Dear Readers,

From January to March, the project as well as the federal and all regional governments prepare for the processing of the annual budget. For the project, this year the emphasis is on the introduction of the budget reform in Harari, Afar, Gambela and Somali regions as well as Dire Dawa Administrative Council. The first article in this issue provides an overview of the activities that will be carried out in preparation of the FY 1998 budget.

The DSA project is also expanding its budget planning activities. BOFEDs in Amhara, Oromia and Tigray regions are taking important steps in implementing the planning reform in their respective regions. Two articles in this issue review the status of the expenditure planning reform in regions.

A brief article on the project’s IT strategy and the upcoming IBEX pilot, the “People Page” featuring a dynamic lady from Tigray region and a listing of recent project documents complete this month’s edition of The Bottom Line.

Enjoy reading The Bottom Line and please send us your comments.

Preparation of the FY 1998 Budget

The budget season is upon us. All regional BOFEDs are getting ready to issue their budget calls for the preparation of the FY 1998 budget as soon as the federal subsidy to regions is issued. The DSA project is working closely with BOFEDs from 9 regions and 2 administrative cities supporting the preparation of the FY 1998 budget.

Training in budget preparation and management is scheduled to be carried out in Harari, Afar, Gambela and Somali regions as well as Dire Dawa Administrative Council in April and May 2005. The Benishangul Gumuz BOFED also scheduled refresher training for about 500 wereda budget staff. In total, over 4,500 budget staff are expected to be trained in April and May 2005 in the above-mentioned regions. Budget preparation and management manuals, training modules and budget formats have been finalized and are ready for printing except for Somali region, where these documents are currently being translated into Somali language.

This year, ALL regions and administrative cities will be using BIS for the processing of the FY 1998 budget. Furthermore, at the Federal level, in addition to the 22 public bodies where BIS is already operational, BIS is being rolled out to 31 federal public bodies, bringing the total number of federal institutions using BIS to 53. (IT-011)

Furthermore, the standardized budget structure and codes will be used by regions and the federal for the FY 1998 budget preparation. This will facilitate the consolidation of a nation-wide budget.
The expenditure planning reform for regions started in SNNPR. The work in the SNNPR is the basis for proposed planning work in other regions. The SNNPR pilot is now in its 3rd year and the region has been implementing steps towards an improved budget system focusing on the introduction of performance into the wereda financial management. This work is now being cascaded to other regions.

- **Planning Reform in the SNNP region**
  A needs based formula has been designed. 70% of the wereda budget is now allocated using an output based formula system related to performance. The next step is to allocate block grants to sector bureaus to promote performance and ensure relevance of these institutions.

- **Planning Reform in Oromia region**
  The Oromia BOFED is now committed to strengthening its budget planning system. Last year, an experience-sharing trip was organized for members of the Oromia planning team to visit the SNNPR region and share with the SNNPR planning team experiences, challenges and strength in implementing the budget planning reform in their region.

  Two members of the SNNPR planning team, the head of the SNNP Population and Statistics Bureau, Ato Yohannes Shiferaw, and the head of the Budget Department of the SNNPR BOFED, were in Addis Ababa from February 10th to 14th, 2005 to present the methodology of the SNNP transfer formula to the Oromia planning team. Furthermore, a one and half day training session on budget planning issues was provided to the Oromia planning team from February 14th to February 17th, by Perran Penrose, Planning Reform Director, DSA project.

- **Planning Reform in Tigray region**
  Five members of the Tigray planning team attended a two-day workshop conducted by Perran Penrose in Addis Ababa on budget planning, on February 19th and 20th, 2005. A five-day excel training was also provided to three of the team members by Saba Mekonnen of the DSA project, from February 14th to 18th, 2005 enabling them to work with spreadsheets which are needed to manage the relatively large amount of financial and physical data.

  Earlier in December 2004, a member of the SNNPR planning team, Ato Yohannes Shiferaw, presented the methodology of the SNNP transfer formula and discussed next steps with the Tigray planning staff. He reviewed with the team their current approach to the transfer formula and discussed with them measures to improve the allocation process. Dr. James Warner, DSA Consultant, also assisted this review. An action plan detailing the next steps of the Tigray planning reform was prepared in collaboration with the Tigray planning team.

- **Planning Reform in Amhara region**
  A one-half day consultation meeting lead by Perran Penrose was conducted in Bahir Dar for the Amhara planning team on February 21st and 22nd.

  The Amhara region has introduced this year the needs based formula transfer system to the weredas. Following the Regional Council’s interest in reviewing possibilities of allocating grants to sector bureaus, a proposal to introduce performance budgeting into the regional bureaus has been presented by the DSA project and is currently under discussion.
For women to hold key positions in government - in a country where access to education and health, opportunities for employment, access to property …etc. for women, are minimal and even non existent – is quite a challenge. In the last 8 years of reform implementation, the DSA project has come across a number of dynamic, powerful and efficient ladies, actively involved in the development process in Ethiopia.

The People Page is proud to present in this edition, a strong and delightful young lady who has worked for government for over 13 years. Wzo Zafu Gebre Hiwot is currently head of the Disbursement and Accounts Department of the Tigray Regional State Bureau of Finance and Economic Development.

Zafu graduated from the Addis Ababa University in Economics in June 1992 and is since working for government in public finance. She joined the Tigray Finance Bureau in August 1992 and was first assigned to the Budget Department as budget expert. Zafu occupied different posts in her career with the Finance Bureau. She was appointed as head of the Budget, Disbursement and Accounts Department in 2000. Following the merging of the Finance and Plan Bureaus in 2003, Zafu was appointed as head of the Accounts and Disbursement Department of the Tigray Region Bureau of Finance and Economic Development.

Zafu has played a major role in implementing the accounts reform in her region. Her leadership in the successful implementation of the accounts reform and specifically the implementation of the Single Treasury System at wereda level is very valuable. She has conducted efficient training programs in the new accounts system in weredas as well as region level and travels frequently to weredas to support accounts staff.

Zafu was married on October 30th, 2004, and is also expected to complete her MBA in July 2005.

The DSA project congratulates Zafu on her achievements and wishes her all the best in her married life as well as career.

Zafu Gebre Hiwot on her wedding day: Saturday October 30th, 2004
The DSA project’s phase 4 strategy for the automation of the financial reforms consists of two initiatives: The continuing rollouts of the BDA and BIS systems and the upgrade of these systems to IBEX.

The continued rollout of the BIS and BDA systems includes the introduction of these systems in Oromia and the smaller regions, and also the rollout of these systems to all zones in the four large regions, and all sub-cities in Addis Ababa.

In addition to supporting the numerous rollouts to regions, the project is implementing the BIS/BDA in all federal public bodies. A recent assessment conducted in collaboration with the Central Accounts Department of MOFED shows that these systems have greatly improved transactions and reporting.

The development of the IBEX, Integrated Budget Expenditure system, is motivated by the devolution to weredas. IBEX is an upgrade of BIS and BDA and is built on the success of these systems and the functionality that exists. IBEX is an integrated financial management information system (IFMIS). It follows international best practice of an effective IFMIS design by integrating the core financial modules—budget, accounts, disbursement. IBEX is a web-based, distributed application which means it can use the Government’s soon to be completed WEREDANET infrastructure to bring all levels of government in Ethiopia including all weredas, on-line.

IBEX will be available soon. A pilot expected to go live on April 4, is planned at MOFED as well as the Addis Ababa BOFED. The full functionality of IBEX will be operational when the ICT infrastructure is complete. (IT—008)

Eric Chijioke and Adam Abate setting-up an IBEX Server
Planning Reform: 
Wereda Performance Agreement—The case of SNNPR

Continued from our November/December issue

Ato Getachew Eshete, Head of the Planning Department at the SNNPR BOFED, presented the status of the implementation of the performance agreements at wereda level during the 3rd SNNPRG Financial Management Conference in Arhambich, held from February 14th to 18th, 2005. The following is an extract from the presentation:

Objectives of the Performance Agreement
- Improve allocation efficiency
- Enable efficient and effective resource utilization
- Decentralize planning
- Establish relationships between policy and budget
- Correlate financial and outcome accountability

Status of the implementation of the Performance Agreement in SNNPR
- Implementation started in FY 97 at wereda level only
- 117 (to date) weredas have signed and submitted their agreements to BOFED
- 6 (to date) weredas have not submitted the agreement

Reasons for delay in submission for some weredas
- Resistance to accept the agreement
- Lack of understanding in completing the contract form
- Shortage of skilled manpower
- Lack of awareness and technical knowledge of sector heads
- Weredas are reluctant to sign the contracts because the Administration and General Service outputs are not a part of the contract agreement

Recommendations
- Design a feasible monitoring and evaluation system
- Conduct awareness workshop to wereda cabinet/council members
- Deliver technical training to all stakeholders at all jurisdictions
- Implement performance agreement at zone and region level
- Incorporate in the agreement unit cost for urban weredas in relation to municipality services and, if possible, prepare separate contract forms
- Key performance objectives and targets should be identified for Administration and General Services
- Wereda cabinet members should also be accountable for budgets received from region – a mechanism for ownership and accountability needs to be well thought through
- The performance agreement should be signed internally between wereda sector heads and OFED to correlate accountability between financial resources allocated and outcomes to be produced
- The FY 1998 budget notification should be submitted along with the performance agreement

FY 1997 Wereda Performance Agreement
5. “Key Performance Objectives” (KPO) (by sector) agreed upon by the wereda

<table>
<thead>
<tr>
<th>Sector</th>
<th>No.</th>
<th>Key Performance Achieved in 1997</th>
<th>1997 Target</th>
<th>1998 Target</th>
<th>1999 Target</th>
</tr>
</thead>
<tbody>
<tr>
<td>Education</td>
<td>1</td>
<td>Increase the general enrollment</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td></td>
<td>2</td>
<td>Increase the number of women student</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td></td>
<td>3</td>
<td>Etc.</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Health</td>
<td></td>
<td>Increase health coverage</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Agriculture</td>
<td></td>
<td>Increase water supply coverage</td>
<td></td>
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</tbody>
</table>

6. “Key Performance Targets” (KPT) are detailed activities outlined based on the agreed-upon “Key Performance Objectives” set by the region and agreed-upon by the wereda. KPTs could be revised or changed by the wereda.

<table>
<thead>
<tr>
<th>Sector</th>
<th>Programme</th>
<th>Key Performance Objective (KPO)</th>
<th>Key Performance Target (KPT) Detail</th>
<th>Key Performance Target (KPT)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Education</td>
<td>Primary</td>
<td>FY 1997 student to be enrolled</td>
<td></td>
<td></td>
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<tr>
<td></td>
<td>School</td>
<td>Primary school student-teacher ratio</td>
<td>No. of female student in primary schools</td>
<td>Budget allocated for schools for operation expenditure</td>
</tr>
<tr>
<td></td>
<td>Secondary</td>
<td>FY 1997 students to be enrolled</td>
<td>Student-teacher ratio</td>
<td>No. of female students</td>
</tr>
<tr>
<td>Health</td>
<td>No. of new clinics to be constructed</td>
<td>No. of health professionals</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Agriculture</td>
<td>DA-farmer ratio</td>
<td>Average DA visit performed by farmers</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Water</td>
<td>No. of functional water points</td>
<td></td>
<td>No. of water points to be constructed</td>
<td></td>
</tr>
<tr>
<td>Administration</td>
<td>Accounts report</td>
<td></td>
<td></td>
<td>Development target performance report</td>
</tr>
</tbody>
</table>

7. The physical and financial activities performance reports are expected to be performed within the stated time frame. In addition, the performance report will be based on the agreed detailed “Key Performance Targets”.

Note: Consequences of failure to comply with this agreement

1. The budget to be allocated for the upcoming fiscal year will be negatively impacted because the allocation will consider performance capacity.
2. Actions will be taken after evaluating the detail work plan performance and financial administration.

Wereda Representative | Region Representative
<table>
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<tbody>
<tr>
<td>Name</td>
<td>Name</td>
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<td>Position</td>
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<td>Signature</td>
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<td>Date</td>
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The following is a list of recent documents available from the DSA Project for distribution. A major objective of this newsletter is to make Federal and Regional finance officials aware of the documents available on the reform and to rapidly disseminate the concepts and lessons of the reform.

DSA PROJECT OFFICE

ACCOUNTS
- Management Accounts for regions—Volume I: Expenditure Reports, Version 1.0 (A-93)
- Management Accounts for regions—Appendices for Volume I: Expenditure Reports, Version 1.0 (A-94)

BUDGET
- EFY1997 Federal Approved Budget, Volume I—Budget Description [Amharic Version] (B-155)
- Performance Budgeting and Multi-Year Expenditure Planning: The DSA Project Strategy for the Civil Service Reform and Progress to Date, January 25th, 2005 (B-156)
- Civil Service Reform Program: A Short Concept Paper on Introducing Performance Budgeting at the Federal Level, by Perran Penrose (B-157)
- Civil Service Reform Program: Note a Direct Budget Support, by Perran Penrose (B-158)
- Budget Reform Manual: Volume I—Budget Preparation and Management; A guide for Somali region (B-159)
- Budget Reform Manual: Volume I—Budget Preparation and Management; A guide for Somali region—Annexes (B-160)
- Somali Regional State: Budget Forms (B-161)
- Budget Reform Manual: Volume I—Budget Preparation and Management; A guide for Afar Region (B-162)
- Budget Reform Manual: Volume I—Budget Preparation and Management; A guide for Harari Region (B-163)
- Budget Reform Manual: Volume I—Budget Preparation and Management; A guide for Harari Region—Annexes (B-164)
- Afar National Regional State: Budget Forms [Amharic Version] (B-166)
- Budget Reform Manual: Volume I—Budget Preparation and Management; A guide for Benishangul Gumuz Region [Amharic Version] (B-167)
- Benishangul Gumuz People's National Regional State: Budget Forms [Amharic Version] (B-168)
- Budget Reform Manual: Volume I—Budget Preparation and Management; A guide for Dire Dawa Administrative Council (B-169)
- Budget Reform Manual: Volume I—Budget Preparation and Management; A guide for Dire Dawa Administrative Council—Annexes (B-170)
- Dire Dawa Administrative Council: Budget Forms [Amharic Version] (B-173)
- Budget Reform Manual: Volume I—Budget Preparation and Management; A guide for Harari Region (B-174)
- Budget Reform Manual: Volume I—Budget Preparation and Management; A guide for Harari Region—Annexes (B-175)
- Budget Reform Manual: Volume I—Budget Preparation and Management; A guide for Harari Region [Amharic Version] (B-176)
- Budget Reform Manual: Volume I—Budget Preparation and Management; A guide for Harari Region- Annexes [Amharic Version] (B-177)
- Harari People National Regional State: Budget Forms [Amharic Version] (B-178)
- Civil Service Reform Program: Introducing Performance Budgets to Federal Ministries; by Perran Penrose (B-179)
- Civil Service Reform Program: Note on Amhara Regional State Performance Budget; by Perran Penrose (B-180)
- Civil Service Reform Program: The DSA Strategy of Introducing Budgeting (B-181)

INFORMATION TECHNOLOGY (IT)
- IBEX Executive Summary (IT-008)
- Brief on Status of DSA IT Systems (IT-009)
- Procuring a New Financial Information System: issues to consider. By Stephen Peterson (IT-010)
- Brief on Status of DSA IT Systems (IT-011)
- Public Investment Program (PIP) - User’s Manual (IT-PIP-7)

PROJECT QUARTERLY REPORTS
- Report of Project Activities: October 1st to December 31st, 2004 (Q-31)

POLICY ADVICE
- Regional Economic Policy Review: Briefs on Agricultural Policy and Budgetary Options. By Mike Westlake (PA-12)

MISCELLANEOUS REPORTS
- Report on Wereda Assessment in Tigray Region (M-47)
- Assessment Report of Afar Region (M-48)
- Assessment Report of Gambela People’s Regional state (M-49)
- Assessment Report of Somali Region (M-50)

MINUTES OF THE PROJECT STEERING COMMITTEE
- Minutes of the DSA Project Steering Committee, February 23rd, 2005 (MSC-6)

OUTSIDE REPORTS INvolVING THE DSA PROJECT
- SNNPR —Public Expenditure Program Preparation Manual (OR-35)
- Estimating the Revenue Potential for the Amhara Region (OR-36)
- SNNPR, Bureau of Finance and Economic Development—Public Expenditure Program Preparation Manual [English Version], (OR-37)
- SNNPR, BoFED—Woreda Block Grant Allocation Formula (SNNPRS’ Experience Presented for MOR and MOFED Discussion Forum with Regions) — November 2004 (OR-38)