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Master's Thesis of Public Administration

**Front-End Governance of Major Public
Investment Projects in Ethiopia: Its Current
Status and Gaps**

**에티오피아의 주요 공공 투자 프로젝트의
프런트 엔드 거버넌스: 현황과 격차**

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ABSTRACT

Front-End Governance of Major Public Investment Projects in Ethiopia:

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This research aims to map and review the governance of public investment projects in Ethiopia and to identify the most critical front-end challenges of public investment projects in the country. The research focuses on the front-end governance of major public investment projects.

Proper project planning in the early stages of a project (the "front-end") has been found to reduce uncertainties and maximize project benefits, ensuring a greater chance for project success and reducing the common obstacles that prevent project success. Adopting and applying front-end project management would be crucial for developing countries like Ethiopia to select suitable projects and make the best decisions on those with a positive social impact. As a result, this study looked into Ethiopia's project governance practices, focusing on the independent reviewer. A qualitative research design with a grounded theory methodology was used in the study; survey questionnaires and interviews of project evaluators, project planners, and senior experts from the Ministry of planning and development and Ministry of finance were used. Thus,

this study explored the front-end project management practices concerning public investment project appraisals and the decision-making process in Ethiopia. Furthermore, the Federal Government Public Projects Administration and Management System framework for achieving project success through the implementation of public investment management regulations and guidelines was explored. The research findings indicate that the top-down project approach, the lack of mandatory control gateways at the front-end project preparation and decision-making stages, institutional capacity constraints, and weak links between project stakeholders affected the effectiveness of the project governance system. In addition to this, the most important factors that could affect public investment projects are identified.

Keywords: Project governance, front-end project planning, public investment projects, and decision making

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Acronyms

Abbreviation	Meaning
CoM	Council of Ministers
DPD	Development projects directorate
DPSA	Development Projects Study Authority
FDRE	Federal Democratic Republic of Ethiopia
GoE	Government of Ethiopia
GT	Grounded Theory
GTP	Growth and transformation plan
HGER	Homegrown Economic Reform (HGER)
MoPD	Ministry of planning and development
MoF	Ministry of Finance
MoUDAC	Ministry of Urban Development and Construction
Office of the PM	Office of the prime minister
SAAF	Summary Appraisal and Assessment Form
SOE	State-owned enterprises
PIM	Public investment Management
PMBOK	Project Management Body of Knowledge
PPP	Public Private Partnerships

Chapter 1. Introduction

1.1. Background of the study

Public investment plays a significant role in the socio-economic development of developing economies, including Sub-Saharan Africa (SSA), even though these investments are generally seen to be less efficient as compared to private investment. When it comes to investment management and reducing corruption, policymakers generally believe that private sector-led economies gain more from good investment management and higher relative returns than public investment. The public sector, on the other hand, is the largest employer and the primary driver of economic activity and social well-being in the vast majority of SSA's emerging countries (Agyei, S. K. 2017).

Demand for public services in sub-Saharan African countries is expanding regularly due to the region's development in governance and knowledge.¹ There is a continuing struggle to satisfy this demand because of economic disparity, insufficient infrastructure, and lack of industrial growth. Transparency, legal and financial frameworks, as well as insufficient management and technical knowledge all, contribute to making this situation worse (Gidado, 2010). As part of the Homegrown Economic Reform program, Ethiopia has been undergoing broad-based

¹ For more, see Lancaster, C. (1999). *Aid to Africa: So much to do, so little done*. University of Chicago Press.

economic reforms since 2019 (HGER).² Since the early 2000s, her economy has faced several macroeconomic and sectoral hurdles in maintaining development and ensuring that everyone has access to the same opportunities.

Ethiopia has been implementing national development strategies over the previous twenty years. As a vehicle toward the attainment of Ethiopia's objective of becoming a lower-middle-income nation by 2025, the Ethiopian government has been developing and executing many public investment projects. Many more are planned for the following 10 years. According to this strategy, various sector ministries have produced their own detailed plan and initiatives. Some projects, such as agriculture and irrigation and education and industrial growth are undertaken by distinct sectors. Many public projects have been developed and executed as a result of these initiatives. However, the execution of these public investment initiatives presents a number of difficulties.

Studies on Ethiopian PIM done by McKinsey & Company, the Ministry of Planning and Development, government development policy institutions in partnership with other sector ministries found that Ethiopia loses more than \$1Billion or 2 percent of GDP or 15 percent of 2016/17 GoE public investment expenditure each year owing to the inefficient public investment management system. This led

² Ethiopia's government has announced a "Homegrown Economic Reform" program, with the goal of transforming the country from an agrarian low-income country to an industrialized lower-middle-income country by 2030. (Oxford Analytica (2019).

to a significant increase in the project's cost overrun, time overrun, and low infrastructure quality. As a result, a number of initiatives were unable to meet their stated goals. Because of this, the GoE is at a key stage when it can strengthen its public investment management method to reduce resource waste, remove redundant projects, and guarantee that money spent on public projects achieve maximum efficiency and savings in order to meet the objective. Ethiopia's project governance framework will be examined and mapped in this thesis, as well as the country's most significant key frontend problems for public investment projects. With an emphasis on identifying and addressing the root causes of project ineffectiveness, this paper examines how well project management practices in the nation are working.

1.2 Context and economic development in Ethiopia

Ethiopia is a one-party state with a planned economy, the second-most populous country in Africa with a population of roughly 114 million and a total land area of 1.1 million square miles. Two municipal governments and ten self-governing Regional States make up the Federal Republic. Legislative, executive, and judicial branches of government make up both the federal and regional administrations. Both the House of the People representative (HPR) and the House of the federation (HOF) make up the federal legislature. The HPR, the country's highest legislative body, is elected every five years by a majority of the country's voters. State legislative authority resides in the State Council, which is its most senior body. The Prime Minister and the Council of Ministers wield the nation's most powerful executive authority. The Prime Minister serves as both the head of state's executive

branch and the nation's military commander in chief of the national armed force. When compared to that, it is the Head of State who occupies that position.

“Ethiopia ranks among the fastest-growing economies in the world. For more than a decade before 2016, GDP grew at a rate between 8% and 11% annually – one of the fastest-growing states among the 188 IMF member countries. This growth was driven by government investment in infrastructure and sustained progress in the agricultural and service sectors. More than 70% of Ethiopia's population is still employed in the agricultural sector, but services have surpassed agriculture as the principal source of GDP” (The world factbook, 2021).³

In order to maintain and speed up the reduction of poverty, Ethiopia must make considerable progress in creating jobs and improving governance, according to the World Bank (2021). In order to help the poor, the government spends a large portion of its money on various programs and initiatives.

- Ethiopia, like the rest of the globe, has been hit hard by the COVID-19 pandemic's social and economic consequences. Ethiopia's total

³ “Ethiopia's GDP per capita increased from \$162 in 2005 to \$790 in 2018, an average annual growth rate of more than 14 per cent.... Ethiopia's goal is to reach lower-middle-income status by 2025 through sustained economic growth. The state is heavily engaged in the economy, and Ethiopia's growth has been largely driven by state-run infrastructure development.” (US Department of State Bureau of African Affairs, 2021).

economic effect will be severe, even if the COVID-19 shock is only temporary, with a recovery conceivable in 2021. This year's locust invasion in Ethiopia has had a devastating effect on the country's economy.

- Ethiopia has been plagued by the biggest locust invasion in decades. Millions of Ethiopians may be at risk of losing their food and livelihoods due to this
- Disruption in the political system, which is often accompanied by social unrest, might have a detrimental influence on economic development.
- Manufacturing, job creation, and export growth are all hampered by a country's lack of competitiveness.
- Trade competitiveness and resilience to shocks are likely to be hindered by an undeveloped private sector. Ethiopia's economy will be more sustainable if the government can increase the involvement of the private sector via foreign investment and the establishment of industrial parks.

Over the previous two decades, Ethiopia's government has been putting its national development strategies (macroeconomic programs) into action. Sustainable Development and Poverty Reduction Program (SDPRP), Plan for Accelerated and Sustained Development to End Poverty (PASDEP), First Growth and Transformation Plan (GTP I), Second Growth and Transformation Plan (GTP II), and the ongoing 10 years perspective plan (the first of its kind in Ethiopia)

Maintaining accelerated growth and establishing a springboard for economic structural transformation are two of the main goals of the current development plan (10-year perspective plan). The overall goal of the plan is to ensure that the country's economy is more productive, that citizens have access to high-quality social and infrastructure services, that the rule of law is upheld, and so on. Principally, it seeks to guarantee economic structural change.

As part of this long-term strategy, Ethiopia aims to become an "African beacon of prosperity," establishing the required and adequate circumstances to unleash the country's growth and development potential in a variety of areas of the economy.⁴ Our economy's structural features are taken into account, and our private sector's role and involvement in increasing the economy's competitiveness and productivity is strengthened. Stabilizing the macroeconomic climate, achieving swift and sustained economic development, and increasing employment are the goals of this plan. The country's macroeconomic structure relies heavily on the allocation of resources according to sectoral goals outlined in the national development plan. Economic and social development initiatives, programs, and policies are all part of the framework.

“The building of significant infrastructure projects, like railroads, highways, hydroelectric dams, and, more recently, the 'Addis Ababa Master Plan,' is a

⁴ For more, see Demiessie, H. (2021). Understanding Economics in the Context of Prosperity Concept.

key component of Ethiopia's development state (ZáhoĜík 2017:259)". Ethiopia has also been working on a variety of other projects, including urban and housing development, water supply and irrigation, big and medium hydropower generation, and industrial development.

1.3. Research problem, purpose and questions

Statement of the problem

Governments of developing and low-income countries initiate numerous investment projects to improve their respective populations' live conditions and quality of life. However, despite all these efforts, the successes rate of these projects is shallow and unsatisfactory.

Researches shows that such failures are caused by how public investment projects are governed and selected in many cases. It is common for major public projects to be conceived as a result of a discussion between various stakeholders. Project planning and decision-making are time-consuming endeavors. As a result, it is a multi-tiered process that includes government at all levels of administration, as well as political institutions and the general public. A number of challenges must be overcome in order to ensure the success of public investment projects, such as a lack of competence among planners and an unstructured and undirected planning process; avoidance of hidden agendas during the planning process; political commitment is low or limited; unrealistic and inconsistent assumptions; and underestimation of costs and overestimation of benefits.

Research objective:

Project governance in Ethiopia will be examined and mapped as part of this research, with the ultimate goal of identifying the country's most pressing front-end challenges for public investment projects. Assessing the current state of the public investment project selection and appraisal process in Ethiopia:

- I. Assessing the legal framework of governance of public investment projects in Ethiopia and identifying the country's frontend challenges
- II. Explaining the public investment projects' decision-making process in Ethiopia.
- III. Assessing and analyzing why public investment projects failed in Ethiopia without achieving the intended objectives and intended goals
- IV. In order to better understand how governance frameworks can contribute to public investment projects' success, we will discuss governance frameworks, analyze the embedded governance principles, and discuss the consequences.

Research Purpose

This research aims to map and examine the governance of public investment projects in Ethiopia and identify the country's most critical frontend challenges. Many Public investment projects failed without achieving the intended objectives and expectations of the plan. The Ethiopian government is struggling with massive cost overruns and delays in major public sector

investment projects, Quality and Sustainability, problems and Lack of Accountability and Corruption⁵. This study focuses on the governance of major public investment projects at the front end. It will assess the current trend and challenges of the governance framework in decision-making and how it influences major public investment projects. This paper discusses governance frameworks, analyzes embedded governance principles, and discusses the consequences to develop a deeper understanding of how governance frameworks can contribute to successful public investment projects development from the owner perspective. The main starting point of my research is the new Ethiopian Public investment Management Legal Framework (2021), which is formulated based on public investment management diagnostic Study – Micknsey (2017), World Bank group's Eight Must-Have Features and other internal studies. Other starting points are the institutional theory and the OECD integrated evaluation model (focus on relevance and sustainability). These define a platform on which the research is based.

⁵ See, for example, Tafesse, t. (2020). *Assessment of delay factors in a construction project: the case of tana beles sugar factory* (doctoral dissertation, st. Mary's university).

Research questions

The first research question asked in this research is:

RQ1: What is the current state of the public investment project selection and appraisal process in Ethiopia?

RQ2: Why do public investment projects fail in Ethiopia without achieving the intended objectives and intended goals?

RQ3: How can project success be achieved through project governance frameworks?

Ethiopian public investment projects and the country's project governance system are examined in this study

1.4. Scope and boundaries of the study

The scope of this study is the Major public investment projects that will focus on the institutions that underpin government-funded investment and concerned with the decision-making process. It will assess the public actors and implementing bodies that have a role in preparing, implementing and evaluating government-funded projects. It will see projects from the owner perspective. As part of the World Bank's diagnostic framework on public investment management, a system was built around the life cycle of an asset. Specifically, it looked at what it could take for a country's PIM system to be effective in two areas: first, selecting appropriate projects for

public funding, and second, implementing and operating investments effectively once they have been approved for funding.

The approach here outlines eight 'must-have' elements for any PIM system's effective operation. Furthermore, on this proposal project governance was seen from the perspective of a top-down and bottom-up approach and more emphasis has been given to mega projects. This paper focuses on the institutional theory, which provides a valuable framework for governing and organizing projects. Regulation, norms, and cognitive aspects of institutional theories are all taken into account when dealing with the inevitable issues that arise inside organizations throughout the course of their existence. An overview of both project governance and institutional theory is provided in order to explain why these concepts are relevant to the study of megaprojects. We next review some of the important elements of institutional theory that are relevant to this work and question what components of this theory may be beneficial for research on megaprojects. We will examine how important the institutional theory is to study the governance of projects, and we will discuss some methods that institutional researchers use.

1.4.1 Delimitations

- Due to political considerations, major public projects are often conceived.

The scope of this study is limited to the Ethiopian public investment projects, the MOPD, MOF, and other line ministries. As a result, the findings are only relevant in the given situation.

- The research was focused on public-investment projects and their front-end project governance only;
- Because the interview questions were based on self-reports from participants, the results of this study may be influenced by their own biases. Participants in retrospective assessments may be biased because they may not be able to accurately recall the past situation's characteristics;
- In order for the data to be collected, the study relied on some specific respondents at each Ministry office (questioner and interviews). Because of this, the research was limited to interviews with ministry officials at various locations; no information was gathered from customers or other external stakeholder.

1.4.2 Assumptions

The research is based on the following fundamental assumptions.

- Strategic initiatives can be implemented more effectively through the use of projects, it is presumed.
- These two government agencies are responsible for evaluating public sector projects (MOPD and MOF).
- The information gathered through interviews and surveys from each government office's management and senior experts is truthful and minimal of bias.

Chapter 2: Literature review

2.1 A discussion of theory and precedent study review

Governance

To understand the term 'project governance,' it is necessary to define what governance means. “The term governance is derived from the Latin word *gubernare*, meaning to steer. It refers to the administrative and process-oriented elements of governing, whether undertaken by a government, market, or network, whether over a family, tribe, formal or informal Organization, or territory, and whether through laws, norms, power, or language” (Bevir, 2013).⁶ “Governance is about processes of rule more than institutions of government. It relates to methods and decisions that seek to define actions, grant power, and verify performance.⁷ Different instruments are available to improve governance, ranging from legally binding regulations to economic and other incentives and information and skill development.⁸ The challenge in governance is to identify the optimal mix of different instruments” (Samset, K., & Volden, G. H. 2016). Moreover, Public governance is defined by the

⁶ For more on concepts of governance, see, for example, Bevir, M. (2008).

⁷ Ahola, T., Ruuska, I., Artto, K., & Kujala, J. (2014).

⁸ See, for example, Cardenas, I. C., Voordijk, H., & Dewulf, G. (2017). Beyond theory: Towards a probabilistic causation model to support project governance in infrastructure projects. *International Journal of Project Management*, 35(3), 432-450.

OECD (2005) as follows: For the purposes of upholding a country's constitutional values in light of shifting issues, actors and environments, "governance" refers to both formal and informal arrangements that determine how public decisions are made and how public actions are carried out in a country.

According to Klakegg et al. (2009), A company's governance extends from the board of directors all the way down to the project managers who are in charge of actually carrying out their duties. The definition of corporate governance from the Organization for Economic Co-operation and Development (OECD) is: "Involving a set of relationships between a company's management, its board, its shareholders and other stakeholders [...] and should provide proper incentives for the board and management to pursue objectives that are in the interests of the company and its shareholders and should facilitate effective monitoring OECD (2004)".

Project Governance

In reviewing the literature, the theoretical definition of project governance is different from researcher to researcher based on their area of expertise and research fields. "The Project Management Institute defines project governance by three levels (i.e., at the project, program, and portfolio management level) (PMI, 2008a, 2008b, 2008c)".⁹ Likewise, Müller (2009) defines project governance with the perspectives of a portfolio, programs, projects, and project management focusing on achieving

⁹ See, Too, E. G., & Weaver, P. (2014).

organizational objectives.¹⁰ In addition, Garland (2009) has described Project governance as the process of project decision making, and the framework, models or structures that are established to enable this - is recognized as a critical success factor for the delivery of projects (p.1). Moreover, APM (2002) defines it thusly: Governance of Project Management (GPM) is concerned with those aspects of corporate governance that are relevant to project activities. An organization's project portfolio must be aligned with the organization's goals, delivered efficiently, and be sustainable if it is to have effective project management governance. P. 4

According to the above definitions, A.T. Shiferaw has discussed project governance as a decision-making framework that guides the development of a project and within which the critical project decisions are made. This implies that within a properly designed project governance system, the relationship between the project and the entire development policy of the government will be identified, the real problem and the reasons for selecting an activity initiative will be analyzed, stakeholder participation will be encouraged, and the project will be successful. Moreover, there will be an investigation to check whether the proposed project is possible. According to Klakegg, hierarchical and relational mechanisms both play a role in governance. The governance of projects serves as a backdrop to the study of the frontend's governance mechanisms. The governance of projects is developed

¹⁰ For further explanation, see Biesenthal, C., & Wilden, R. (2014). Multi-level project governance: Trends and opportunities. *International journal of project management*, 32(8), 1291-1308.

from a project owner's perspective. It includes functions of policymaking and/or strategy development (core functions), functions to support decision-making, and support planning and execution of projects (support functions). The functions include, on one hand, command and control, and on the other hand, support and empowerment. The most important governance functions in the frontend are defining a clear decision-making process and controlling the quality of documents used as the basis for decisions (O. J. Klakegg, 2012). A common theme is that project governance is a framework for project decision-making that addresses stakeholders' interests, monitors project progress, defines and ensures successful project delivery, and aligns projects with the organization's long-term strategy.

It is important to consider the complexity of a megaproject when developing a governance system, rather than relying on the traditional binary, hierarchical model of governance, Miller and Hobbs argue in their paper (2005).¹¹ Megaproject governance structures depend on time and self-organizing. It's possible for the governance structure to change as the project progresses because the process is

¹¹The institutional complexity in a mega project comprises six types: (a) regulatory complexity, because the different regulations and policies may have conflicting requirements simultaneously; (b) political complexity, because multiple governments' interests and expectations on the project may differ; (c) social complexity, because the public's concerns about and understanding of megaprojects are diverse; (d) cultural complexity, because many actors are involved, resulting in a set of cultural elements; (e) relational complexity, because the multiple actors interact with and influence each other; and (f) evolutionary complexity, because megaprojects are dynamic during their entire life cycle.

lengthy. An alternative perspective on designing megaproject governance structures is one that sees it as a strategic process that draws on various governance regimes to address different issues at different stages in the project life cycle, rather than a quest for the best structure. Predictable and emergent aspects of these issues exist. This opportunity is unique to large complex projects (*Samset, Berg & Klakegg, 2006*).

2.2 Project front-end management

Although there is no single definition for project front-end, Faniran & Smith (2000) define it as the early stages of a project when critical and binding decisions are made about (1) the project's feasibility and (2) project execution tactics. They reasoned that front-end project management in the early stages of a project could provide significant opportunities for eliminating or reducing several problems that obstruct project success; they also emphasized the importance of front-end project management in developing countries, where inherent factors of uncertainty and unpredictability in project operating environments abound.¹²

Many Public investment projects have faced abundant challenges such as failing to ensure projects' viability and relevance up-front and hidden agendas during planning, underestimation of costs and overestimation of utility, unrealistic and inconsistent assumptions and lack of coordination. Several researchers, such as Morris and Hough (1987), Nijkamp and Ubbels (1998), and Flyvbjerg et al. (2002;

¹² For a more detailed discussion about problems encountered up-front in public projects see Samset, K., Berg, P., & Klakegg, O. J. (2006, May).

2004), have studied a large number of major investment projects and found that such projects often fail to meet expectations and agreed goals.

The most significant challenges in public investment projects are failure to fulfil deadlines, being over budget, and not achieving the desired quality and sustainability problem. These shortcomings are frequently linked to issues with project planning or execution.¹³ Also, failure to deliver the functionality, benefit, or contribution to business objectives is a challenge in the front end of the project initiation stage. Projects may not always meet the needs of the end-users (Frame 1987, Kreiner 1995). Shortcomings in this area appear to be more serious and may prove more difficult to remedy. Successful projects are guided by effective frontend project management, while failed projects are guided by ineffective frontend project management (Garland, 2009). “In Norway, similar studies have been performed by Berg et al. (1999), Odeck (2002), Torp et al. (2004), and Magnussen and Samset (2005). Such studies have identified a number of common problems in the planning and decision-making process:

- Hidden agendas, are not openly expressed or used publicly to argue decisions that might contradict available analyses and advice.

¹³ Shiferaw, A. T., Klakegg, O. J., & Haavaldsen, T. (2012). Governance of public investment projects in Ethiopia. *Project Management Journal*, 43(4), 52-69.

- Bias among planners and decision-makers, resulting in only parts of available information being used to support the preferred alternative.
- Poor or incomplete planning and analysis, due to lack of knowledge, planning resources or time.
- Inconsistency or invalid assumptions concerning prognoses, analyses, estimates, or planning.
- Misrepresentation, either conscious (tactical budgeting) or unconscious (planning optimism).
- Lack of good planning data.
- Inadequate ability to terminate unviable public projects to minimize loss (once started, it is difficult to stop).
- Projects often grow larger over time, and substantial cost increases are usual.
- Too few alternatives are presented in the decision-making process.
- Missing or poor evaluation of the benefits of public investments.
- Frequent change of managers reduces the ability to gather experience and build competence, especially in some sectors.”

Major public investment projects face numerous challenges, many of which can be attributed to flaws in the analytical or political processes that precede the final decision to proceed and the interaction between analysts and decision-makers during this process. These earlier phases of preparation are usually where the deeper issues with long-term utility and impact of a project are first discovered. In contrast, the more minor issues of cost efficiency, delays, and cost overrun arise during the project's implementation.

There are three main types of project governance, according to Ruuska, Arto, Locatelli, and Mancini (201, p.650). The first category of literature focuses on the selection and management of multiple internal projects by a single company. Multi-firm projects, in which several companies have contractual agreements with one another, fall into the second category. A project that falls into this third category is viewed as a network-like hybrid structure that relies on the presence of a single supreme hierarchical authority, almost always the lead sponsor or underwriting firm. As a result, the project's management and final outcome may be influenced by a wide range of stakeholders, many of whom have conflicting interests or agendas. Organizational breakdown, defined roles and responsibilities, appropriate decision-making levels and established management boundaries are all necessary components of project governance. A description of how to monitor project performance is essential to this definition's ability to contribute to the governance of the organization. A.T. Shiferaw and O.J. Klakegg To ensure the success of large public investment projects, some developed countries have implemented frontend project governance

systems. When it comes to investment security, a well-designed quality assurance (QA) system like Norway's is critical (T. Christensen, 2012).

The OECD-integrated evaluation criteria

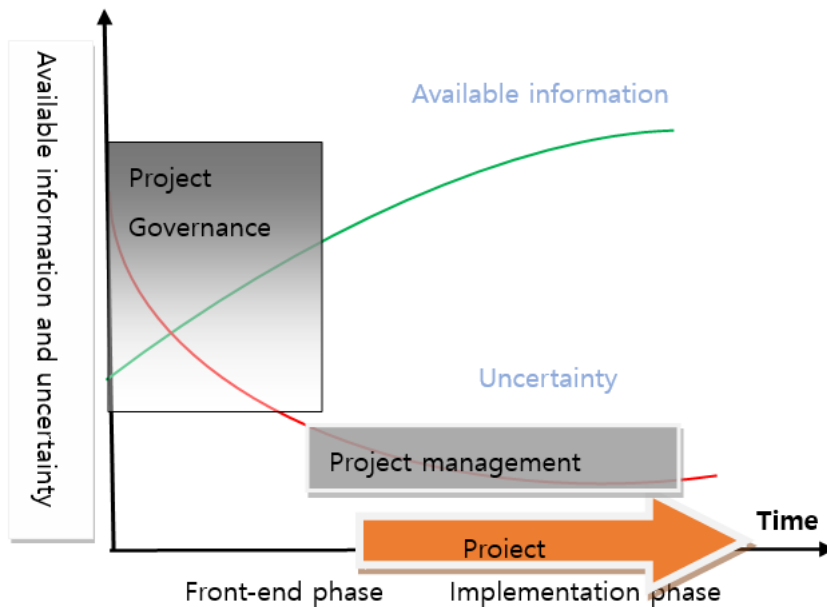
The OECD-integrated evaluation criteria are also a starting point for this investigation. For each criterion, there are six cross-cutting issues that must be taken into account (OECD, 2006). Efficient and effective use of resources is one of the five evaluation criteria that are used. Cross-cutting issues include economic and financial aspects, policy support measures, institutional factors, the choice of technical solutions as well as socio-cultural and environmental considerations for each of these criteria.

The OECD evaluation model will be incorporated into the study in a number of ways. By focusing on relevance and sustainability, it helps to limit the scope of the thesis and create a profile for it.

Project governance is defined as a framework for project decision-making, addressing the interests of stakeholders, monitoring and controlling project progress, defining and ensuring successful project delivery, and aligning projects with the organizational strategy of the organization. When it comes to project governance, on the other hand, there are numerous definitions. Müller (2009), for example, suggests that it includes a value system, responsibility and processes; Turner (2009), that it's about relationships; and Renz (2007), that it's all about processes. Professional literature also has a wide range of definitions. The scope of project governance in terms of organizational level is the second difference between definitions. Some definitions of project governance describe it as an overall framework that includes

the governance of projects, programs, and portfolios (APM, 2012; Müller, 2009), whereas others limit its scope to project-level activities (Pinto, 2014; PMI, 2016)

Figure 1- Diminishing of uncertainty



Source: (Samset, 2010)

Why is institutional theory a valuable lens to view public projects with?

Many academics suggest that when studying project management, institutional factors should be taken into account. Morris and Geraldi (2011) recommend approaching project management from three perspectives: technical, strategic, and institutional. They define the institutional level as "providing the framework and support for projects to thrive and for their management to thrive" (p. 20), or "building,

organizing, and administering a complex institutional field." These are referred to as "institutional pillars" in theory. Explicit regulations and monitoring are used in regulatory elements; normative features consider perspective and obligatory dimensions; and cultural-cognitive components rely on shared views (culture) and are dependent on individual cognition. They also saw the institutional level as an emerging topic of project management research. Current strategy and tactics are largely in agreement.

Institutional theory is a valuable framework for thinking about organizing projects. Indeed, prominent project management scholars have advocated the importance of institutional factors in projects (Morris and Geraldi, 2011; C. Biesenthal et al., 2017; Miller and Hobbs, 2005). "Projects in general and megaprojects, in particular, are engagements in which considerable institutional work is required for their accomplishment, often in ways that challenge some logic and predicate particular institutional work. The idea that projects should be seen in part in institutional terms is not entirely novel for the project management world: scholars writing about international and global infrastructure projects have promoted the idea that 'institutional management' should precede 'technical management'" (Chi et al., 2014). Indeed, prominent project management scholars have advocated the importance of institutional factors in projects (Dille and Söderlund, 2011; Engwall, 2003; Morris and Geraldi, 2011; Miller and Hobbs, 2005). Nowhere does the application of institutional theory to project management topics seem more relevant than in application to megaprojects. Theoretical implications of this perspective

suggest that good project governance leads to good project performance, but they say the link is unknown.

Turner (2020) proposed the link may be via decision making. Good governance may lead to good decision making which leads to good project performance. Institutional theory is used to study how coercive, normative and mimicking pressures, in a certain environment, make organizations behave similarly toward and by, similar objects (Dimaggio and Powell, 1983). Indeed, an organization in itself is a system (Checkland and Holwell, 1997; Forrester, 1994). Therefore, this research looks at the organization as a system in itself which has the same features used in the bigger system. In other words, its internal projects face the same pressures (regulative, normative and cultural-cognitive) to be constructed, behaved and performed similarly.

2.3 Public investment projects in Ethiopia

Ethiopia has made significant progress in recent years. The creation and execution of several national development plans and programs have played an essential part in the country's overall growth during the last two decades. Major public investment projects in many sectors have been conducted under the pillars of the national development plan, particularly during the first and second GTP implementation, to speed the country's and economy's transformation. As a result, various parties have paid close attention to the problem of public investment. Ethiopia's 10-years development plan, which envisioned Ethiopia to become "An African Beacon of Prosperity". The previous growth and transformation plan for graduating lower-

middle-income country and carbon-neutral economy by 2025. For the success of this vision, the government has introduced prudent macro-policy management, and significant investments are allocated to the provision of infrastructure development.

Overall strategic direction for public investment is frequently used to anchor government choices and guide decision-makers at the sector level. A national development plan or another medium to long-term strategic document that outlines economy-wide development priorities at the highest decision-making levels could provide such advice.

In Ethiopia, the concepts of public investment projects have been initiated by different parties. These include the national government, sectors, private investors, civil society, aid agencies, donors, banks, nongovernmental organizations, and others (MoFED, 2006a). Huge public investment was one of the drivers of the registered Positive socio-economic changes in the country so far. According to MoFED (2006a), public investment projects in Ethiopia have been developed from the government's medium-term and long-term development plans of SDPRP, PASDEP, and GTP, a long-term perspective plan. The majority of projects in different sectors have objectives consistent with the national development plan of the country. However, the objectives of these projects are stated ambitiously, and the achievements are believed to be below the initial plan.

The Federal Government Public Projects Administration and Management System Proclamation No 1210/2020 define as "Project" means investments carried out by the project implementing bodies for the acquisition or improvement of fixed assets,

to accelerate economic growth, fill market failures and ensure the equitable benefit of the future generation, which is undertaken by limited resource, time and place or economic sectors through the regular federal government budget; projects which are being implemented through public-private partnership; and projects which are being implemented by a domestic and foreign loan through the federal government guarantee;

Ethiopia spent a large proportion of the national budget on infrastructure development. In particular, in the construction industry and administer rapid urbanization. These, along with the country's aspiration to become an industrial leader in Africa, will require considerable infrastructure development. To address challenges many studies were Commissioned PIM diagnostic Study_– Micknsey (2017) and SOE Projects Sugar, Power, Fertilizer (Former Ministry of SE, 2008 E.C Plan, and Development Commission on Irrigation and Road projects (2009 E.C) These studies have identified the challenges, the causes, and measures that should be taken to Improve PIM

According to McKinsey (2017), the Government of Ethiopia has the potential to save ~\$1B of public investment funds per year, equivalent to ~2% of annual GDP. Estimates assume that the Government of Ethiopia can capture 50% of theoretical opportunity across PIM dimensions, including project selection, project delivery, existing infrastructure utilization, and demand management. The estimated savings are supported by experience in public investment management across the globe and extensive data analysis by the McKinsey Global Institute Infrastructure Practice.

The Process of Development

During the Derge administration, the private sector's role in economic growth was severely limited. Development projects were primarily aimed to strengthen the government's role in the economy since the system was socialist-centered central planning with state monopoly. A number of projects were filed for funding at the start of the government without a full-fledged project paper. However, since unstudied initiatives tend to squander precious government funds, resource limitations were eventually imposed, forcing the establishment of minimal requirements for project selection and inclusion in the budget line. The Development Projects Study Authority (DPSA) was founded to make project planning more scientific and consistent.

DPSA's main responsibility was to undertake extensive project feasibility studies and prepare them for approval and execution. An impartial review unit or committee was needed to make the appraisal, selection, and prioritizing of projects public and responsible. In this framework, the previous Office of the National Committee for Central Planning was transformed into the Development Projects Appraisal Department (DPAD) (ONCCP).

DPAD's principal role was to evaluate and choose public projects that were mostly, if not exclusively, developed and presented by DPSA. The assessment process was reasonably straightforward and methodical since the project papers submitted for appraisal were fully-fledged researched documents including all relevant project features. The assessment method consisted of merely evaluating the

document using pre-determined 'Appraisal Checklists'. Project goals; technical, commercial, financial, economic, intuitional, social, environmental, and sustainability elements of a project were all included in the checklist. The checklist's use was determined by the project's nature and the requirements of several institutions. The goal of the evaluation was to come up with a decision rule for allocating resources to a project that would most effectively achieve the stated goal.

Project preparation and assessment intuitions enhanced project cycle management and raised knowledge of all project issues. Executive agencies, on the other hand, were told to accept projects regardless of their preparedness or execution capabilities. As a result, the number of projects on the budget line grew, and their execution was delayed, due to a lack of proper conceptualization and mainstreaming via applying intuitions.

However, with a change of government in 1991, the private sector's involvement in economic growth was bolstered, and a number of public-sector firms were privatized. The necessity for DPSA to prepare mostly public-sector initiatives has been called into doubt. Its scope and duties were also shifted to sector ministries and agencies and mainstreamed. Similarly, DPAD's duties were considerably limited, and the organization's concentration was mostly on donor-funded programs. Donors often create full-fledged initiatives that are ready for negotiation and execution in accordance with their policies and intervention tactics, as shown. Nonetheless, the appraisal role was mostly confined to evaluating and aligning national policies and goals with proposed donor programs via a thorough study and analysis of the project.

The department was also responsible with the evaluation and selection of public sector projects that were investigated and presented for approval and/or budgeting.

However, owing to a lack of capacity and a greater focus on getting targeted government and grant funds for projects in key areas, the quality of projects submitted for approval has suffered significantly. It was not unusual for project profiles to be presented, approved, and budgeted. As a consequence, the project appraisal department's role has shifted from appraisal to commenting on project profiles. It was critical to establish mainstream Evaluation Guidelines that can be applied to all public sector projects in order to make the appraisal procedure clear and required. The criteria were crucial in demonstrating that projects were created and filed in compliance with important project features in the targeted areas and priorities. As a result, MOFED mandated that all public projects adhere to the rules while developing and submitting projects for approval and/or budgeting.¹⁴

However, due to government institutions' capacity limitations in project cycle management; the lack of an enforcement mechanism to ensure compliance with the guidelines, particularly in light of decentralization of government structures; time constraints in meeting budget submission deadlines, which conflict with the need for project preparation, appraisal, selection, and approval; and sector policies and priorities (particularly poverty-oriented), which place greater emphasis on project

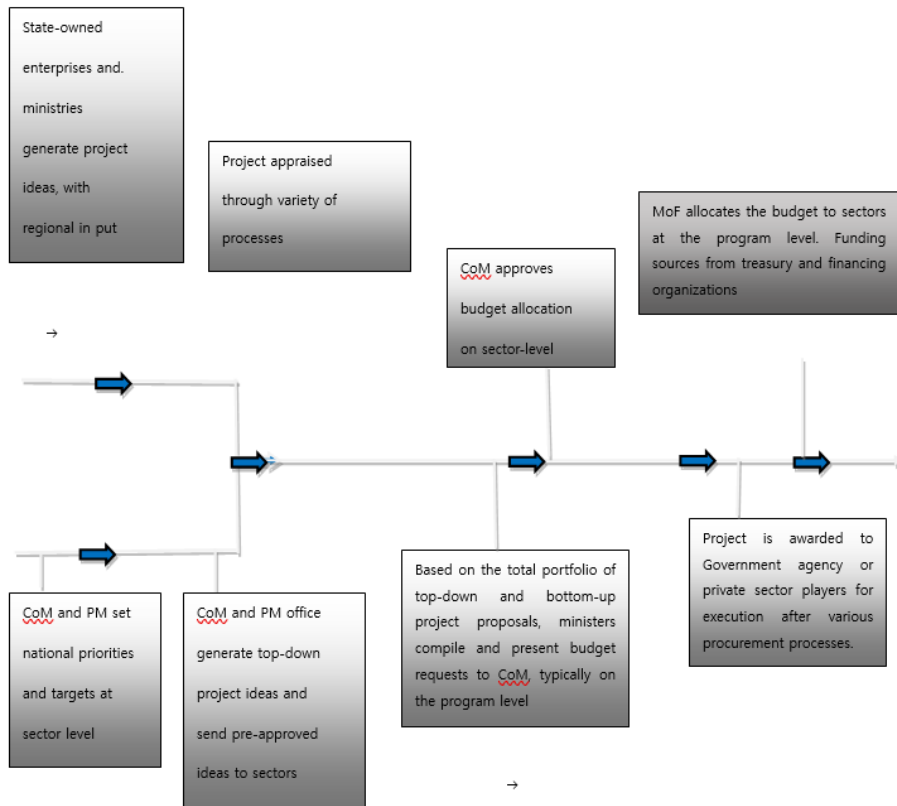
¹⁴ See, Shiferaw, A. T., Klakegg, O. J., & Haavaldsen, T. (2012). Governance of public investment projects in Ethiopia. *Project Management Journal*, 43(4), 52-69.

implementation a lack of coordination among the numerous stakeholders involved in the planning, evaluation, and approval of public projects ambitious Numerous public projects emerged on the budget line as a result of national and sectoral policies, strategies, and plans that induced political and/or donor pressure to pick many projects for execution, many of which were not effectively appraised, chosen, or prioritized.

Furthermore, via Business Process Reengineering, the duties and organizational structures of MOFED's appraisal department were reduced to Case Team level (BPR). The size and quantity of projects submitted for evaluation shrank substantially, almost to a halt.

Following a surge in investment projects in Ethiopia, the Ministry of Finance and Economic Development (MoFED) produced a project development guideline in 2006 to help the government organize public investment projects. The guideline introduces new processes, procedures, and frameworks for planning and evaluating public-sector initiatives. According to MoFED (2004, 2006a, 2006b), the goal of the guideline is to assist practitioners in developing feasible projects that contribute to the government's development needs and priorities. According to that guideline, public investment projects in Ethiopia must be built according to the government's national development plans. SDPRP (Sustainable Development and Poverty Reduction Program) and PASDEP (A Plan for Accelerated and Sustained Development) were previously known as SDPRP and PASDEP. Since 2013 Ministry of planning and development has the responsibility and the mandate to apprise the projects as an independent reviewer.

Figure 2- Previous experience on project governance before the new PIM regulation



Overview of MoPD preparation, appraisal, and selection process before implementing the PIM system. In the previous project selection system, there were many problems such as a lack of appropriate level of identification of the linkage between development projects and development goals, because projects go into research without being selected - and the studies are not complete and standardized, implement projects without a feasibility study, Incomplete quality of projects feasibility studies and Feasibility studies Assessing resources (budgeting) without an independent feasibility assessment.

Chapter 3: Research methodology

This chapter provides a description of the research design used to investigate the governance of public investment projects in Ethiopia. This chapter also discusses grounded theory as the methodology for this research. This is followed by research design, population and study area, sampling design and technique, data collection method (instruments) and data analysis methods.

3.1. Research design

Because this research aims to inquire in-depth information for interpretation, the proposed research design will use a qualitative research design for answering research questions with a strategy of inquiry using grounded theory¹⁵. On the other hand, the research used a descriptive nature approach to explore and explain while providing additional description on the research title.

Strauss and Corbin (1990) noted that the analysis is qualitative in the research if it involves a “nonmathematical analytic procedure that results in findings derived from

¹⁵ According to Merriam (2009), the following four characteristics are identified by the nature of qualitative research namely:

- “Focus is on the process, understanding, and meaning (how people interpret their experiences, how they construct their worlds, what meaning they attribute to their experiences.);
- The researcher is the primary instrument of data collection and analysis;
- The process is inductive; (researchers gather data to build concepts, hypotheses, or theories rather than deductively testing hypotheses as in positivist research) and
- The product is richly descriptive (Words and pictures rather than numbers are used to convey what the researcher has learned about a phenomenon” (p13-16).

data gathered by a variety of means” (p. 18). Merriam (1988) identified the following assumptions that undergird qualitative research:

“Qualitative research assumes that there are multiple realities - that the world is not an objective thing out there but a function of personal interaction and perception. It is a highly subjective phenomenon in need of interpreting rather than measuring. Beliefs rather than facts form the basis of perception. Research is exploratory, inductive and emphasizes processes rather than ends. In this paradigm, there are no predetermined hypotheses, no treatments, and no restrictions on the end product. One does not manipulate the variables or administer a treatment. What one does is observing, intuit, sense what is occurring in a natural setting-hence the term naturalistic inquiry”. (p. 17)

The data will be collected using a formal survey based on questionnaires and interviews (phone interviews). Questionnaires will be personally distributed to the relevant professionals—30 online survey questioners will be sent to project experts, planners, project evaluators, decision-makers, program/project managers and others through email, 10 interviews will be made through phone calls and document reviews will be done from different ministry offices.

Grounded theory

Grounded theory is a methodology that offers a way of thinking about and studying social reality (Strauss & Corbin, 1998; Wuest, 2007). According to Büscher (2007),

grounded theory is a methodology that was jointly developed by Glaser and Strauss (1967) to develop theory from data that was systematically obtained from social research. It is anticipated that this GT research will result in the development of a substantive theory describing the project management system.

The theoretical foundations of qualitative research method of grounded theory are defined by Strauss and Corbin as one that utilizes a systematic set of procedures to generate a theory about a phenomenon based on the data collected and analyzed (Strauss & Corbin, 1990; Strauss & Corbin, 1998). Grounding the grounded theory methodology in the following ideas: the need to understand the complexity of a phenomenon; the importance of theory developed on the basis of social action; the active role of the subjects being studied; realizing that subjects have their own interpretative meaning of a phenomenon and that this meaning can change through interactions with other subjects; and being sensitive to what can be discovered above a phenomenon a priori (Strauss & Corbin, 1998).

GT is carried out through a process of constant comparative analysis. As a result of collecting, analyzing, and comparing data on an ongoing basis in an iterative and interactive manner, the final theory is derived from the data. The information is derived from the reality of the subjects under investigation.¹⁶ The substantive theory will be comprised of concepts that reflect patterns of action and interaction between

¹⁶ Strauss, A., & Corbin, J. M. (1997). *Grounded theory in practice*. Sage.

and among the participants in this study, as well as patterns of interaction between and among themselves. Concepts, categories, and propositions are the three fundamental elements of grounded theory.

As previously stated, concepts are the fundamental units of analysis because it is from the conceptualization of data, rather than the actual data itself, that theory is developed (Strauss & Corbin, 1998). Concepts are at a lower level of abstraction, whereas categories are higher level. They are generated through the same analytic process of comparison, in order to highlight similarities and contrasts and thus uncover differences, that is used to produce lower-level concepts, in order to highlight similarities and contrasts and thus uncover differences. They provide the means by which the theory can be brought together in a coherent whole. Propositions denote generalized relationships between a category and the concepts within it, as well as relationships between discrete categories (Strauss & Corbin, 1998).

“Grounded theory has considerable significance because it (a) provides explicit, sequential guidelines for conducting qualitative research; (b) offers specific strategies for handling the analytic phases of inquiry; (c) streamlines and integrates data collection and analysis; (d) advances conceptual analysis of qualitative data; and (e) legitimizes qualitative research as scientific inquiry. Grounded theory methods have earned their place as a standard social research method and have influenced researchers from varied disciplines and professions” (Charmaz, K. 2003).

The Process of Grounded Theory Building

The following five analytic (and not strictly sequential) phases of grounded theory development were identified: research design, data collection, data ordering, data analysis, and literature comparison.¹⁷

Population and study area

The applicable target population for the study is relevant key public stakeholders who seemed to have an interest or impact on the governance of public investment projects in general. These key stakeholders were shortlisted by relevance and by mapping the current project preparation, appraisal and selection process of GoE. According to the current system, project generation is derived from two parallel streams: bottom-up from state-owned enterprises and ministries, which generate project ideas after taking into consideration regional input, and top-down from the Council of Ministers (CoM) and the Prime Minister's Office.

Sample

¹⁷Unlike other research methods, the grounded theory does not start with a detailed review of the literature. The underlying logic of grounded theory and that which differentiates it from other research methods is that it is explicitly emergent. Its focus is not hypothesis testing, rather the aim is to find out which theory accounts for the research situation; ultimately the aim is to discover the theory implicit in the data. The point here is that there is a distinction between hypothesis-testing research and emergent research in respect of how and when the literature contributes to the research process. for details see Kenealy, G. J. (2012).

The sampling methods that will be used in this research study will be described in full depth below, along with data collection methods, a sample size that will be used, and the sampling technique.

Table 1: Information of sampling

Purpose	Method of collecting data	Technique of sampling	Size of sample
To assess governance of public investment projects	Interview/questioner	Non-probability, Purposive/ judgmental Sampling	20

The sample will be non-probability, judgmental/ purposive sampling as it requires individuals who have experience and are counted as key persons to provide genuine responses. It was a sample for conducting an online survey and interview from the targeted population group. The researcher will conduct sampling with specific predefined criteria in mind for selecting respondents, and a purpose to get views and opinions on project governance in Ethiopia from different perspectives. In total, the researcher will address ten public organizations. The letter contained introduction of the researcher, brief description of the research project and its purpose, and a questionnaire. The potential respondents interested in giving the interview contacted the researcher by email or phone. The sample size will be 20, which will be divided as follows: Ministry of Planning and development -15, Ministry of finance-5.

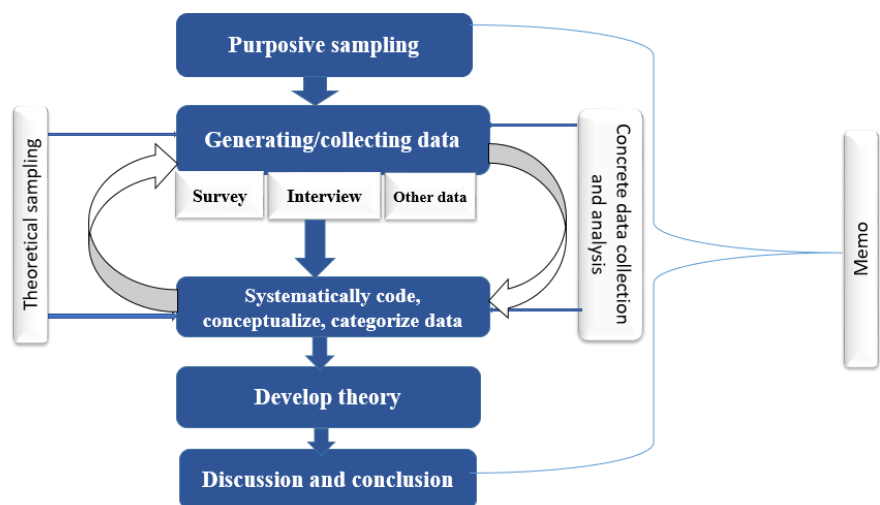
Data type and Data collection instruments

Primary data will be collected as the primary source of information for the research study through interviews and online survey questionnaires. Online survey questionnaires will be applied as a tool of collecting data, composed of open and closed-ended questions. The online questionnaire will be sent to respondents through electronic mail to fill and submit online, and phone interviews will be done through social media platforms.

3.2. Data analysis method and presentation

Grounded theory method with a constructivist paradigm will be used. After the process of data collection was done through an online survey, the output results will be transported into a Google documents spreadsheet for manipulation and graphs layout.

Figure 3- Research design framework



3.3. Ethical considerations

Ethics are rules or standards of conduct that guide us in making moral decisions about our actions and interactions with others. The purpose of research ethics is to ensure that no one is hurt or experiences negative repercussions as a result of study (Cooper & Schindler, 2006). To provide general safeguards to the interviewee the researcher will use informed consent form, discussed the interview agenda and time frame, and tape will record the conversation in order to ensure accuracy while transcribing. A standard ethics protocol will be prepared and read by the researcher to the respondent prior to the interview. The researcher will keep all the agreements made with the subjects in this study. In addition, the researcher will assure the confidentiality of the identity of the interviewees.

Chapter 4: Presentation of findings

4.1 Introduction

As indicated in the previous chapters, an in-depth interview and survey were performed using open-ended questions, and the results were analyzed and conclusions were reported; the specifics of the interview are provided in the following parts.

4.2 Research design and procedure

The research is qualitative, and the information was gathered in two stages. Data was collected in the first phase through a structured survey based on questionnaires. Questionnaires were sent by email to relevant professions, with 17 being mailed and 14 being returned. The respondents are as follows: Eight project evaluators (47.05%), Four Project planners (23.55%), Two decision-makers (11.77%), Two program/project managers (11.77%), and one researcher (5.88 percent). The response rate was high (82.4%). The researcher used a top-down data collection method because the questionnaire requires a high level of competence, and there are skills shortages in the field. In the second phase of data collection, follow-up interviews were executed with respondents to give better insight.

Documents from different ministry offices were collected and used as a source of evidence. The interviews were executed with five professionals who are public officials, project evaluators, researchers, and decision-makers who

have been actively participating in the general appraisal, planning execution, and project monitoring and evaluation.

Table 2: List of study participants

1. ID	2. Gender	3. Age	4. Main sector of experience	5. Your expert profession/role	6. Number of years of experience in your expert professional/role
1	Male	Below 35	Public	Project evaluator	Between 5 to 10
2	Male	Below 35	Public	Program/project manager	Between 5 to 10
3	Male	Below 35	Public	Project evaluator	Between 5 to 10
4	Male	Below 35	Public	Project planner	Between 5 to 10
5	Male	Below 35	Public	Project evaluator	Between 5 to 10
6	Female	Below 35	Public	Project evaluator	Between 5 to 10
7	Male	Below 35	Public	Program/project manager	Between 5 to 10
8	Male	35-55	Public	Project evaluator	Below 5
9	Male	35-55	Public	Project evaluator	More than 10
10	Male	Below 35	Public	Project evaluator	More than 10
11	Male	Below 35	Public	Researcher	More than 10
12	Male	Below 35	Public	Project planner	Between 5 to 10

13	Female	35-55	Public	Project evaluator	Below 5
14	Female	Below 35	Public	Decision maker	More than 10
15	Male	Below 35	Public	Project planner	Between 5 to 10
16	Male	Below 35	Public	Project planner	More than 10
17	Male	35-55	Public	Decision maker	More than 10

Table 3: Demographic Characteristics

	Sample of This Study (N=17) (%)	
Gender		
Female	3	17.65
Male	14	82.35
Age		
>35	13	76.47
35-55	4	23.53
>55	0	0
Main sector of experience		
Public	17	100
Private	0	0
NGO	0	0
Your expert profession/role		
Project evaluator	8	47.05
Program/project manager	2	11.77
Decision maker	2	11.77
Project planner	4	23.53
Researcher	1	5.88
Number of years' experience in your expert professional role		
Between 5 to 10	9	52.94
Below 5	2	23.53
More than 10	6	35.29

Table 4: First-Order Concepts, Second-Order Categories Third-Order Categories, Main Themes

First-order concepts	Second-order categories	Third-order categories	Themes
"Previously almost all projects went into implementation without adequate independent review" (#16)	The infancy of the PIM system	PIM regulation	Legal works
"Willingness to obey the Federal Government Public Administration and Management System" (#3)	Administration and management of public projects		frame works
"Formalized strategies to build capacities of public investment management actors should be considered and appropriate incentive mechanism should be devised to gauge the effectiveness of public projects" (#8)			
"Since the prime minister office and council of ministers initiated different projects, they should obey the PIM regulations." (#12)			
"Approve the major project documents together with the development plan document during the endorsement stage of the development plan." (#10)	Implementation of the PIM regulation		
"Well implementation of the public investment management system" (#11)			

"Strong project management" (#13) Strong project governance

"All actor have to be on board in order to implement the system properly and efficiently." (#4) Mandates and responsibilities of entities

"Lack of having well established system" (#4) Adequate Independent review

"Public investment programs requires political as well as technical level dynamic reforms. To adequately address the challenges of public projects management in Ethiopia the overall allocation capital budget both at the federal and regional level should be further reformed. Institutions which involve on management of public projects should have a formal working procedure to exchange information as well support the decision-maker with UpToDate information and adequate technical expertise." (#8)

"Lack of commitment of sectors/project proposers" (#4)

"All governing public investment management legal framework and institutional arrangement, effective and efficient PIM regulation and the system requires creating an enabling environment such as creating wide-ranging consensus on the reform requirements, the strong commitment of the government to owning and taking the regulation and the reform forward" (#1)

Enabling environment, a strong commitment to the transparent and accountable system, and link reform with the overall governance system.

"The projects documents are not well prepared" (#10)

Alignment with National development plan Guidelines and Standards

"The guidelines and standards are not available online for public use; public institutions and citizens have less awareness." (#10)

"In addition to having a general legal framework on public investment establishing and disseminating specific guidelines which govern the overall public project phases such as project identification, preparation, selection, budgeting, prioritization, and implementation and monitoring is essential to enhance the working of the system and also to

Create awareness and prepare specific guidelines for PIM regulation

create awareness to those who participate in public projects." (#5)

"Different awareness levels across the government landscape" (#2)

"Capability at the project proponents level as well as central ministries responsible for independent review, regulatory responsibilities as well as portfolio management of public projects." (#8)

"Public Investment management system implementation is not a one-time activity that should be taken addressed once and for all rather it requires adjustment to changing structural situation, political development and the change in capacities of government as well as private institutions" (#15)

"Formalized strategies to build capacities of public investment management actors should be considered and appropriate incentive mechanism should be devised to gauge the effectiveness of public projects" (#8)

"Organizational instability to master project cycle as culture" (#3)

Process clarity and awareness

Adjustment to structural changes

Lack of Human resource Skills
coordination, government commitment, and top-level political interference

Institutional capacity constraint

Organizational instability

To bridge the gap in information availability and agency problems; hence strategic national institutions should focus on strategic leadership to govern the overall PIM policy and harmonize central and local governments' activities in public project management phases. (#16)

Capacity,
Information
availability, and
strategic
leadership

"The administrative capacity to manage the rules and regulations associated with these funds should be central to successful public investment." (#11)

Administrative
Capacity

"There are several challenges among these, Public investment is the new reform, in Ethiopia, it requires, skills and knowledge to formulate or develop, prepare compressive feasibility study up to the standard. over all the challenge has reflected in both from the project owner and evaluator side." (#7)

Integration and
coordination

"Skill development of experts at MoPD and other sector ministries" (#10).

"Lack of clear institutional framework to link appraisal and budgeting although efforts are ongoing to

create an effective link"
(#8)

"Depending on the capacity of all level of governments and institutions, and also the level of development, decentralizing authorities in relation to project identification, preparation, appraisal, selection, budgeting, implementation, monitoring and evaluation and also the operation is very pertinent to improve the effectiveness and efficiency of public investment management"
(#17)

Effectiveness
and efficiency of
public
investment
management

"Conflict of interest among various competing participants."(#5)

Lack of skill and
knowledge

"Capacity gap"(#11)

"Lack of well-experienced experts"(#4)

"Capacity gap in public project cycle management at a different level"(#2)

Capacity
constraint lack
of well-
established
system

"Lack of well-trained employees" (#9)

"Capability at the project proponents level as well as central ministries responsible for independent review, regulatory responsibilities as well as portfolio management of public projects." (#8)

Capacity gap
and low
awareness

"Sometimes the projects are not under the plan" (#11)			
"Lack of well-trained professionals and strong project departments"	Human resource		
"Weak skill of the appraisal team" (#16)		Government commitment	Stakeholders' engagement
"Technical skill gap" (#11)			
"Government commitment is valuable for the implementation of the public investment management system." (12)			
"Lack of leadership commitment" (#5)	Lack of leadership and government commitment		
"Both political and efficient technical support is necessary." (#7)	Lack of stakeholder engagement	Stakeholders' engagement and ownership	
"Lack of government willing to implement public investment system" (#16)	Lack of ownership		
"The PM regulation should be hardly implemented and increased the stakeholder's engagement in each project cycle." (#12)	Increased the stakeholder's engagement		
"The limited engagement of stakeholders" (#12)	Inadequate skill		
"Inadequate skills of project planners, project evaluators" (#12)			
"Increased the stakeholder's engagement in each project cycle." (#6)			

"Lack of community participation and ownership in project planning"

"Make open discussions among sector ministries on all available projects and list the project based on the order of importance and year of implementation and reach an agreement."(#10)

Discussion among sector ministries

"The majority of megaprojects are defined and planned at the top level without the active participation of the public and other stakeholders" (#10)

Top-level political involvement

Top-down project approach

Project Governance Practice

"Most of the time decisions are made at the highest official's level, especially for public investment projects" (#14)

Involvement in decision making

"Politically driven projects need to be rejected, strong organizational structure should be implemented by both the project owner and the appraiser" (#3)

Politically driven projects-top-down project approach

"The Ethiopian government uses a top-down project approach most of the time, particularly for significant public investment projects."(#6)

"Ensure transparency of and accountability for decisions" (#12)

Implementation of projects without proper appraisal

"Some Megaprojects are implemented without proper appraisal process" (#3)

"There are several projects which are initiated by the prime minister office or sector ministries which went directly to the budget without doing the independent review" (#15)

"Implementation of a legal framework that outlines the cycles, principles, and responsibilities of public bodies" (#6) unclear procedures and systems of project management Project cycle

"Integrating both the budget calendar as well as project cycle is still a challenge." (#11)

"Quality control decisions at each stage of the cycle" (#1)

"Approve the major project documents together with the development plan document during the endorsement stage of the development plan." (#15) Skill development and alignment of projects with the national plan and open discussion

"Unable to have projects prepared in appraisal criteria." (#14)

"The legal framework obliges prioritization and selection to be undertaken before the budget. However, given the infancy of the PIM system this has not been

institutionalized so
far" (#17)

"Political interference in
public investment
projects
development" (#5)

"Political influences in
project cycle" (#16)

"Politically-oriented
initiatives do not go
through an appraisal
process." (#6)

"Political pressure may
impact the selection of
projects at the allocation
stage." (#17) Political influence on the
selection of
projects Political interventions

"There is a political
intervention in the
implementation of the
PIM system" (#15)

"Political interference
" (#9) Development
of PIM

"Both political and
efficient technical
support is necessary." (#2) administration
and research
database Political
driven projects

"Politically driven
projects and lack of PIM
database" (#5) Project data
base

4.3 Data analysis

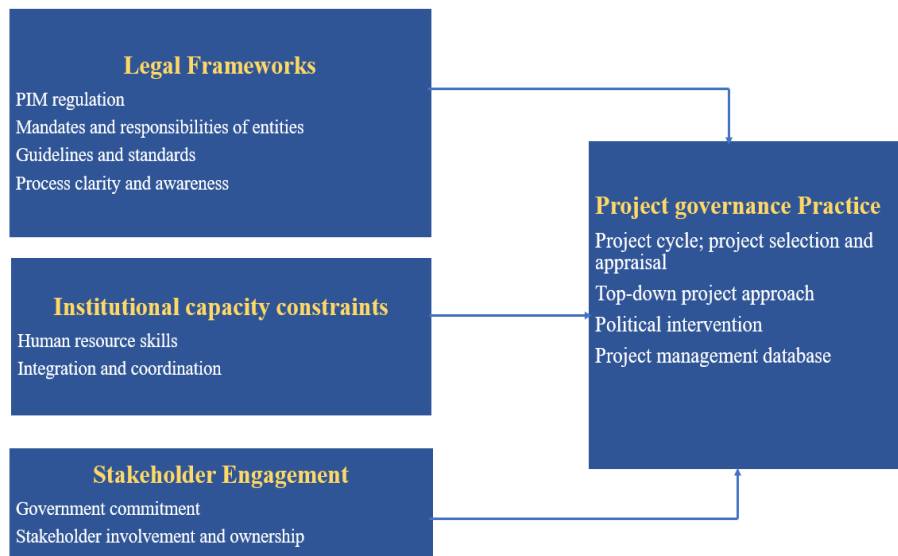
Results pertaining to the research objectives

Following the initial study aim, the results have highlighted four major topics,
which are as follows: Project governance procedures, Legal frameworks,

Institutional capacity constraints, Stakeholders engagement as well as, among other. These four themes were used to investigate the extent to which the Ministry of planning and development, Ministry of finance, and other sector ministries perform regarding the public project governance. This analyses the front-end management practices to appraise, influence the decision-making process, grant funding, and support the project management of projects in their respective jurisdictions.

The four major themes found from the interview and questionnaire data resulted in developing the link displayed in Figure 4.

Figure 4- Themes and their Relationship



Chapter 5: Research results & discussion

5.1 Analysis in challenges of front-end governance

The four major themes found in the analysis of this study regarding the critical challenges of front-end public investment management:

1. Legal frameworks

➤ PIM regulation

It has been found necessary to implement development projects effectively to ensure that they accelerate the country's social and economic development and establish the system that governs federal government public projects legally. Furthermore, to provide for the basic concepts, principles, and processes of the administration and management of public projects by the government of the Federal Democratic Republic of Ethiopia and the duties and responsibilities of different government executive organs in such processes. According to the participant (#16), "Previously, almost all projects went into implementation without adequate project appraisal and independent review."

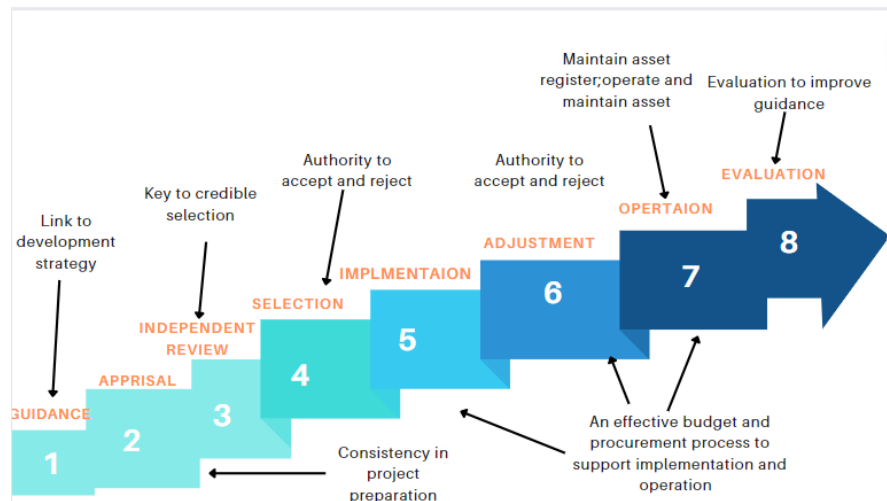
There were significant challenges in public investment projects, such as time and cost overruns, quality and sustainability problems, and lack of accountability and corruption. For the above reasons, it was necessary to prepare the Federal Government's Public Projects Administration and Management System Proclamation, approved and enacted in 2020. It is a high-level legal instrument establishing Ethiopia's public investment management system. The proclamation follows good international practice as captured in WBG's eight "must-have" features and sets out the project cycle in Ethiopia. The emphasis is placed on the fundamental processes and controls (linked at appropriate stages to

broader budget processes) likely to yield the most excellent assurance of efficiency in public investment decisions. The approach does not seek to identify best practices but rather the "must-have" institutional features that would address significant risks and provide an effective systemic process for managing public investments. This is a list of the eight most important "must-have" characteristics of a properly functioning public investment system: (1) investment guidance, project development, and preliminary screening; (2) formal project appraisal; (3) independent review of appraisal; (4) project selection and budgeting; (5) project implementation; (6) project adjustment; (7) facility operation; and (8) project evaluation.

The main aim of the Federal Government's Public Projects Administration and Management System Proclamation is:

- To introduce accountability and transparency into public projects' management cycles, thereby ensuring effective implementation of projects within planned cost, time, and quality;
- To set out the cycles and principles from formulation to implementation,
- To allocate public resources according to government policies and strategies to ensure effectiveness in achieving the socio-economic development targets

Figure 5- Key features of a Public Investment Management System



Source: Power of Public Investment Management (Rajaram et al., 2014)

As a result, governments are better equipped to deal with the complexities of public projects management.¹⁸ The world bank’s eight must-have tools focused on three aspects of public investment projects: planning, allocation, and execution. The eight PIM institutions’ cycles, help us to better understand how public investment works efficiently. Implementation of the Proclamation is regulated through templates to quality control decisions at each cycle stage. It ensured

¹⁸For further explanation on strategic guidance and project appraisal see Papageorgiou, M. C., Mills, Z., Dabla-Norris, M. E., Brumby, M. J., & Kyobe, M. A. (2011) p.

transparency and accountability for decisions and piloting required to test templates and adjust based on lessons.

The Federal Government Public Projects Administration and Management System Proclamation (the ‘Proclamation’) defines the public projects administration system as:

‘...a system which guides basic principles and cycles of Federal Government’s public project identification, developing project concept notes, preliminary screening, preparation of pre-feasibility and feasibility studies, appraisal of feasibility studies, prioritization, selection, budgeting, implementation, and ex-post evaluation as well as a system which elaborates the duties and responsibilities of relevant government organs at each stage.’

As the Proclamation requires, feasibility studies are required for all large and medium-sized projects. However, the preparation of a pre-feasibility study for larger projects and a feasibility study for smaller projects is optional. After that, the feasibility study is used to determine the value of the project. The Ministry of Planning and Development has issued several instruments (‘templates’) to facilitate the operationalization of the public projects administration system. These include a ‘Summary Appraisal and Assessment Form’ (SAAF), which forms an input into the project appraisal process. The SAAF is a tool for quality checking the content and coherence of public project proposals as expressed through a feasibility study. It

should be used for internal review and appraisal of project proposals by federal government executive organs. The same template will be used for independent thinking and final inspection by the Ministry of Planning and development.

An appraisal is a decision-making process leading to a decision in principle to proceed with a project, subject to successful detailed planning of the project and approval of funding through the budget process. A favorable appraisal decision confirms a project as a candidate for financing but does not represent approval of such funding, as indicated in the Proclamation. Even though the new PIM proclamation enters into implementation, there are still many challenges: According to participants (#3) and (#11) "Challenges for implementation of the public investment management system" and "Willingness to obey the Federal Government Public Projects Administration and Management System". And all government entities should abide by the regulation and should show a commitment to the implementation of the PIM; As noted by the participant (#12) "Since the prime minister's office and council of ministers initiated different projects, they should obey the PIM regulations. ".

All governing public investment management legal framework and institutional arrangement, effective and efficient PIM regulation and the system requires creating an enabling environment such as creating wide-ranging consensus on the reform requirements, the strong commitment of the government to owning and taking the regulation and the reform forward. "A governance framework for public projects is "an organized structure established as authoritative within the institution,

Comprising processes and rules established to ensure projects meet their purpose” (Klakegg et al., 2008, p.s30). According to (#8) "Public investment programs require political as well as technical level dynamic reforms. To adequately address the challenges of public project management in Ethiopia the overall allocation capital budget both at the federal and regional levels should be further reformed.

Institutions that involve in the management of public projects should have a formal working procedure to exchange information as well support the decision-maker with UpToDate information and adequate technical expertise. Even though the PIM adoption is at an infant stage it requires more focus and attention from government entities.

From the questionnaire, it has been observed that MoPD and line ministries have not established strong working relationships among themselves and the public sector organization at large. They all operate in silos lacking collaboration and integration of efforts through information sharing for proper project governance and project front-end management. MoPD is making commendable efforts and making some progress in this regard, currently, it is in the process of piloting o the implementation of the PIM system with the templates. In accordance with the participant (#10) “The implementation of this PIM will bring about significant change in solving the project governance problems”. In addition, sometimes projects are necessary in order to fulfill legal requirements – an example of which would be to comply with environmental standards; but could also relate to new safety legislation on highways for example. Projects driven by legal necessity are likely to be strong candidates for approval, provided that they are prepared correctly

➤ **Mandates and responsibilities of entities**

The responsibility of preparing and submitting viable public projects for approval and/or implementation was given to line ministries and executive agencies. The readiness and commitment to accept, tasks by executive agencies were limited, and reluctant to fully undertake and mainstream project cycle management into organizational structures. According to (#4); “Lack of commitment of sectors/project proposers”. Most of the executive agencies are over-focused on project implementation through earmarked public resources from the treasury and to get approval before the actual timeframe for budgeting is expired. As such, project preparation was neglected. In line with the participant (#10); The project’s documents are not well prepared. Promptly, the quality of projects submitted for appraisal will be reduced.

The responsibility to appraise and select public projects was assigned to the Development Projects Directorate (DPD) of MOPD. In the previous trend, executive agencies should submit full-fledged studied project documents approved and signed by the Higher Official(s) of the organization. Public enterprises also have the responsibility to submit projects for approval if they require public funds. However, it has now become a rare case. DPD has been developing templates and based on those templates line ministries need to fill and submit the documents. DPD after receiving the document will distribute it to the relevant Team(s) to undertake appraisal activities.

Depending on the size of the project the analysis depth ranges from rough to rigorous appraisal levels. For big projects, it is mandatory to analyze based on all project aspects to provide evidence based-decision to policymakers. Based on the analysis a concise appraisal report instrumental to the informed decision will be prepared and submitted to the project owner. The final approval will be both by the prime minister and/or donors. If the project requires a foreign grant and/ or loan it will be ratified by the parliament. The approved project will be budgeted according to the country's financial management system. "All actors have to be on board in order to implement the system properly and efficiently" (#4). Project needs to demonstrate that they are being pursued in the interests of the economic or social development needs of the nation or a local area. The government policies or strategies that are relevant to the proposed project, such as the long-term development plans, must be aligned. how the project contributes to their achievement. The project may only meet a single policy objective or it may aim to meet more than one. If this is the case, each one must be referenced. Emphasis has been given to checking for the alignment of projects with a national development plan: according to (#10)" Approve the major project documents together with the development plan document during the endorsement stage of the development plan".

Since 1995, proclamations defining the rights and duties of the Federal Democratic Republic of Ethiopia's public-sector institutions have been issued almost every five years. There were some structural changes throughout the process, such as the merger or splitting of executive bodies responsible for project planning, monitoring, and evaluation. There were changes in the establishment, such as

merging or splitting of administrative bodies that look after the planning, monitoring, and evaluation of projects.

According to Ababa, A. (2018). “In Proclamation 4/1995, Ministry of Finance (MOF) and Ministry of Economic Development and Cooperation (MEDAC) were separate public-sector organizations. MOF and MEDAC were merged and became one, the Ministry of Finance and Economic Development (MOFED), through Proclamation 256/2001. MOFED then restructured as Ministry of Finance and Economic Cooperation (MOFEC) in the proclamation 916/2015 and National Planning Commission (NPC) was established as separate organ (as breakaway from MOFED) through the proclamation 281/2013. Over these periods, Ministry of Finance have been receiving additional duties and responsibilities from MEDAC and transferring some to NPC”. In line with participant (#3), "Organizational instability to master project cycle as culture. Relevant details of the duties and responsibilities of each public-sector organization MOPD, MOF, and MOUAC in relation to project appraisal, support, and evaluation is summarized in the appendix section.

Table 5: Roles and responsibilities of key players in the Project Appraisal / Feasibility stage

	Proposer	Checker	Independent Reviewer	Decision Maker
Project Appraisal / Feasibility Study	Ministry, Department or Agency	Line Ministry as a basis for Minister approval	Ministry of Planning and Development	Independent Reviewer
Documentation required	Feasibility Study plus supporting evidence	Summary Appraisal section of the SAAF	Assessment section of the SAAF	Recommendation of the MoPD based on SAAF

Source: GUIDLINE 2: Feasibility study, Summary Appraisal Submission and Appraisal/2018

➤ **Guidelines and standards**

The aim of project appraisal is to determine whether or not a project is worthwhile in terms of its expenses in terms of resource commitments and predicted benefits. Budgetary limits and, in many cases, political influences affect public-sector projects. As a result, project appraisal is a critical component in determining whether or not to continue with a project. Assessment entails weighing different project options, which necessitates the use of specialist appraisal experts and experienced individuals.

It was critical to develop Appraisal Guidelines that could be applied to all public-sector projects in order to make the appraisal procedure clear and required. As a result, the Ministry of Planning and Development (MOPD) developed Appraisal Guidelines for Public Sector Projects in 2020 with the active participation of sector ministries and instructed all public projects to strictly follow and apply the guidelines in preparing and submitting projects for approval and/or budgeting. The standards were created with the main goal of providing a consistent platform for evaluating and choosing feasible initiatives that need funds from the Treasury, grants, and donors.

The preparation guideline outlines the significance of each step and specifies how an investment project proposal in the form of a feasibility study for finance should be produced. In order for a project idea to be accepted and approved by decision-makers, the proposal (the feasibility study) must be technically sound, financially feasible, economically viable, politically appropriate, and socially acceptable. It also details how to conduct sensitivity analysis and requests for internal project implementation arrangements, as well as other pertinent information.

The project appraisal guidelines cover major aspects of the project: technical, environmental, social, institutional, financial, economic, risk and implementation plan.¹⁹

The major Contents of the project aspects are;

Technical; it is mainly concerned with issues related to physical scale, location of facilities, the technology used, Choice of optimal technology, technical design criteria, and a range of other similar concerns related to the technical adequacy and soundness of the project.

Environmental; it involves analyzing the project's environmental impact assessment and estimating positive and negative effects.

Social; It evaluates the feasibility of the project from the point of view of the target groups' involvement in project design and operation, the inclusion of gender aspects as well as acceptability in relation to laws and norms.

Institutional; an institutional appraisal is concerned with a large number of issues that deal with the adequacy of human capability and the organizational arrangement in which projects are implemented.

¹⁹ See, Papageorgiou, M. C., Mills, Z., Dabla-Norris, M. E., Brumby, M. J., & Kyobe, M. A. (2011).

Financial; it involves estimating the project investment, operation costs & fund requirements. It includes a description of the financial flows, discounted cash flow, cost-benefit relationship & ratio analysis.

Economical; it considers costs and benefits that all stakeholders have to bear and contribute. It considers the project from the economy's point of view and the welfare of the country. It may require the use of shadow prices, the inclusion of linkages and externalities, estimation of distributional impacts

Risk analysis and management; It involves the identification of risk, sensitivity analysis, and risk management plan.

Implementation plan; deals with the identification of project activities, and responsibilities and assessing the implementation plan, and monitoring arrangements.

Attention must be given to the necessity of these guidelines concerning project planning analysis to effectively allocate scarce resources and make them publicly visible and known to public sector organizations. According to (#5) "In addition to having a general legal framework on public investment establishing and disseminating specific guidelines which govern the overall public project phases such as project identification, preparation, selection, budgeting, prioritization, and implementation and monitoring is essential to enhance the working of the system and also to create awareness to those who participate in public projects." (#5)

For the project idea to be accepted and approved by decision-makers, the feasibility study) must be technically sound, financially feasible, economically

viable, politically suitable, and socially acceptable. It further details how to do the sensitivity analysis and requests for internal project implementation arrangements.

The guidelines and the templates which are prepared by MoPD are not fully implemented, there are some project documents that are submitted by the project proposer without following the guideline or the templates. The guidelines and the templates which are prepared by MoPD are not fully implemented, there are some project documents that are submitted by the project proposer without following the guideline or the templates. According to (#10) "The guidelines and standards are not available online for public use; public institutions and citizens have less awareness."

➤ **Process clarity and awareness**

Successful implementation of public governance requires creating awareness. Thus, encourage understanding and develop training programs for the line ministry offices regarding the regulations and guidelines. According to (#5) "In addition to having a general legal framework on public investment establishing and disseminating specific guidelines which govern the overall public project phases such as project identification, preparation, selection, budgeting, prioritization, and implementation and monitoring is essential to enhance the working of the system and also to create awareness to those who participate in public projects. " And also, the participant (#2) emphasized "Different awareness levels across the government landscape" A process of clarity and increasing awareness is very crucial for project implementation.

Participant (#8) noted that "Capability at the project proponents' level as well as central ministries responsible for independent review, regulatory responsibilities as well as portfolio management of public projects." Public Investment management

system implementation is not a one-time activity that should be taken addressed once and for all rather it requires adjustment to changing structural situations, political development and the change in capacities of government as well as private institutions. A process of clarity and increasing awareness is very crucial for project governance procedure.

2.Institutional Capacity constraint

➤ Human resources skills

The MOPD has been responsible for project appraisal tasks and mandates by the Council of Ministers since 2013. However, until the approval of the current regulation, the function of the MOPD in a project was not explicitly defined under this rule. Furthermore, the MOPD's roles and relationships with federal sector ministries such as the Ministry of Finance regarding project assessment and approval were not clearly articulated and propagated. But the new PIM regulation will play a significant role in formalizing the government's practice and answering the main critical challenges before the regulation. There are still some critical issues regarding MoPD regarding human resources, logistical, and other requirements that are not met.²⁰ The organization cannot carry out such challenging duties with rigor and confidence. At all levels, project cycle management systems must be established. Indeed, prominent project management scholars have advocated the importance of

²⁰ Ababa, A. (2018).

institutional factors in projects (Morris and Geraldi, 2011; C. Biesenthal et al., 2017; Miller and Hobbs, 2005).

The task of project planning and evaluation involves technical, social, and economic dimensions. It requires qualified employees and specialists; it is also a collaborative effort involving a variety of professions, as well as intuitive engagement and dedication. Finance is required to get the necessary staff, supplies, logistics, and training. MOPD should play a key role in creating and enhancing project cycle management at all levels in this context. In addition, there should be rules and regulations that are carefully enforced in all public institutions. Existing norms and criteria should also be amended, updated, and created to incorporate project cycle management ideas and practices. It is crucial to investigate and build strong cooperation and collaboration among institutions with a reputation for project cycle management. Line ministries and public companies must also develop an appropriate legislative framework and administrative arrangements in order to submit projects to the MOPD for review and to establish solid and well-organized project cycle management offices at all levels. According to (#7) "There are several challenges among these, Public investment is the new reform, in Ethiopia, it requires, skills and knowledge to formulate or develop, prepare comprehensive feasibility study up to the standard. over the challenge has been reflected both from the project owner and evaluator side."

There is a shortage of well-trained and skilled manpower in the project appraisal departments in MoPD and sector line ministries. According to (#10), (#4), and (#17) "Skill development of experts at MoPD and other sector ministries, Lack

of well-experienced experts and lack of well-trained professionals and strong project departments. Improving and developing capacity among project participants and their networks and institutions. As a participant (#2) noted "Capacity gap in public project cycle management at a different level". This is a wide capacity constraint in project appraisal and preparation.

To address this problem all responsible key institutions such as all public sectors, universities, and research institutions should work together. According to (#11) and (#16) "Technical skill gap" and "Weak skill of the appraisal team". Formalized strategies to build the capacities of public investment management actors should be considered and an appropriate incentive mechanism should be devised to gauge the effectiveness of public projects. From overall the questionnaire and interview, the results indicated that there exists a lack of skill in employees with the relevant capabilities almost at all levels, including regulators, experts, and public-sector organizations, but to a varying extent at each level. When it comes to public sector organizations, the quality of their project proposals/studies is poor, which is a clear sign of the low level of planning expertise that these organizations retain.

➤ **Integration**

Institutions Involved in Approval

Depending on the type and size of the investment, many institutions, ranging from the district (Woreda) administration to the federal government, are involved in approving public projects. At the district administrative level (woreda), small projects are decided by the local government's (woreda) cabinet and approved by the administrative council. Similarly, at the regional government level, public projects

are decided and approved by the regional government's cabinet and administrative council, respectively. At the federal level, usually large and mega public projects are decided by sector ministries, and the then MoPD has the responsibility of checking whether the projects are in line with national priorities and the sector's budget ceiling.

The Council of Ministers has the responsibility to review and give a recommendation. Finally, the Council of People's Representatives approves the public projects' investment. In the case of public enterprises, the project approval process involves SoE's management, board of directors, and regulatory institutions. According to (#16) To bridge the gap in information availability and agency problems; hence strategic national institutions should focus on strategic leadership to govern the overall PIM policy and harmonize central and local governments' activities in public project management phases). Since institutions have not fully adapted to the PIM system, additional measures are needed to support the collaborative efforts of various institutions. According to (#11)"The administrative capacity to manage the rules and regulations associated with these funds should be central to successful public investment. There is a need to increase the integration between institutions according to (#8) "Formalized strategies to build capacities of public investment management actors should be considered and appropriate incentive mechanism should be devised to gauge the effectiveness of public projects". There is a missing link for integration and coordination of PIM system implementation between federal ministry offices and regional administrative offices.

In accordance with the participant (#8)"Lack of clear institutional framework to link appraisal and budgeting although efforts are ongoing to create an effective link". Especially Ministry of finance and the ministry of planning and development commission should increase their collaboration for better project governance practices. Moreover, institutions should work for the successful implementation of a project governance system for a common goal.²¹ According to participant (#5), there is a "Conflict of interest among various institutions ". There is considerable agreement in current strategies and organizations that we need to pay more attention to organizational practices and the institutional frameworks in which these practices are rooted. This is one of the reasons that institutions theory is a valuable lens to see project governance practices.

3.Stakeholder engagement

➤ Government commitment

Governments have an important role in a number of these significant projects, frequently as the owner or initiator. As a result, they must make political judgments in order to carry out the projects. As governments throughout the world struggle to deal with the changing reality of undertaking more and larger projects, it is vital to

²¹ See, Shiferaw, A. T., Klakegg, O. J., & Haavaldsen, T. (2012).” However, having good rules and regulations in addition to the availability of institutions is not sufficient. The important question is whether these institutions operate in accordance with the rules and regulations without any influence to ensure that the government is selecting and implementing the right public projects.”

understand the importance of planning public sector projects. According to (#12) "Government commitment is valuable for the implementation of the public investment management system and participant (#7) mentioned, "Both political and efficient technical support is necessary". Starting from the ministry offices regarding the PIM implementation, much attention has not been given from the government side. In line with participants " (#16) and (#5) "Lack of government willingness to implement public investment system " and "Lack of leadership commitment". Both political and efficient technical support is necessary. In agreement with the participant (#12) "The PM regulation should be hardly implemented and increased the stakeholder's engagement in each project cycle."

The executive organs, which have the highest role in decision making, including the council of ministers and parliament, have to push the new PIM regulation for enforcement and adoption. They should show some additional commitment. For the adoption of the new PIM regulation, coordination and integration with line ministries, regional government higher officials, development partners, national government including the Executing Agency, and communities are needed. It should be viewed in the context of the broad-based, lengthy and multi-layered process of consultation.

➤ **Stakeholder involvement and ownership**

Indeed, stakeholder engagement is very prevalent and is viewed as a vital component of accountability. Stakeholder engagement should extend beyond the dissemination of information and participation in the project appraisal cycle. Consequently, there is an increasing trend for governments and their agencies to

consult stakeholders on issues ranging from project concept to the implementation of the project. According to (#6); “Increased the stakeholder’s engagement in each project cycle”. The stakeholder of the public project includes different institutions such as the Council of Ministries, Line ministries, Planning Council, the MOPD, MOF, and other implementing agencies and the communities. The planning and development commission is creating a platform with these stakeholders for their interventions in planning, implementation, monitoring, evaluation, and reporting. Thus, a consultation will be carried out with these key stakeholders of the project starting the preparation of the project. This legal framework will help coordinate activities among various public projects implementing agencies, regulatory and policymaking institutions. Even though the trend is increasing it is more expected in the planning to increase the participation of the stakeholders in the planning of the appraisal.²²

According to (#13) "Make open discussions among sector ministries on all available projects and list the project based on the order of importance and year of implementation and reach an agreement." Including local communities, in identifying new public investment ideas is also recognized as a legitimate way of identifying project ideas, provided that a structured approach to the consultation

²² See, for example, Shiferaw, A. T., Klakegg, O. J., & Haavaldsen, T. (2012). Stakeholders are not involved in the planning and decision-making processes of public investment projects

has been used. In line with the participant (#10) "Lack of community participation and ownership in project planning".

4. Project governance practice

➤ Top-down project approach

According to interviews and document assessments, the government's project governance has been linked to project governance practice. Projects are generated in the current system: bottom-up from state-owned firms and ministries, which produce project ideas based on regional input, and top-down from the Council of Ministers. (CoM) and the Prime Minister's Office. Project evaluation takes place in various ways, depending on the sector and ministry. After the project is presented to the CoM as part of its relevant ministry's budget, which approves budget allocation based on national priorities, it is funded and supported. The Ministry of Finance (MoF) is in charge of disbursing cash for projects at the program level, and it gets its money from treasury and finance institutions.

A top-down project approach, particularly for major public investment projects, has been experienced by the GoE, according to questioner participant (#14). These projects are conceived and planned at a high level without the active engagement of the public and other stakeholders, but they are expected to participate in the implementation phase. (#10) As a consequence, some of the most critical project stakeholders lack a sense of ownership and commitment to the project's success since they were excluded from the planning and decision-making processes associated with public investment projects. Initially, people have high aspirations, but their

enthusiasm wanes as time passes and tasks are accomplished. Even if the PIM regulation is adopted there are still challenges regarding identifying and prioritizing the public's most pressing needs. Project selection does not take public priorities into account. Either priority is disregarded, or other politically valuable projects are substituted for them, or the planning specialists are incompetent, which might lead to misinterpretation.

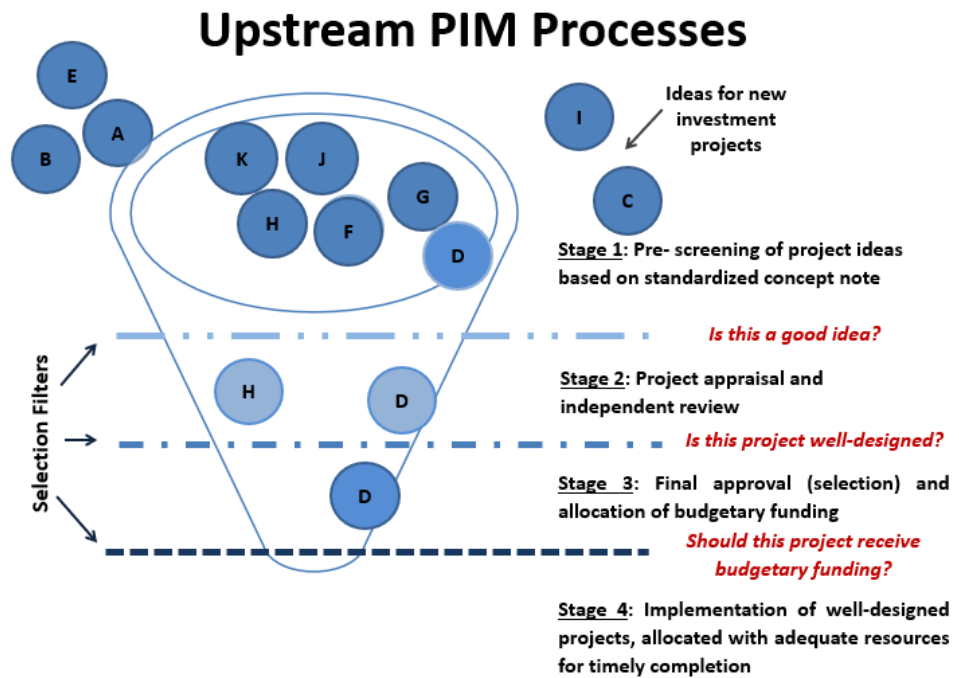
Despite the fact that Ethiopia has a project governance mechanism, it is ineffective; according to questioner participants (#14). The MoPD, which is legally responsible for the appraisal of projects and the evaluation of project concepts, seems not strong enough to control the project preparation and development process due to its institutional capacity constraints. The Federal Government Public Projects Administration and Management System has been introduced and implemented. Most research done around project front-end planning is focused on the construction industry.

➤ **Project cycle**

Basic Principles of the Federal Government Public Projects Development Cycles

According to the new PIM proclamation, all projects shall have the cycles of formulation, implementation, and post-implementation. This formulation cycle of projects shall have the following sub-cycles: a) Project identification and preliminary selection or screening; b) Project pre-feasibility and feasibility study; c) Project appraisal carried out by concerned Executive Organ project feasibility review and independent project feasibility review; d) Project prioritization, selection and budgeting. Project implementation and post-implementation cycles shall have the following sub-cycles: a) Project implementation, revision, monitoring, and evaluation; b) Project handover, completion assessment and assets registration; c) Progression of the project to product or service delivery and continuation; d) Public project post evaluation. In some cases, the project may proceed to implementation without following the normal project cycles. Since the research is focused on the project's front end of project governance or the upstream of the public investment management system, the data analysis did not cover project implementation and post-implementation.

Figure 7- Upstream PIM process



Source: The Federal Government Public Projects Administration and Management System (2019)

Project Identification and Preliminary Selection

Project identification is the first and most important step in both traditional and new project cycles. The initial conceptualization of a project might be done in broad terms, with the notion being refined as the planning process progresses. It is possible to imagine several variations of the same project. An initial screening of project ideas will be conducted at this stage, and there is a probability that most project ideas will be abandoned at this level.

In Ethiopia, development projects come from government policy either at the macro-level from national policies and strategies; national, sectorial, sub-sectorial, regional plans, and general surveys; constraints on the development process, unusual events; or from multilateral or bilateral development agreements. Micro-level project ideas emerge from unsatisfied demand or needs, the need to remove shortages, the necessity to complement or expand previously undertaken investments, the suggestions of financial institutions and development agencies, and the study of new technological developments.

Screening

All project proposals should go through a first-level screening process at the sector and subsector levels to ensure that they meet the minimum criteria for consistency with the government's strategic goals, as well as the budget classification criteria for inclusion as a project rather than a recurrent spending plan. A project that fails to pass this consistency test should be rejected, obviating the need for further review. An effective institutional architecture must guarantee that all large project proposals are screened as part of the first must-have component of a public investment project management system so that resources are not spent in more-detailed project feasibility assessment and evaluation. This role may depend on tasks granted to line ministries and executive agencies on occasion.

Various implementing bodies in Ethiopia identify and screen public projects. As previously stated, these agencies select and assess public initiatives in line with national goals. Ethiopia also has a national guideline that was created to aid in the

screening of development projects. However, other institutions have not followed this norm. Furthermore, there is a huge vacuum in this area due to the implementation of the PIM guidelines for verifying that screened project proposals are compatible with government policy and the lack of standardized strategic advice for public project screening. According to "Approve the major project documents together with the development plan document during the endorsement stage of the development plan."(#15)

Furthermore, a number of line ministries and other implementing agencies do not have agreed-upon standards for screening public projects before they go through pre-feasibility and feasibility assessments.

Various sorts of projects are vetted in various ways. Government-sponsored initiatives backed by the Treasury, for example, are mostly reviewed by line ministries. State-owned firms that are subject to the regulatory responsibilities of several line ministries have vetted projects that are funded by domestic and international financial sources. Various actors at the national level have conducted broad screenings of initiatives in terms of their financing sources.

Public Project Planning and Preparation

After a project has been chosen, the planning and screening procedure begins. This phase entails the refining of the aspects indicated in the identification phase, as well as all of the actions required to move the project to the appraisal stage, which would include pre-feasibility and feasibility studies. While it is difficult to generalize about the preparation phase since it is dependent on the nature of the project,

preparation starts with the definition of goals, the identification of key concerns, and the establishment of a schedule for the various stages of the development cycle. Each project cycles need appropriate decision making According to participant (#1): Quality control decisions are very necessary at each stage of the cycle. Many of these concerns would have been examined during the identification phase, but during the preparation phase, all of these topics are addressed in more depth, and tangible solutions to the numerous questions that emerge in the context of the project are sought.

Many line ministries or project owners did not prepare their project documents according to the guidelines, and it remained one of the critical challenges for the project appraisal process. According to a participant (#14); Unable to have projects prepared in appraisal criteria.

It should be highlighted that the planning process must address the whole spectrum of technical, institutional, financial, and economic concerns that are essential to the project's goals. According to the participant (#17) The legal framework obliges prioritization and selection to be undertaken before the budget. However, given the infancy of the PIM system, this has not been institutionalized so far.

Financing of Projects

The government of Ethiopia follows an integrated successive short and long-term development plan, the Growth and Transformation Plan (GTP II), which aims to achieve 11% GDP growth annually as well as achieve the Sustainable Development

Goals and attain a lower-middle-income country by 2025. To realize these goals, the government was investing heavily in large-scale social, infrastructural, and energy projects.

Given the scale of public investment required to support these plans, coupled with the current positive domestic savings rate, Ethiopia requires significant inflows of foreign financial resources. While tax incentives for investment in the high priority sectors of heavy and light manufacturing, agribusiness, textiles, sugar, chemicals and pharmaceutical, and mineral and metal processing underscore the government's focus and openness to FDI, the recent creditworthiness ratings by the international rating agencies have opened up Ethiopia's access to commercial foreign loans.

In recent years, the finance available for development has increased. China in particular has become a major source of finance for infrastructure projects. Tax revenues have risen. And Ethiopia has received an increase in both development assistance in the form of grants and concessional loans, and in commercial loans from local sources and bilateral and multilateral institutions.

The source of finance for most development/ Public projects is either domestic or foreign loans; this finance is secured through government negotiation with the financing institutes. In the investment decision of the sectors, in most cases, the financial feasibility analysis of public projects in Ethiopia is either overlooked or inadequately treated. The rationale for it is that those development projects are not exclusively for-profit motives, instead, they have socio-economic motives thus the economic viability of those projects is given due priority over the financial

profitability of the proposed project. Therefore, during project financial analysis consideration should be given to incorporating all components of financial inflow and outflow of a project using qualitative and quantitative tools and measures to indicate proper cash flow statement. The limitation of attention on the financial feasibility analysis to evaluate the project's worthiness forced the country to start the implementation of the project without securing adequate finance, or loan this will result in time and cost overrun of the project implementation, which is a common phenomenon. In accordance with the participant (#11)"Integrating both the budget calendar as well as project cycle is still a challenge."

➤ **Political intervention**

Political interference in the selection of projects (White elephants projects);

One of the most intractable problems is political interference in public investment project development. But how does one separate the purely political issues (that may be legitimate) from economic and technical aspects? Of course, the problem of politics in public projects is not limited to low-income countries. There are many notable cases from the developed world, for example, ranging from the Russky Bridge (Russia), Detroit People Mover (United States),

Political influence may occur throughout the course of a project's life cycle. Several things may go wrong when you're in the project cycle. There are a number of reasons why projects might be included in both national and sectoral plans. Most of the time, politically-oriented initiatives do not go through an appropriate appraisal process according to (#6) some politically-oriented projects do not go through an

appraisal process. Second, there is the issue of which channel is most suited to provide the necessary project. A public-private partnership or a state-owned firm may be used to get around the budget process and get non-viable projects through. A common problem with state-run firms is that it is difficult to keep tabs on their execution since the government fails to provide enough supervision and withholds key information.

Political pressure may impact the selection of projects at the "allocation" stage. When it comes to the budget, there are always more requests than the available resource. Even if "Both political and efficient technical support is necessary." (#2) however, powerful politicians may prioritize their "pet" projects, regardless of the economic advantages, in this situation. The project may not be a bad idea in and of itself, but given the financing available, its timeliness may be an issue. As a result, other, better-suited initiatives will be pushed aside in favor of these ones "Political interference (#9)". For political consumption, many projects can be initiated and implemented without following the needs of the citizen or the country.

5.2 Front-end challenges of public investment projects in Ethiopia

Ethiopia has implemented several public investment projects due to bilateral sources of sustained economic development and financing. However, this economic development and the expansion of public investment projects are criticized for not benefiting the public. It is believed that some of these public investments are not generating enough additional revenues, and the government is not capable of allocating sufficient funds for operation and maintenance to get the

services for a long time. That means the relevance and sustainability of these projects are in question.

According to Samset (2009), if a project is not relevant and sustainable, it is a failed project, and it should have been terminated or rejected at the beginning. As this article focus in the front-end challenges of public investment projects in Ethiopia. A particular emphasis is given to the most critical challenges that could affect the relevance and sustainability of projects.

In actuality, the national goal of becoming a middle-income country by 2025 primarily influences significant policies in general and the selection of public projects in particular at various levels. For the last fifteen years, multiple national development plans have been established based on a national vision, and these national development plans have been utilized as the primary basis for identifying various socio-economic development projects at the national and regional levels.

Critical challenges in project formulation and appraisal

Project Preparation and appraisal consist of all the work necessary to ensure that a proposed project is feasible and appropriate and that it can be successfully implemented. The processes ensure the identification and elimination of key risks at the earliest possible time and maximize development opportunities by ensuring that projects are well conceptualized and fully accepted. Systematic and effective Project Preparation and appraisal are important for the reasons below:

- Projects are well conceptualized and planned.
- Scarce implementation resources are optimally allocated to viable projects.
- Development is appropriately tailored to national, regional, sectoral & local needs
- Project risks are managed and controlled.
- Projects are supported by key stakeholders.
- Governments and other funders/donors can predict and manage their cash flows.

Project Preparation and appraisal need to be properly managed and coordinated and should be regarded as an institutional function. Capacity constraints within government is a critical and multi-faceted challenge that runs to the heart of processes of project cycle management in Ethiopia. Government departments, institutions, regional organizations or funding/donor agencies lack capacity to undertake all the activities required for project cycle management. It is therefore necessary that resources are adequately allocated such as; logistics, specialists, and budget, especially for training earmarked and maintained. It is also necessary to prepare rules and regulations on project cycle management in order to establish transparent, accountable and effective systems at all levels.

5.3 Major challenges of public investment management in Ethiopia

Public project management is influenced by a range of government fiscal and regulatory actions, as well as a diversity of other factors. The following are the major challenges of public investment projects management in Ethiopia:

- Lack of clear and optimal legal framework and appropriate institutional arrangement at the national level. Ambiguity in roles and responsibilities of various government ministerial and other implementing agencies on development project cycle management;
- Lack of coordination among various line ministries and the MoPD on development projects cycle management. Public development projects management requires strong cooperation and coordination among different government levels and institutions (federal, line ministries, and state-owned enterprises, regions, Woredas) as well as between government and non-governmental and civil society organisations and the private sector. However due to lack of clear legal framework on roles and responsibilities of these actors, coordination and cooperation on public development projects cycle management has not been developed as required and this has led to merely embarking on implementation of public investment projects in different institutions which may have been conflicting with the national priorities.
- Capacity gap in project preparation, appraisal and Implementation at different levels. Capacity constraint within the government sector is a critical

and multi-faceted challenge which runs to the heart of processes of project cycle management in Ethiopia. These constraints are so all-pervasive. Capacity constraints in project cycle management have negatively impacted on the ability of the government to bring required economic and social development as desired. These are evident at both the project and line ministries levels.

- Absence of national data base on public projects which have been implemented at different level. Availability of information on various aspects of public projects is an essential factor to correct and review public projects in an efficient and timely manner. However, information on public projects have not centrally collected and organized in way to facilitate use in policy and decision making.
- Lack of standardized and enforcing project preparation, appraisal, financing and monitoring and evaluation guidelines at different levels. Although some guidelines are available on project preparation, appraisal and monitoring and evaluation, these guidelines have been distributed to all relevant implementing agencies, however, they are not properly utilized due to lack of consideration and/or accountability. In addition, these guidelines were prepared about ten years ago and have not been revised since then. Therefore, the available guidelines may not reflect the current and emerging issues of public projects planning, preparation, appraisal, financing and monitoring and evaluations. Moreover, it was challenging to enforce these guidelines on various implementing agencies given the lack of explicit roles

and responsibilities of implementing actors on public development projects cycle management.

5.4 Converting challenges into success factor

The fundamental objective of Investment projects is to give public services, infrastructure, and facilities to the general public in order to enhance the overall quality of life of the general public. If the Government fails to assign or arrange strong institutional arrangements with appropriate project/ program management and technical capacity to implement the project to the standard, lack of commitment, poor integrations, and weak physical and human capacity may fail the projects. The government must learn from past project failures, for successful project implementation from inception to execution. Unless the project will not deliver the expected gains.

To mitigate these critical issues, stakeholder awareness and engagement for commitment, human and physical capacity building, an integrated approach and vibrant coordination among sectors are vital. Besides, strong information sharing, technology access, and utilizing standardized national guidelines for project governance practice, are all critical. Additionally, drawing stakeholders' attention and public consultation is vital. Each of the techniques requires experts. Setting up a multi-disciplinary team of experts with important knowledge and skill mix is vital. Strengthening the capacity development in MOPD DPD and other line ministries project departments, management, and experts.

Implementing a successful system in public sector organization how governance frameworks can contribute to the successful development of public investment projects. Research on 60 large infrastructure programs (by IMEC, discussed in Samset and Volden 2012) found that projects that were less successful were typically the result of authoritative decisions made by influential interest groups and often started under time pressure, with little resources allocated to appraisal or evaluation process. Even though, the government main focuses on a homegrown economy to complete unfinished projects it is better to implement major projects.

A project's long-term sustainability, according to Ali (2017), may be improved by considering the coordination and engagement of stakeholders at an early stage of public decisions. This feature is also regarded to be an essential indicator of a project's successful completion.

For these and many other reasons, the process of making judgments is not a clear one that will lead the decision-maker immediately to a successful position free of difficulties or drawbacks, as it is in many other situations. A range of variables, including the decision-maker, the information required, and the organization, all contribute to the slowdown of the process.

According to project governance literature, the assessment and selection of public investment projects is often complicated and includes a variety of physical and intangible factors that must be understood and assessed before a choice can be made. The examination and selection of public investment projects in Ethiopia can be accomplished efficiently.

Chapter 6: Conclusions, implications & areas for future research work

6.1 Main findings:

We gathered data through questionnaires, formal individual interviews, and document assessments from Ministry of planning and development and other Ministry project departments to map and review the project governance framework. The data is analyzed and presented based on the four governance framework features.

Legal Frameworks

- In addition to having an all governing public investment management legal framework and institutional arrangement, effective and efficient PIM reforms require creating an enabling environment such as creating wide-ranging consensus on the reform requirements, the strong commitment of the government to owning and taking the reform forward and also since the PIM reform is directly linked with another initiative about creating a transparent and accountable system which ensures the rule of law in general and on the effectiveness of PIM in particular, focus should be given to link PIM reform with the overall governance reform.
- Other than having a general legal framework on public investment, disseminating and institutionalizing the specific guidelines which govern the overall public project phases such as project

identification, preparation, selection, budgeting, prioritizations, and implementation and monitoring is essential to enhance the working of the system and to create awareness to those who participate in public projects. Similarly, MoPD and MOF need to introduce the updated guidelines and the new directive to public sector organizations and enforce their use.

- **Institutional capacity constraints**

Public Investment management reform is not a one-time activity that should be addressed once and for all. Instead, it requires adjustment to changing structural situations, political development, and the change in capacities of government as well as private institutions. Hence undertaking timely reform while considering the context and circumstances of each country is very important to have an effective and efficient PIM system.

- Depending on the capacity of all levels of governments and institutions, and also the story of development, decentralizing authorities about project identification, preparation, appraisal, selection, and budgeting is very pertinent to improve the effectiveness and efficiency of public investment management and also to bridge the gap in information availability and agency problems; hence strategic national institutions should focus on strategic leadership to govern the overall PIM policy and

harmonizing central and local governments activities in public project management phases.

- Utilizing research institutions, think-tanks and the private sector expertise and knowledges to enhance public project management in areas of project cycle is relevant to improve the quality of the decision made by public bodies and also to improve the execution of public projects in line with budget and cost. In addition, working with the teaching institutions for better adoption as part of the institutionalization effort is important.
- Organizing public institution which involves in technical and decision making of public projects in a way that accommodates multidisciplinary and sector-specific specialists is one of the necessary conditions to improve and give an all-round decision on the repercussion of large and megaprojects on the overall economy as well as the specific objectives sought to be achieved by the project.
- Ensuring accountability and transparency in public investment requires a robust information exchange across all actors involved in general project management. The Information system for all public project management should be established to consider all phases of projects starting from project initiation to operation. The government has a clear understanding of the existing assets to identify the infrastructure required as per the standard set in the country.

Stakeholder Engagement

- The stakeholders in public investment management cycle include different institutions such as the Council of Ministries, Line Ministries, the Planning Council, the MOPD, MOF, and other implementing agencies and the communities. Stakeholder engagement should extend beyond disseminating information and participation in the project appraisal cycle. It is observed that there is a lack of consultation with the project's key stakeholders starting from the preparation of the project. This legal framework will help coordinate activities among various public projects' implementing agencies and regulatory and policymaking institutions. Even though the trend is increasing, it is expected to increase participation and show ownership of the stakeholders in the whole project appraisal cycle.

Project Governance Practice

- Strong get-keeping function of public project management is directly linked with the authorities in final budget decision-making on prioritization of public projects. Hence in addition to appraising viable projects, the budget decision making should be connected with the result obtained from project appraisal and institutions which work in areas this needs strong collaboration and

coordination to use the most out of public resource by funding the most viable projects;

- A top-down project approach, particularly for major public investment projects, has been experienced by the GoE, and these projects are conceived and planned at a high level without the active engagement of the public and other stakeholders, but they are expected to participate in the implementation phase
- Political influence in the allocation of public resources at both the appraisal and selection stages of public investment management.
- Since public-private partnerships are part and parcel of public investment management projects, their effective and efficient implementation requires a similar focus as public-funded projects, and appropriate supervision and controlling mechanisms need to be established to improve its contribution to the development priorities of the government.
- The three main themes, the legal framework, institutional capacity constraints, and stakeholder engagement, link to the problem in project governance practice.

6.2 Limitations of the study

This study focuses only on the front-end project management cycle, so the results of this study will not apply to the whole project cycle. The top-down analysis approach is used so that it doesn't include medium-level and street-level project perspectives. Focus has been given to the independent reviewers, the Ministry of

Planning, and the Ministry of Finance. However, other sector ministries are not included due to time availability.

Considering the identified skill gap in essential personnel skills at all levels of front-end project planners, the researcher needed to explore further with line ministries and other stakeholders. However, due to a time shortage, this was not addressed.

6.3 Conclusions

During the implementation of the first GTP I and II, major challenges in the governance of public investment projects were observed. A weak legal and institutional framework, a lack of collaboration among stakeholders, inadequate and unclear project management procedures and systems, and a capacity deficiency in public project cycle management at different levels were the key bottlenecks. As a consequence of these challenges, certain public investment projects have had cost and schedule overruns. These issues might increase the low quality of infrastructure and services in certain circumstances. This research, therefore, tries to outline the state of Ethiopia's public investment project management throughout the public project cycle. To show the status of public investment project management, the paper identifies the role and responsibilities of various institutions, the working systems, and procedures of public projects and also attempts to show current gaps and areas of intervention to enhance front end public project governance by emphasizing identification, selection, screening, preparation, appraisal, and approval.

6.4 Recommendation of the studies

Project preparation and appraisal work are technical, social, and financial in nature. It requires skilled personnel and professionals; it is also a group work with various professionals and institutional participation and commitment. It requires finance to get essential personnel, materials and logistics, and training. In this context, MoPD should play a significant role in establishing and strengthening project cycle management at all levels. As such, considerations should be given to:

1) Capacity building and knowledge management of MoPD's development project directorate

To strengthen the MoPD's role in development project appraisal, reviewing and empowering MoPD's Development Project Directorate, existing organization structure and human resource composition are important. In this regard, the appropriate mechanism needs to be devised to meet the needs of skilled expertise in a development project in general and appraisal of socio-economic, infrastructure, and manufacturing projects in particular.

The development of an independent review for each project is becoming more necessary due to the increasing complexity of projects requiring multi-disciplinary skillsets. For these reasons, the Ministry of Planning and Development (MOPD) and project appraisal regulatory bodies should better inventory local expertise from academics and professional societies, as well as practitioners, civil servants, and international consultants, and create a pool of

experts organized by area of expertise and working arrangements to serve as support providers or independent consultants. Evaluators of project study documents and ex-post evaluation as needed.

2) Human resource planning and development

Building the Capacity of major actors involved in public investment project management is a very essential strategy to address the lack of quality in constructing and completeness of development projects. Especially building MoPD's staff's capacity on project appraisal, prioritization and selection needs immediate attention from various stakeholders. In addition, MoPD should develop strategies to build the capacity of various implementing agencies on project identification, preparation, implementation, monitoring and evaluation. In the short-term undertaking training on public investment management and projects to MoPD's Staff, Ministry of Public Enterprises, Ministry of Finance, and SOE's should be a priority intervention. In the long-term establishing training programs on public investment management and project cycles through higher institutions will enable to enhance various stakeholders' capacity gaps. In addition, the preparation of standardized training modules in cooperation with relevant institutions, which will help train development project experts for public projects implementing institutions, will be an important instrument and strategy to build the capacities of different actors.

To ensure that project governance processes are as effective as possible, projects must be created and managed by qualified project managers and policymakers to the greatest extent. The Ministry of Planning and Development should consider delivering capacity-building training on project document preparation and project

management to sector offices. It is critical to creating capacity before higher education institutions can completely take over and construct a certification system for professionals with various skill sets.

Enhance the skills of employees, public officials, and institutions participating in public investment, particularly at the federal and regional levels, by providing targeted training on project governance to those involved in public investment. Colleges and universities are better preparing graduates with project management and evaluation training that is aligned with national standards and norms.

3) Research on public projects

Effective public investment management requires improving the existing practices including the legal framework, institutional arrangement, and different working mechanisms in accordance with the country's socio-economic changing circumstances. In this respect, research on public investment management will play a significant role to alleviate these issues through informed manner. Therefore, focus should be given to promote research on development on public projects.

4) Professional development in project planning and management

Various actors and professionals are involved from identification to evaluation of development projects. Hence improving of public projects management requires holistic approach capacity building and certifying professionals on project cycle management. In this regard creating a system for accreditation of project managers and professionals should be explored and implemented. In relation to this

appropriate regulatory framework should be established to ensure the capacity and qualification of consulting firms which mainly involve in conducting project feasibility studies, evaluation and management of projects at all project levels. In this regard, MOPD should play its role to initiate forums to create dialogues among major stakeholders which are responsible for certification and other regulatory agencies.

5) Public project data base development

Establishing national data base for public investments projects should also be given due considerations. This will help timely and efficient access to information and also will help ensuring transparency of public project cycles management at all levels. In addition, it will assist national agencies to review the status of projects and improving implementation gaps related to cost and time overruns.

It is critical to build a national database for project management and historical records, as well as organize regular forums for the sharing of information, by focusing on results and fostering learning from experience at all levels of government. Obtaining planning information is difficult, according to the researcher's personal experience. As a consequence of the database's creation, planners will be able to make more realistic and consistent assumptions, secure critical planning data and acceptable contract regimes, and minimize risks connected with lessons learned. As a consequence, it is recommended that the Ministries of Planning and Development, and other key stakeholders work on the development of this comprehensive database.

6) Communication and advocacy on public projects

Lack of awareness of the benefits of public projects is among the issues which significantly contribute to delays and cost overruns in many public projects. Weak communication and advocacy activities also induce dissatisfaction among communities and stakeholders affected by development projects. Timely and effective communication and advocacy require collaboration and coordination among various stakeholders involved in development projects. Hence, MoPD should undertake dialogues among various actors to enable them effectively mainstream and communicate development project benefits and contributions to the communities in general and those affected by the projects in particular.

7). Review of public investment management practices

In order to draw lessons from international practices on public investment project management assessing best practices of public investment management is very important. This will help identify best practices and also to develop a framework that will enable assessing current practices and also to enhance the country's public investment management in general and appraisal of public projects in particular.

Reform requires understanding of the current practices and also identifying the challenges and gaps of the existing public investment management.

In this respect review of the existing public investment management process and institutional arrangement will be necessary. Hence attention should be given to comprehensively review Ethiopia's existing public investment management practices.

Clarifying the roles and responsibilities of various stakeholders which involve in public projects cycle management. This includes reviewing the current public investment management practices and various legal systems (Proclamation, regulation and directives) to develop compressive legal procedures which explicitly specifies the role and responsibilities of different institutions such as Council of Ministries, Line ministries, Planning Council, the MOPD, MOF and other implementing agencies. This legal framework will help coordinate activities among various public projects implementing agencies, regulatory and policy making institutions.

8). Reviewing and updating existing guidelines

Reviewing the existing public project preparation, appraisal, monitoring and evaluation guidelines as well as regulations in a way that reflects the current development endeavors and emerging issues of public investment in the country is primary task which requires through attention. In addition, developing supporting guidelines, memorandum of understanding and circulars that will guide the overall project cycle management at all investment stages should be considered. Moreover, improvement and preparation of development project guidelines need to consider the various needs of different actors and sectors so as to enable comprehensive use of the guidelines during project selection, preparation, appraisal, implementation, and evaluation.

- Short-term- Design, and implementation of a legal framework that outlines the cycles, principles, and responsibilities of public bodies

- Medium-term :- Capacity building for actors in the PIM concerning project planning, contract management, and M&E
- Long-term- Addressing regulatory and structural constraints on public project execution, especially for the private sector

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Appindex

Interview and survey questions

This survey is a part of a Masters research project entitled, "Governance of Major Public Investment Projects in Ethiopia: Its Current Status and Gaps". This is in fulfillment of requirements for the Master's Degree in Public Administration. Which aims to map and examine the governance of public investment projects in Ethiopia and identify the country's most critical frontend challenges of Public Investment Projects.

Orientation of investment and governance

1. Is there well-publicized strategic guidance for public investment decisions at central/ministerial/provincial levels?

2. Who has relatively the highest role in mega public projects initiation?
3. Which approach the Ethiopian public project governance system follows in terms of decision making?
4. Do you think there is enough support from authorities or the federal government to strength public investment management system?
5. Do you think organizational culture, structure and process strongly influence the project governance system?

Project screening and selection

1. Is there an established process for screening of project proposals for basic consistency with government policy and strategic guidance?
 - 1.1 Is this process effective?
2. What proportion of projects so screened are rejected?
3. Is there a formal appraisal process for more detailed evaluation of public investment project proposals for costs and benefits?

If yes: Is appraisal mandatory for all projects or for projects above a certain monetary value?
4. Is project appraisal undertaken only for specific sectors and if so which sectors?
5. What proportion of public investment projects are formally appraised for costs and benefits?
6. Is final project selection undertaken as part of the budget process or prior to the budget process?

7. Does the government maintain an inventory of appraised projects for budgetary consideration?
8. What proportion of the public investment program is donor financed?
9. Is donor financed projects subject to the same or different rules for appraisal and inclusion in the budget as government financed projects? If different, describe the difference.
10. Is there an effective process to control the gates to the budgeted public investment program, i.e. the collection of projects that are formally approved for budget allocation and implementation?
11. Are the number of oversight agencies limited, and their key roles clearly specified? Do delegation levels exist that make clear the level of materiality for bringing projects to the center?
12. Does the project appraisal team have enough human resource and skilled man power?
13. Is there an established process for including projects for emergency or politically imperative reasons?
14. What proportion of projects enter the Project Implementation process by “climbing the fence” i.e., by avoiding the gate-keeping process?
15. Is there an established process for including projects for emergency or politically imperative reasons?
16. What proportion of projects enter the Project Implementation process by “climbing the fence” i.e., by avoiding the gate-keeping process?

17. What is the typical proportion of the value of new project starts relative to the ongoing public investment program?
18. What is the critical challenge in project appraisal and selection process?
19. Have you heard or see any project that is implemented or under implementation process after it is rejected in the appraisal process?
20. Stakeholders' collaboration is usually requested during the project life-cycle (initiation, appraisal, selection)
21. Project appraisal and selection process are well documented and controlled
22. Do you think that those projects who didn't follow project appraisal process subjected to failure in terms of achieving their objective or impact?
23. The level of political intervention in project initiation, appraisal and selection process
24. What would you suggest could be done differently to improve this for future public investment projects selection process?

Public sector organizations' duties and responsibilities related to development projects (Proclamation No. 1210/2020)				
Ministry of Planning and Development /planning and development commission	Ministry of Finance	Ministry of Urban Development and Construction	The Federal Government Integrated Infrastructure Development Coordinating Agency	The relationship between the Federal Government and the Regional States with Regard to Federal Government Public Projects
1/ Reviewing the content of concept notes submitted by project implementing bodies and giving initial appraisal decision ;	1/ Providing timely recommendation or decision with regard to requests made by the Planning and Development Commission regarding project concept notes to determine whether there is capacity to finance public projects;	1/ Carrying out technical studies on the administration of construction projects;	1/ Based on the project documents submitted by infrastructure projects, ensuring, approving and monitoring that the necessary infrastructural facilities are integrated and fulfilled before projects proceed to implementation;	The Federal Government and the Regional States shall work collaboratively on Federal Government public projects with regard to the following matters:
2/ Carrying out independent feasibility review on medium and large projects;	2/ Providing expert advice based on the country' s financial conditions, debt burden and other macro-economic conditions in order to enable the Planning and Development Commission to select and prioritize projects which have been appraised, confirmed to be viable and eligible for budgeting;	2/ Preparing and making available systems and manuals on modern construction project administration and ensuring that they are applied; carrying out capacity building works;	2/ Providing expert advice regarding the integration and coordination which should exist between infrastructure provider companies during implementation of infrastructure projects; supervising, monitoring and approving such integration;	1/ Providing land for projects;
3/ With regard to small projects which have passed preliminary screening, ensuring that the appraisal report submitted by project implementing bodies is up to standard;	3/ Based on the project prioritization recommendation and the implementation plan submitted by the Planning and Development Commission, ensuring that new projects are included in the budget, and monitoring their approval at different levels;	3/ Issuing construction project design standards; ensuring that feasibility and design studies are carried out in accordance with such construction design standards; carrying out monitoring in accordance with the	3/ Prepare a system for handling issues related right of way and compensation raised with regard to Federal Government infrastructure projects.	2/ Ensuring that proper compensation is given as per the law to communities displaced due to projects;

		construction standards;		
4/ Selecting and prioritizing for inclusion into capital budget, as per the country's development plan and the expert advice given to it by the Ministry of Finance, new projects which have been appraised and confirmed to be viable, and submitting a recommendation to the Ministry of Finance with regard to the same;	4/ Without prejudice to Sub-article (3) of this Article, projects may be reprioritized taking actual financial conditions into consideration;	4/ Carrying out construction audits on construction projects.		3/ Ensuring that local communities participate in the formulation and implementation of projects;
5/ Carrying out monitoring and evaluation of selected strategic projects under the medium-term and long-term development plan monitoring and evaluation framework; organizing best practices observed in project implementation, conducting experience sharing and ensuring their implementation;	5/ Reviewing and confirming that the implementation plan submitted when projects were included in the draft annual budget is revised and the final implementation plan is submitted before initial payment is made;			4/ Addressing disputes between projects and communities in the process of implementing Federal Government public projects;
6/ Where the revision of a medium or large project would result in changes in the project budget which are beyond the limit set under the law, carrying out project appraisal and submitting a recommendation to the Ministry of Finance;	6/ Approving project revisions submitted by Executive Organ within the amount allowed under the law;			5/ Creating awareness for local communities living in project areas about the project as per the project progress information.
7/ Carrying out, approving and coordinating studies to make sure that the necessary professional and technical preconditions have been met for formulation, feasibility appraisal and implementation of projects;	7/ Implementing the recommendations of the Planning and Development Commission with regard to project revisions beyond the amount allowed under the law submitted by Executive Organ for			

	medium or large projects;			
8/ Issuing Directives regarding project concept notes, feasibility studies, project appraisals, implementation plans, progress monitoring and evaluation; revision and post evaluation; ensuring that such Directives are properly implemented in project cycles;	8/ Supervising project finance, carrying out regular monitoring and evaluation on projects that are being implemented under the program budget framework, and regularly submitting a general annual progress monitoring report of projects to the appropriate government bodies;			
9/ Developing, approving, and monitoring the implementation of a central database system, and the content thereof, for organizing, compiling, and disseminating project-related information in collaboration with the Ministry of Finance;	9/ Ensuring that there is a national project assets registration database; maintaining project assets registration data kept by project owners;			
10/ Publicize the main project on widespread channels including the web pages;	10/ Ensuring that the physical and financial progress information of projects is compiled and entered in the projects' database;			
11/ Carrying out capacity building activities related to project administration and management as necessary	11/ Issuing a Directive on the processes and principles of handover, operation, and maintenance and assets registration of public projects.			

<p>12/ It shall ensure public-private partnership projects are in accordance with the medium-term and long-term development plan of the country before it advances to formulation and implementation. Notwithstanding this selection, appraisal approval and implementation of such projects shall be carried out in accordance with Proclamation No. 1076/2018.</p>				
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에티오피아의 주요 공공 투자 프로젝트의 프론트 엔드 거버넌스: 현황과 격차

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글로벌행정전공

본 연구는 에티오피아의 공공 투자 프로젝트의 거버넌스를 검토하여 에티오피아의 공공 투자 프로젝트의 가장 중요한 전방 과제를 식별하는 것을 목표로 한다. 특히 주요 공공 투자 프로젝트의 프론트 엔드 거버넌스에 초점을 맞추고 있다.

프로젝트의 초기 단계에서 적절한 프로젝트 계획("프론트 엔드")은 불확실성을 줄이고 프로젝트 편익을 최대화하여 프로젝트 성공을 보장하고 프로젝트 성공을 방해하는 일반적인 장애물을 줄이는 것으로 밝혀졌다. 프론트엔드 프로젝트 관리를 채택하고 적용하는 것은 에티오피아와 같은 개발도상국이 긍정적인 사회적 영향을 미치는 프로젝트를 선택하고 최선의 결정을 내리는 데 중요하다. 이에 본 연구는 독립검토자를 중심으로 에티오피아의 프로젝트 거버넌스 관행을 살펴보았다.

기초 이론 방법론을 적용한 정성적 연구 설계가 연구에 사용되었고, 프로젝트 평가자, 프로젝트 기획자, 기획 개발부 및 재무부의 선임 전문가에 대한 설문지와 인터뷰가 사용되었다. 본 연구는

에티오피아의 공공 투자 프로젝트 평가와 의사결정 과정에 관한 프런트 엔드 프로젝트 관리 관행을 탐구하였다. 또한, 공공 투자 관리 규정 및 지침의 구현을 통해 사업 성공을 달성하기 위한 연방 정부 공공 프로젝트 관리 및 관리 시스템 프레임워크를 탐구하였다. 연구결과는 하향식 프로젝트 접근방식, 프런트엔드 프로젝트 준비 및 의사결정 단계에서의 의무적인 제어 게이트웨이 부족, 제도적 역량 제약, 프로젝트 이해관계자 간의 취약한 연계 등이 사업지배구조 시스템의 효율성에 영향을 미쳤음을 보여준다. 여기에 더해 공공투자사업에 영향을 미칠 수 있는 가장 중요한 요인들이 파악된다.

주요 키워드: 프로젝트 거버넌스, 프런트 엔드 프로젝트 계획, 공공 투자 프로젝트 및 의사 결정

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