

Evaluating the Impact of Changes in Accounting System on Donor Fund Utilizations: The Case of Southern Regional State Bureau of Finance and Economic Development

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ABSTRACT

The objective of this study is evaluating the impact of changes in accounting system on Donor Fund Utilizations: the case of Southern Regional State Bureau of Finance and Economic Development. In order to carry out the study, both primary and secondary data of Southern regional state bureau of Finance and Economic development over the period of 2003-2013 was obtained on the BOFED from the annual reports and audited financial statements and primary data obtained through Questioner and Interviews. The researcher has been used Stratified Sampling Techniques. The population of the study was 100 and sample size was 80. Data collected was analyzed using SPSS20 econometrics software. The researcher has been used Descriptive analysis. The study findings indicate that the major respondent of age group was young peoples, the major respondent of educational level was Bachelor Degree, the respondent felt that, accounting recording system was single entry bookkeeping. As a result the sector was not in a position to get sustainable grant and loan before the reform. Based on the findings, the study recommends that the country has been trying to fill the required resource gap especially, financial resource deficits, through loans of either local or foreign sources and through grants to be secured from different development partners if the country accept different precondition set by those loan or grant provider. Further studies should be undertaken to analyze the different sectors in the economy to Develop a better accounting and financial management and control system, better planning of the public sector so that budget allocations are driven by policy or program not by expenditure. And also now it is in assessment to implement full accrual base.

Keywords: Accounting system, Budgeting, Fund, expenditure planning.

1.0 Introduction

Southern nation nationalities regional state is found in the Capital city of South region called Sidama Zone- Hawasa City Administrations. Located 275 KM from Addis Ababa which is the Capital City of Ethiopia. The Bureau is established with proclamations from Constitutions Based on Articles 133/2003 with regional Governments and Organized to administer the financial and Budget system of the region. Currently the Bureau of Finance and economic Development (BOFED) restructured with Business Process reengineering (BPR) with six (6) Main Work process and Nine (9) Support Work process for the above administration purpose.

Federal Government of Ethiopia (FGE) accounting system which was a cash basis of accounting and single entry bookkeeping used up to 2002 G.C was in service for more than half a century.

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1.1 Back ground of the study

Governments decide that there was a need to reform and change the accounting processes and system as an integral part of the civil reform. There has been a grant fund or Aid and credit facilities which finance the region thorough BOFED. These are Africa Development Bank (ADB), World Bank (WB), and Unite nation Development Program (UN Excom) with different specific program like WASH, HIV /AIDS, Education and Gender empowerments.

These program or The Project activities are planned to execute at Various levels Zones, Wereda and City administrations including regional Bureau with 20/80 based Budget distributions. This study was designed to assesses and evaluate the impact of the accounting system change and other reform on the amount of donor fund utilizations at SNNPR BOFED. (DSA M-52 March 28,2005 G.C)

1.2 Statements of the problem

Southern Nation Nationalities Regional State like other region operates using annual budget , loan, and assistance. The region sometimes faces budget deficits and this deficits has been covered from different funding agencies in the form of loan and Grant. The funds obtained by the region or the country as a whole have their own nature or depend on Risk level Fund release Assessments. These are Macro level assessments and Micro Level Assessments.

The main problem of this study was the accounting Policy and Procedure which the country specially SNNPR BOFED used, Different stage of reform taken place by the region and its Changes in system, and finally its impact on the volume of the donor fund obtained by grant, by aid or by loan from foreign development agencies / Partner. (The bottom line on monthly financial reform bulletin, Vol. III No. 13 April /May 2006 p10)

2.0 Objectives of the Study

2.1 General objectives

To evaluate the impact of change in accounting system on the amount of donor fund utilizations in SNNPR BOFED before and after reform.

2.2 Specific objectives

The research has the following specific Objective:-

- To describe the Accounting, the basis and the record keeping system
- To describe the source of fund and its volume of transactions obtained from foreign developments funding agencies.
- To describe different funding agreements and preconditions set.
- To describe the level of understanding of this fund related specific preconditions by top level, middle level and lower level employees.
- To describe the kind of reform taken place so far in the region which support the donor fund flow.

2.3 Research question

The Following are some of the specific research questions / problems that this research has tried to address:

- What was the Accounting, the basis and the record keeping system before and after the reform?
- How was the source of Fund from funding agencies before and after the reform?
- What are the main preconditions set by funding agencies?
- Did the bureau faced fund blockage on accounts of its poor ground fund utilizations and financial report?

- What kinds of Reform taken place so far and the reason why it could be performed?

2.4 Significance of the study

Budget is the back bone of any activity in any part of the world and Countries allocates its scarce resources for the implementations of its planed activates. The real situations reveal that different countries faces financing shortages to implements their planed activity and they are trying to fill this budget gap in different fund raising strategy. This is true for SNNPR BOFED also. (SNNPRS Councils 2002) (World Bank, WB 2007) and UNDF Documents)

2.5 Scope of the study

The procedure to undertake the reform for the whole country is based on experience getting from pilot region, which means it is almost similar and it will be time, resource consuming to discuss each step of reform procedure in all region of the country. Therefore, the scope of this study will be limited to evaluation of the impact of change in accounting system and different reform taken place, on the volume of donor fund utilizations Channeled through Southern Nation Nationalities Peoples Regional Bureau of Finance and Economic development (SNNPR BPFED) during 2000 Ethiopian Budget year up to 2008 Ethiopian Budget Year.

3.0 Research Design and Methodology

To get necessary data for the research, both primary and secondary data was collected. Primary data was collected through structured questionnaires prepared in English and translated to local language. Some general information has been collected through interview from experts and top level managements. Beside data which was collected and analyzed in quantitative way, from certain respondents that show typical result positively or negatively; in narrative by observations form was also included in the study. The researcher has been used descriptive analysis.

3.1 Sampling techniques

In the region we have three types of Public sectors Economic, social and Administrative sector. For these research purpose the researcher has been selected one from each sector based on the amount of Fund received from Funding agency. The types of sampling was through Stratified Sampling technique because we first classify the population of total public sector by three with the nature of the sector it establish to accomplish the predetermined government objectives which is social, Economic and Administrative program. After the researcher make discussions about the proposing research deeply and review related literature the researcher was preceded to the preparation of questioners. From total population of employee of the SNNPR BOFED and Sector bureau the researcher was selected respondents using the stratified random sampling technique. The researcher used these sampling techniques because it is more reliable, valid as well as each individual respondent has an equal probability of being selected. Further for this study the researcher was used questioners as the best data collecting tool. This is because, questioner is more reliable and valid, least expensive, time saving and encourage the respondents to fill their feeling. The collected data were analyzed by adopting the statistical methodology based percentage, tables and figures the statistical analysis was conducted. To achieve its objectives a total of 80 questionnaires were prepared and distributed to Finance officials of SNNPR BOFED, Bureau of Health, Bureau of Agriculture, Bureau of Educations, bureau of water and regional council office. Out of these questionnaires, 60 were filled and returned. The rest 20 questionnaires were unreturned. Therefore, the rest 60 questionnaires were valuable for further analysis. To analyze the survey data, the researcher used descriptive method.

3.2 Data analysis

Based on the nature of the data collected through questionnaires, interview, and documents, the following procedures and statistical tools were employed. Data was checked for consistency and completeness then data was coded, checked, and entered to computer. Finally, it has been processed and analyzed by Statistical Package for Social Sciences (SPSS) version 20. The data collected through interviews and documents were analyzed qualitatively by descriptive statements. The results that were obtained from the interviews used concurrently to strengthen the analysis of the questionnaires. In addition to this, ratios also used to analyze incremental of the fund and performance of implementing units in order to compare the performance of grant fund usage against that of governmental budgets after and before the stated reforms.

3.3 Data presentation, interpretation and analysis

Table 1: Background of the Respondents

Sex Distributions	Male	37	61.7 %
	Female	23	38.3 %
Age Distributions	< 25	4	6.7 %
	26 - 35	33	55.0 %
	36 - 50	18	30.0 %
	Above 50	5	8.3 %
Educational Levels	10/12 Complete	0	0 %
	Certificate	0	0 %
	Diploma	10	16.7 %
	Degree	48	80.0 %
	Above Degree	2	3.3 %

Source: researcher own computation 2013

From The above Table2:-The major of respondents of basis of accounting system was 85%. This indicated that the accounting system the government was not accepted. The accounting system which the SNNPR BOFED and Other sector used before the reform was a single entry cash basis of accounting and the report produced from this system was not accepted by international funding agency and this was the issue leads the federal Government of Ethiopia – SNNPR to different reform to change the system from single entry to double entry from cash basis to modified cash basis of accounting.

Table 2: The Accounting the Basis and Record Keeping System in the Region

Questions	Choice item	Frequency	Percent
-What kind of bookkeeping system was used by SNNPR BOFED and other sectors? Before the reform	- Single Entry	46	76.7
	-Double Entry	14	23.3
	- Others	0	
-It was internationally accepted and reasonable to understand the Financial reports of the country before the reform	-Strongly agree	3	7
	-Agree	4	7
	-Neutral	4	7
	-Disagree	14	23
	-Strongly Disagree	34	57
	- Not respond	1	1
-What was the basis of accounting System used by SNNPR BOFED	-Cash Basis	51	85
	-Modified Cash Basis	8	13.3
	-Full accruals	1	1.7
	- Other	0	

Source: Researcher own computation 2013

From Table 3 the source of the fund obtained foreign development partner the major respondent 55 % felt very low. This indicated us the fund flow from funding agency before the accounts and other reform was not satisfactory to fill the gap of budget deficit. Therefore, to attract funding agency the reform was necessary.

Table 3: The Source of the Fund Obtained from Foreign Developments Partner

Questions	Choice item	Frequency	Percent
How was The Condition on amount or the volume of donor fund before the reform?	Very High Very Low There was no aid Medium Other Not respond	7	11.7
		33	55.0
		4	6.7
		13	21.7
		1	1.7
		2	3.3

Source: Researcher own computation 2013

Table 4: The Precondition Set by Different Development Partner for the Purpose of Grant and Loan

Questions	Choice item	Frequency	Percent
What kind of precondition was set by Donor and other loan provider?	-Bookkeeping method and basis of accounting are internationally accepted	13	21.7
	-The Acc. system must be easy, understandable and transparent budget system	12	20
	-The reports must be transparent and Time bounded	13	21.7
	- All of the above	22	36.7
There are fund which the region loses based on different preconditions set by funding agencies	-Strongly agree	18	30
	-Agree	30	50
	-Neutral	5	8.3
	-Disagree	7	11.7
	-Strongly Disagree	0	0

Source: researcher own computation 2013

From the Table 4, the precondition set by different Development partner for the purpose of grant and loan the major respondent 36.7% felt all choice items and the major respondent 50% felt agree regarding fund loses by the region. This means that from other preconditions set by funding agencies regarding accounting the basis and reporting must be internationally accepted, there must be easy and transparent budget report. And there was an adverse situations which the SNNPR loses fund due to those preconditions. And it is necessary to fulfill the risk level Assessment set by funding agencies to release fund.

From Table 5 the accounting system was single entry cash basis and it was not internationally accepted. Regarding the source of the fund before the reform it was satisfactory to fill the budget gap and the reform was necessary to attract the attention of different funding agencies. The preconditions set by funding agencies (even if it depend on funding agency) regarding accounting system and reporting style, the system must be internationally accepted, there must easy and transparent budgeting and reporting system and With this there was adverse situations on which the SNNPR loses the fund.

Table 5: Civil Service Reform in the Region

Questions	Choice item	Frequency	Percent
When was The accounts and The budget reform are taken place by the region?	-1994 E.C	0	0
	-1995 E.C	47	78.3
	-1996 E.C	8	13.4
	-Note respond	5	8.3
SNNPR BOFED made Different awareness creation workshop or training	-Strongly agree	7	11.67
	-Agree	35	58.33
	-Neutral	5	8.33
	-Disagree	9	15
	-Strongly Disagree	4	6.67
How many reform are taken place before theses research are conducted	Less than 5	7	11.67
	6 to 10	2	3.33
	Not respond	51	85

Source: Researcher own computation 2013

4.0 Findings of the Study

The accounting and recording system before the reform was single entry bookkeeping system and Cash basis of accounting system. It was not accepted by funding agencies as the result the source of the fund from funding agencies was not satisfactory to fulfill the budget gap and the reform was necessary to attract the attention of funding agency.

The preconditions set by the funding agencies regarding the accounting, budgeting, and report style and format must be internationally accepted and it must be easy and transparent budgeting and reporting format. There was adverse situations on which SNNPR loses fund from donor, it was necessary to fulfill the risk level assessment which made by donors and preconditions set by different funding agencies in order to get fund.

Civil service in the Region: The reform was taken place in 1995 Ethiopian budget Year, there was different awareness creations workshop and training (I was one member of the reform team in accounting practice training), Regarding major differences on modified cash basis of accounting.

5.0 Conclusion

- As the researcher discussed earlier financial reform is not simply a slogan or a concept. It is a difficult process of linking complicated sub-systems together in to a well – functioning whole. Reform by definition is a multidimensional process that cannot be solved by introducing a single solutions, be it double entry accounting, output/outcome budgeting or medium term Expenditure frame work.
- Financial Reform is a difficult Challenge for any government. It takes political Commitment, administrative capacity and significant financial and human resources. It also takes a long time. It is extremely difficult to stay the course of the reform's design and mobilizing and managing the resources needed for the reform in the midst of pressing and short term domestic and international demands. It is also difficult for governments to maintain the coherence of the reform when pressed with never ending and changing recommendations. The objective of Ethiopia's financial reform should not be to win the 'international reform tombola" but to build sound financial system through a coherent, appropriate and feasible reform.

6.0 Recommendations

- Even if, Ethiopia's Civil Service program (as case of SNNPR) has passed many ups and down it shows fruitful results and external donors and creditors want to build up government's capacity so that assistance and loans are increasingly provided.
- And Development agencies are pressing for building capacity begins by recognizing existing capacity, a commitments to avoid duplications and appreciations of the importance of ownership by governments in the capacity – building process.
- Finally the researchers recommend that systems are dynamic and not static; whatever challenge may face the Civil service reform and other development program it must be continued in the same fuchsine.

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