

PUBLIC BUDGET MANAGEMENT PRACTICE IN ETHIOPIA. THE CASE OF BURAYU TOWN ADMINISTRATION

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ABSTRACT

The study examined the assessment of public budget management practices in Burayu town administration using both qualitative and quantitative approaches. The findings revealed that there were issues with budget utilization and the lack of revising the annual plan with the actual budget. The study recommended a transparent and fair budgeting process, alignment of budget with the annual plan, and training for budget workers to address these challenges. The involvement of major stakeholders, transparency in budget preparation and utilization, and regular revision of the annual plan were also suggested to improve budget management in Burayu town administration. In conclusion, the findings revealed that the overall budget management practices in Burayu town administration were good.

Keywords: Budgeting, Public budget management, Burayu town administration, Budget plan

INTRODUCTION AND BACKGROUND OF THE STUDY

In Ethiopia, the public sector oversees providing government services and managing public finances through a system of public financial management with the goals of fiscal discipline, resource allocation, and efficient service provision (Weeks *et al.* 2004). Ethiopia modified its budget structure as part of the civil service reform initiative in 1996 E.C. to improve budget administration and implementation. Budgeting processes and structures were changed as part of the reform, including introducing a new chart of accounts, budget classification system, coding of budget transactions, and new formats. Following 1991, Ethiopia's budget structure saw a

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rise in public spending on infrastructure and basic services, which spurred rapid growth, but there were no notable improvements to support the country's structural transformation towards industrialization (Manyazewal and Admasu 2019). According to Gebreyesus (2022), the Ministry of Finance in Ethiopia is essential to controlling the budgetary process and promoting efficient financial planning and budget administration. To guarantee adherence to these crucial requirements, the budget system's review should consider elements like participation, openness, responsibility, equity, and inclusivity (Najmiddinov 2022; Nqobile 2019). The efficacy and efficiency of the budget process are impacted by obstacles to attaining these goals, including capacity constraints, unethical behavior, and a lack of inclusivity in the creation and application of policies (Hey 2023; Maria 2023). Thus, it is essential to continuously evaluate and enhance budget systems by these principles to promote sustainable fiscal policies, economic expansion, and general development in Ethiopia. The public budgeting management practices case study of the town administration of Burayu has not been studied well and documented. As a result, the study's purpose was to close the research gap.

RESEARCH METHODOLOGY

This study used a mixed research methodology, meaning that both qualitative and quantitative research methods will be used. The researcher gathered data from a total of 55 employees in the budget administration of Burayu town through interviews and questionnaires. Both primary and secondary sources of data were used, including interviews with seven team leaders and gathering information from reports, documents, and other sources. The data was analyzed using mixed methods, with quantitative analysis using SPSS software and qualitative analysis using narrative techniques. The Statistical Package for Social Science (SPSS) software version 26 was used to code and analyze the data obtained from the closed-ended questionnaire. The results were presented in tabular and graphic form using the simple statistical method, mean, standard division, and percentage.

RESULTS AND DISCUSSION ANNUAL PLAN PREPARATION PRACTICE IN THE BURAYU TOWN

In the following Table 1 below, six closed indeed questions were forwarded to assess the planning practice in the Burayu town administration. The responses of budget users are depicted as follows in relation to annual planning.

Table 3.1: Annual plans Preparation in the Burayu town administration

	N	Minimum	Maximum	Mean	Std. Deviation
The office has an adequate number of professionals who prepare annual plans.	55	1	5	2.09	1.005
Each sector prepares its annual plan based on the strategic document of the town administration.	55	1	4	1.80	.621
There is a detailed plan for each job in the town administration.	55	1	5	2.02	.933
The annual planning process of the town administration is participatory.	55	1	4	4.67	.747
The annual plan of the office takes into consideration the resources available.	55	1	5	1.82	1.020
The desired goals of the office annual plan are realistic.	55	1	5	2.07	1.245
Valid N (listwise)	55				

Source: Own survey data (2024)

Many respondents believe there aren't enough skilled professionals to create annual plans for Burayu town administration, leading to potential planning issues. Studies in Ethiopia show that a lack of qualified staff is a major barrier to effective annual planning in town administrations (Gashu and Feyisa 2022). Different departments often ignore the town's strategic documents when making their annual plans, causing disorganization and inefficiency (Kırhasanoğlu 2022; Lenchuk *et al.* 2020). This disconnect can lead to plans that do not align with the town's overall goals, resulting in wasted efforts across sectors (Łukasz 2011). Research indicates that poor coordination between planning documents can hinder project success and environmental management. There is a need for better integration of strategic management concepts into annual plans to improve effectiveness. Respondents feel that the annual plan lacks specific job details, which can create confusion and unclear responsibilities among employees. While the planning process is seen as participatory, inconsistencies exist across departments, affecting collaboration. The annual plan does not consider available resources, making it unrealistic and difficult to implement effectively.

BUDGET FORMULATION PROCESS AT BURAYU TOWN

Drury (2006) stated that increasing people's active participation in budget preparation and using budget as a tool to assist managers in managing their department can be a strong motivational device by providing a challenge. Data is crucial for budget planning and management in all sectors at Burayu town.

Table 3.2: Budget formulation process data

	N	Minimum	Maximum	Mean	Std. Deviation
A budget is prepared based on reliable data and estimates.	55	1	5	1.67	.862
There is a budget for each job.	55	1	5	1.96	.881
The budget prepared for each activity is overestimated.	55	1	4	1.84	.631
The budget preparation process is participatory.	55	1	4	2.20	1.007
There is qualified staff to prepare and implement the budget.	55	1	5	4.38	1.063
There is a budget ceiling for departments to prepare budgets.	55	1	4	2.33	1.037
The Burayu town administration has adequate access to financial resources in order to finance its projects.	55	1	4	2.18	.983
Valid N (listwise)	55				

Source: Own survey data (2024)

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departments, affecting overall collaboration. The annual plan does not consider available resources, making it unrealistic and difficult to implement effectively.

ANALYSIS OF MISMATCH BETWEEN PLAN AND BUDGET

Table 3.3: The relationship between annual plan and budgeting

	N	Minimum	Maximum	Mean	Std. Deviation
There is a problem of matching plan with budget in your office.	55	1	4	2.02	.991
Budgeting in the town administration is related to planning operations that ensure the Burayu town administration strategic objectives realization.	55	1	4	2.35	.865
The town administration takes into consideration a quarter-annual and semi-annual plan to prepare its annual budget.	55	1	5	4.38	1.063
Budgeting in the town administration takes into consideration every potential challenge.	55	1	5	2.44	.977
Your office prepares its budget in relation to its annual plan.	55	1	4	1.58	.875
Your office revises its plan frequently in relation to budget.	55	1	4	1.87	.795
Valid N (listwise)	55				

Source: Own survey data (2024)

Most respondents feel negative about budget preparation, indicating unreliable data and estimates. The administration of the Ethiopian town of Burayu is confronted with difficulties arising from the misalignment of budgetary allotments and plans for urban development, which results in disparities in the advancement of infrastructure and the delivery of services (Talema and Nigusie 2023). The budgeting process lacks accurate information, leading to financial mismanagement and inefficiencies. Problems in linking work plans to budget affect resource allocation in Ethiopia. Respondents believe departments do not receive enough budget to perform their tasks effectively. Many think the budget is overestimated due to unreliable preparation practices. Inconsistent and incomplete data complicates accurate cost estimation for projects. The budget development process is seen as non-participatory, missing input from key stakeholders. Lack of qualified staff affects budget preparation and execution, leading to misallocation of funds. Absence of a budget ceiling creates uncertainty in financial planning for

departments. Insufficient financial resources hinder the administration's ability to meet community needs and goals. Overall, improving data reliability, stakeholder involvement, and budget management is crucial for better outcome.

ANALYSIS ON EFFICIENCY AND EFFECTIVENESS OF BUDGET UTILIZATION

Table 3.4: The efficiency and effectiveness of budget management practice in Burayu town administration

	N	Minimum	Maximum	Mean	Std. Deviation
There is clear distribution of responsibilities for budget utilization in the town administration.	55	1	5	4.58	.956
The budget in the town administration gives senior management a means of judging the performance of their teams.	55	1	5	4.51	.960
The management body in the town administration compares budget utilization with the goals expected to be achieved.	55	1	5	4.49	.960
Budgeting in the office depends on the success of the previous budget.	55	1	5	4.42	.956
Priority ranking is used in the office to utilize budget efficiently.	55	1	5	2.24	1.290
Budget utilization concentrates on cost reduction and not on value creation.	55	1	4	1.87	.862
Allowances are paid according to financial rules and regulations.	55	1	5	2.13	1.123
The budget is reasonably distributed to all sectors.	55	1	5	2.02	1.130
Your sector faces budget shortages during the budget year to carry out its tasks.	55	1	5	4.29	.936
There is a means to measure performance based on budget utilization.	55	1	5	1.87	.862
Valid N (listwise)	55				

Source: Own survey data (2024)

The majority of the respondents ($n = 4.58$) believe that there is a clear distribution of responsibility in the town administration. This suggests that the roles and duties related to managing and spending the budget are well-defined and understood by the relevant parties. Such clarity can enhance accountability, ensure efficient use of financial resources, and improve overall financial management.

According to Allen and Tommasi (2001), more parties are involved in budget execution than in budget development. As a result, lower-level units should have more decision-making authority to foster accountability and responsiveness about the effective use of their funds. The research result indicates that the management body in the town administration compares budget utilization with the goals expected to be achieved. This suggested that the administration actively monitors and evaluates how financial resources are being used in relation to the objectives set forth in their plans. As the data found in the above Table 4 shows, budgeting in the office of BTA depends on the success of the previous budget. This suggests that the administration uses the performance and outcomes of the previous year's budget as a basis for developing the new budget. This approach can help build on past successes, make improvements based on past performance, and ensure continuity and consistency in financial planning. However, it may also imply that less successful budgets could negatively impact future preparations, potentially perpetuating issues if not addressed.

The research result indicates that respondents disagreed with the statement that priority ranking is used in the office to utilize the budget efficiently. Thus, it suggests that the office does not effectively prioritize projects or expenditures based on their importance or urgency when allocating budget resources. As a result, budget utilization may not be optimized, potentially leading to inefficient use of funds and a failure to address the most critical needs or achieve the most impactful outcomes. This lack of prioritization can hinder the office's ability to strategically manage its financial resources and achieve its overall goals and objectives.

The research result indicates that respondents disagreed with the statement that budget utilization in the office focuses solely on cost reduction and not on value creation. This suggests that the respondents believe the office budgeting approach does indeed consider value creation and is not limited to merely cutting costs. This indicates a more balanced and strategic approach to budgeting, where the focus is on generating value and achieving beneficial outcomes rather than just minimizing expenses. This perspective highlights and emphasizes long-term benefits, quality improvements, and overall effectiveness in budget utilization.

The data found in the above Table 4 indicates that allowances are not paid according to financial rules and regulations. This suggests that there are inconsistencies or non-compliance issues in the way allowances are administered within the office. Such a discrepancy could lead to issues such as unfair compensation, financial mismanagement, and potential legal or ethical concerns. It

highlights a need for better adherence to established financial guidelines to ensure transparency, fairness, and accountability in the payment of allowances.

The research result indicates that the budget is not reasonably distributed to all sectors within the administration. This suggests that there are disparities or imbalances in how financial resources are allocated among different sectors. Some sectors may receive more funding than they require, while others may not receive sufficient resources to meet their needs and objectives. This inequitable distribution can lead to inefficiencies, hindered performance in underfunded sectors, and an overall imbalance in the administration's ability to achieve its goals and effectively serve the community.

The data found in the above Table 4 indicates that respondents agreed with the statement that their sectors face budget shortages during the budget year, hindering their ability to carry out tasks. This suggests a prevalent issue where sectors within the administration frequently experience insufficient funding to meet their operational needs and objectives throughout the fiscal year. These budget shortages can lead to delays, reduced effectiveness, and an inability to fully execute planned activities. It underscores the need for better financial planning and resource allocation to ensure that all sectors have the necessary funds to function effectively and achieve their goals.

The research result indicates that respondents disagreed with the statements that there is a means to measure performance based on budget utilization. This suggests that the administration lacks effective tools or methods to evaluate how well financial resources are being used in relation to performance outcomes. Without such measure mechanisms, it becomes difficult to assess the efficiency and effectiveness of budget spending, identify areas for improvement, and ensure accountability. This gap can hinder the administration's ability to make data-driven decisions and optimize the use of its financial resources to achieve strategic objectives.

CONCLUSION AND RECOMMENDATIONS

Weaknesses in resource allocation and use include poor planning, lack of links between policymaking and budgeting, poor expenditure control, inadequate funding for operations and maintenance, and poor cash management. Underutilization and overutilization of budget resources are related to deficiencies in budget and program preparation. The annual plan in the Burayu town administration lacks specificity and detail. The reliability of the objectives in the annual plan is questioned by a majority of respondents.

Budget preparation in most departments is not based on reliable data and estimation. The budget preparation process in the Burayu town administration is not participatory. There is a mismatch between the plan and budget in most offices

or departments. The budgeting process is not related to planning operations that enable the achievement of strategic objectives. There is a lack of practice in revising the annual plan with the actual budget in hand, leading to a potential mismatch between plan and budget. There is a clear distribution of responsibility for budget utilization in the majority of sectors in the city administration. Budget efficiency and effectiveness are not used as a means to measure team performance in a significant proportion of departments.

The research paper assessed the public budget management in Burayu town administration and identified weaknesses in the bureau of finance and development office. Recommendations were made to improve the annual plan preparation and budgeting process, including professional planning based on needs assessment and training for employees.

- The bureau of finance and development office should professionally prepare their annual plan based on need assessment and provide training for employees to improve budgeting management.
- Burayu town administration's finance and development office should ensure the major stakeholder's participation to increase the quality of the annual plan.
- The budget preparation and utilization process in the Burayu finance and development office should be transparent and fair, considering the strategic importance of jobs or activities.
- The town administration and its sectors should align their budget with the annual plan to avoid any mismatch.
- Training should be arranged for budget workers to develop uniform skills, and they should be included in the budget preparation process instead of relying solely on committee leaders.

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