitations and public demands for more improved public sector performance and to be more accountable for results. Performance indicators were provided in order to support better decision making, leading to improved performance and/or accountability. The questionnaire aimed at reviewing the development and use of performance information, namely, performance measures and evaluations across the sample ministries were used. These have been useful in eliciting information to determine how the tools were implemented, how they operated in practice, whether and how performance information is used in the budget process, and what factors explained its implementation.

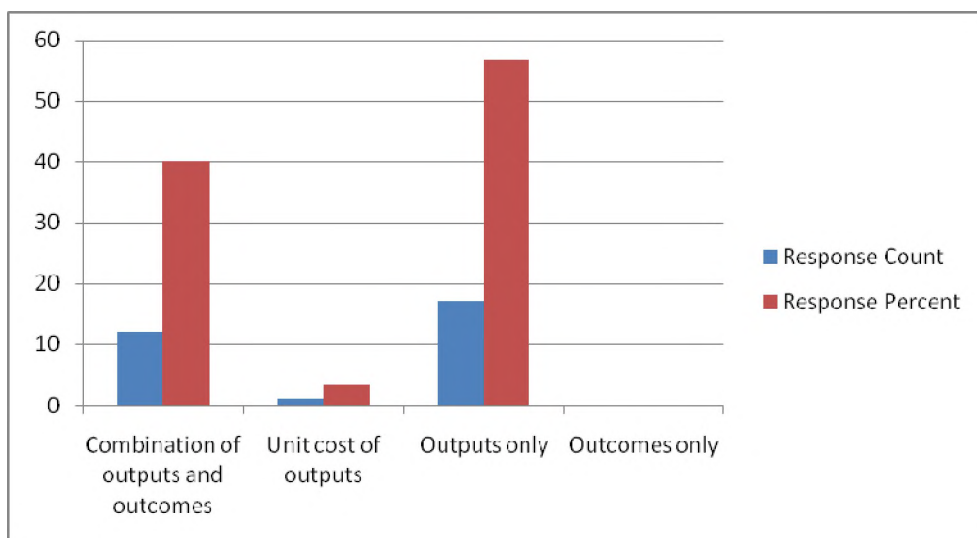
Moreover, the information from the interview revealed that monitoring and evaluation mechanism system has newly developed to monitor, evaluate and correct while the program is on progress. What has been done so far is that a guideline has been sent to the budgetary institutions to send their quarterly progress report that embraces both financial and non-financial one. This monitoring mechanism is in place starting from the 2004 budget year. A lecture has been given and performance report formats have been developed and revised in 2005. However, the reports are not done according to the formats and capturing the content that it should have. Reports supposed to provide information on actual expenditure of programs against budgets, as well as actual achievement of performance against the targets stated in the PB. Even, most public bodies do not submit their report on time. This indicates that monitoring and evaluation system is at its infant stage and it is difficult to say the system is well understood. This can be the result for pursuing on input controls in federal ministries. The primary purpose of budget monitoring reports of ministries is accountability, in particular to the Government. Financial and performance monitoring reports serve to inform the cabinet, other stakeholders and the general public about the performance of ministries in relation to public services provided. These reports are key reference documents and also documents for internal management. They form part of the historical record.

Table 8: Types of performance information used to assess government's non-financial performance

Queries	Response			
	MoFED	MoE	Total Response count	Response percent
Performance Measures	9	6	15	50.0
Evaluations	1	5	6	20.0
Bench marking	1	4	5	16.7
None	4		4	13.3
Other				
Total	15	15	30	100

Source: Field Survey 2012

Respondents were asked about the type of performance information used to assess governments' non-financial performance. Countries follow a variety of methods to assess performance, including performance measures, evaluations, and bench marking. Fifteen out of the 30 respondents stated that they use performance measures and 6 (20%) of the respondents use evaluations to assess performance with 16.7 % of them responded that benchmarking approach was often used. In the past 15 years, there has been a renewed emphasis on performance measures (principally focusing on outputs and outcomes) in budgeting and management; however it is clear that despite this trend, governments continue to make equal use of evaluations (OECD, 2005). While both methods provide information on performance, they provide different types of information. Performance measures deal with outcomes, outputs and/or process indicators. Evaluations often include a more detailed review of attributes and causality issues. Evaluation typically includes recommendations on changes to activities or programs to improve performance (OECD, 2005).

Figure 3: The types of performance measures that have been developed

Source: Field survey

Of the country that developed performance measures, the majority produce outputs only as indicated in Figure 3. 56.7 % of responses from participating ministries apply outputs only to most or some of their programs. 40.0% of the respondents apply a combination of outputs and outcome. This latter reflects the difficulty in following an approach that concentrates solely on either outcomes or outputs. Countries appear to have recognized the dangers of concentrating only on outputs. It can give rise to goal displacement as agencies risk losing sight of the intended impact of their programs on wider society, and concentrate on quantifiable activities at the expense of those that are less measurable (Robinson, 2007). Robinson (2007) further noted that it can also result in less attention being paid to cross-cutting issues. While outcomes incorporate a wider focus on the impact of programs on society and have greater appeal to politicians and the public, some are difficult to measure.

Findings and conclusions

The findings

Survey results confirmed that the implementation of program budgeting to a certain extent gets confused. As facts from empirical evidences indicate confusions arose from defining and establishing outputs and objectives, linking plan with budget, setting performance indicators and targets, defining unit cost for targets to arrive at total cost. The chief confusion is associated from synchronizing the program structure with existing organizational arrangements of the federal ministers. Moreover, there exists conceptual misunderstanding relating to the concept of output, recurrent activities, efficiency and effectiveness. Majority of the respondents are of the opinion that their level of understanding of program budgeting is moderate, and in some instances some have even hardly understood program budgeting.

The result also showed that there seem to be familiarity with the process of program budgeting system in the two ministries as staff from the two ministries received training on program budgeting system and do participate in the system. In addition to this, information from budget office testifies that continuous training has been offered to the budget experts on annual bases. However, there is still a need for further and sufficient training to enhance the capacity of experts in implementing PBS. The findings also suggested that the time allocated for training do not appear to be adequate to increase the understanding of PBS techniques.

As discussed the process of program budgeting requires new technology as the existing macro excel as well as the IBEX (Integrated Budget

Expenditure) systems do not effectively support in realizing the PB requirement. It seems a necessity to acquire a new system to execute the overall budget system efficiently and monitor and strengthen the accountability and transparency of resource at all level. In terms of human resources for program budgeting system, the majority of the reactions from the respondents and the related literature noted that effective implementation of program budgeting is determined by sufficient and capable staff in the budgeting offices as program budgeting needs qualified persons to implement it.

It is found out that there is no new organizational design for program budgeting system in the selected ministries and the program budgeting need to conform to organizational design of the public organizations. There is strong relationship between PB structure and organizational structures. This shows program budgeting relies upon a structured program budget and established organizational structure that it allows the activities of several agencies or departments to be assembled in the organizational structure of the ministries. The program budget structure in the federal public ministries comprises program, sub-program, output and activity/project. The four levels of PB structure have been consistently adapted to all public bodies. In line with the quality of programmatic structure adopted in federal ministries so far is fair in some way but still needs refinement. The main problems in adapting PB structure effectively are lack of understanding the concept of PB, lack of well trained and capable manpower at all levels of the government entities and the rigidity to accept new structure.

The discussions showed that performance measures supported by evaluation are used to assess government's non-financial performance in federal

ministries. It is also found out that performance against targets is not consistently monitored; it is neither displayed routinely and consistently in the budget document nor was it made available to the public. The empirical facts also supported that performance against targets as well as performance evaluation are not used as part of the budget discussions/negotiations between the Ministry of Finance and the line ministries. Regarding the types of measures that have been developed, it is found out that output measures are widely used even though a significant number of respondents identified the combination of output and outcome measures are being used.

It is also important to recognize that PBS was first launched in Ethiopia in 2005. The task of introducing program budgeting was undertaken from 2006-2008 on the pilot basis. In 2009 and 2010 shadow program budget was undertaken. A fully fledged PBS was started to be implemented in 2011. Development and issuance of a program budget manual and training module, significant program budget training, piloting of PB on a federal government-wide and improvements on the budget submission formats are those mentioned by the respondents.

There are different challenges that PB faces during its implementation. These include among others, lack of commitment from all stakeholders in promoting or supporting program budgeting even though it is believed PB is an appropriate way of PFM. There are also problems including lack of capacity in the MoFED to follow up whether line ministries properly implement the reform, methodological problems related to terms and terminologies, absence of clear program objectives that make it difficult to set performance measures/targets and lack of accurate and timely data to serve as input for performance measures.

Conclusion

Program budget is a very important and powerful tool of public management that assists policy makers track progress and demonstrate the impact of a given program and identifies where the public money goes. Ethiopia introduces this system with the intention to bring about efficiency and effectiveness in the whole budgeting system. Along the way, however, the efforts are somehow impaired by several challenges. The following concluding remarks are drawn from the discussions.

In the course of the implementation of PBS staffs level of understanding was enhanced through continuous training, although sufficient time was not allocated for the training exercises.

The discussions have revealed confusions have prevailed in the implementation process essentially because staff were not technically and conceptually equipped with the ideas of PBS.

Although program budget structures and organizational structure are intertwined for they both call for responsibility and accountability. It is also important to recognize that program budgeting system can keep programs within the existing organizational structure and, thus designing new organizational structure to adjust that to the new budgeting structure would be unnecessary.

Whether or not public organizations are delivering the required services in the most effective way can be assessed through performance measures. The

latter is also of significant importance in determining accountability. Hence, monitoring and measuring performance enhances better budgeting and service delivery. To this end, outputs are the only measures that are developed to measure performances in the federal ministries. It can be said that the use of a combination of indicators rather than a single measure leads to uncertainty which might arise from ambiguous relationship between inputs, process, and results. The discussion also reveals that designing performance indicators and setting targets are not that easy. Inappropriate selection of indicators or poor technical design can produce measures which are quite misleading. Monitoring systems already exist in sector ministries, but do not work effectively.

Among the critical challenges facing federal ministries that often become as roadblock to the effective implementation of PBS is the lack of adequate institutional and managerial capacity to support its implementation. Variation in understanding the concept of differentiating objectives from targets, goals and results, problems related with costing and cost apportionment between programs, lack of consensus and uniformity on terms and definitions and difficulties in making the structures of the organizations few among others are the biggest challenges.

Efforts have been exerted to develop enabling environment to implement PB and improve the management of government budgeting. Setting monitoring systems, putting advanced IT in place, ensuring that there are continuous training exercises, developing program structure all demonstrate there is a will to work with program budgeting system and there is a prospect for improvement.

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