

- quite contrary in the case of government. The government first decides the amount of expenditures to be done during a period of time, and then frames scheme to secure money to meet the expenditure. Government has the power to increase its income by internal borrowings but this is not possible for an individual.
- II.** Government's source of income is more flexible in comparison to private source. Government has legal power to extend the sources of its income according to the needs of the time. Government has the control over the whole national property but individual has to rely upon his own individual standing. Moreover, government can take the help of the foreignment and this is not possible for a person to secure such supports. The last resort available to the government is the printing of new currency notes to increase its income. But an individual will be definitely behind the bars for such an office.
- III.** It is easy for an individual to base his expenditure on the law of equal marginal utility, but far difficult for governments. Individual is free to measure his expenditure in the sense of utility and spends his money on the certain weighted subjects. These subjects may not be of social need or may not add anything to social advantage. Such expenditures are very prominent in the democratic countries for example building of hospitals, roads, parks.
- IV.** Private finance is narrow and short lived in comparison to public finance. Private finance faces suspension with the end of the individual's life or with the closure of the particular business enterprise. But governments are more tenable. It is well said in this context is that 'king may come and king may go but government is eternal.' Governments keep on moving from generation to generation interlinking past from present with an eye on future.
- V.** Public finance is subject to public censor but not the private finance. A complete secrecy may be maintained by an individual regarding his income and savings. But the government records are furnished to let the people see through the desirability of the expenditure. Public is entitled to know, criticize and the press is free to comment on the public finance outlays, its drawbacks and failures.

urban Development, welfare and so on. General development include services like cartography, statistics, public and administrative buildings, and the like.

❖ **Line Item Budget**

Capital budget, on the other hand is prepared by activity/project. This will be performed by categorizing projects spectrally at the top, then grouping them by programs and sub-programs. For instance, the “National Fertilizer project” is detailed as follows under the sector agricultural development.

700 Economic Development

710 Agricultural Development

712 Peasant Agriculture Development

712/02 Crop Development

712/02/02 National Fertilizer Project.

Ultimately, however, the budget for both recurrent and capital will be presented by line items (or code of expenditures). Thus, the budget for the sub agency or department in the case of recurrent will be prepared by such line items as salaries, office supplies, etc. Similarly, the capital budget for projects will be prepared by such line items as surveys and designs, equipment and machinery, operating cost, and so on.

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Line item budget has a number of advantages: First, it promotes control since the budget is detailed down to particulate expenditure items. The use of the budget of one line item for another may require the verification of MoF and MoED. So, the spending public bodies will not have the right to spend the budget as they want. Second, it is simple to manage. The major drawback of line item budget, however, is it gives more emphasis to inputs not outputs. At present, however, the civil service Reform Program in its component of budget reform is trying to address the issue of output. To move from the existing input based (line item)

UNIT FOUR

ETHIOPIAN PUBLIC FINANCE

4.1. Budget in Ethiopia

The word Budget originally meant the moneybag or the public purse. The word now means, “Plans of government finances submitted for the approval of the legislature”. The budget reflects what the government intends to do. The budget has become the powerful instrument for fulfilling the basic objectives of government. The budget covers all the transactions of the central government.

Budget is a time bound financial program systematically worked out and ready for execution in the ensuing fiscal year. It is a comprehensive plan of action, which brings together in one consolidated statement all financial requirements of the government. The budget goes into operation only after it is approved by the parliament. A rational decision regarding allocation of resources to satisfy different social wants requires considerable thinking and planning. Thus budget is an annual statement of receipts and payments of a government.

4.2 Functions of Budget

The functions of budget include the following:

- proper allocation of resources: - to relate expenditure decisions to specified policy objectives and to existing and future resources;
- to relate all major decisions to the state of the national economy;
- long term economic growth:- to ensure efficiency and effectiveness in the implementation of government programs;
- to facilitate legislative control over the various phases of the budgetary process.
- equitable distribution of income and wealth and
- Securing economic stability and full employment.

It implies that the objective of budget policy is to take corrective measures or to adopt regulatory policies to remove imperfection or inefficiencies of market mechanism. Besides, the objective of the budget policy is to make provision of social goods or the process by