Report of the DSA Project Activities:  
January 1st to March 31st, 2005

Project Report: Q – 32  
June 15th, 2005

Decentralization Support Activity Project

The DSA project is implemented by Harvard University and funded by Development Cooperation Ireland (DCI), The Royal Netherlands Embassy and the United States Agency for International Development (USAID)
CONTENTS

I KEY ACTIVITIES OF THE REPORTING PERIOD....................................................... 2

II OUTSTANDING ISSUES ............................................................................................ 3
- Phase 4 Funding Gap..................................................................................................... 3
- Activities Requested by the MOFED but not under the DSA Contract .................. 3
- Need for better coordination with the MOFED Information Systems
  Administration Center.................................................................................................. 3
- Assessment of the Project’s Information Systems ..................................................... 4

III CORE ACTIVITIES ....................................................................................................... 5
A. Accounts Reform........................................................................................................ 5
- Accounts Reform at the Federal Government............................................................ 5
- Accounts Reform in SNNP Region.............................................................................. 5
- Accounts Reform in Amhara Region ........................................................................ 6
- Accounts Reform in Benishangul Gumuz Region..................................................... 7
- Accounts Reform at the Addis Ababa City Administration .................................... 7
- Accounts Reform in Oromia Region ........................................................................ 7
- Management Accounts.................................................................................................. 8
- Disbursement Module for the Federal Government............................................... 9

B. Budget Reform ......................................................................................................... 10
- Budget Reform at the Federal Government............................................................. 10
- Budget Reform in Tigray Region .............................................................................. 10
- Budget Reform in SNNP Region.............................................................................. 10
- Budget Reform in Oromia Region .......................................................................... 10
- Budget Reform in Amhara Region ........................................................................ 10
- Budget Reform in Benishangul Gumuz Region....................................................... 10
- Budget Reform in Harari Region ............................................................................ 11
- Budget Reform at the Dire Dawa Administrative Council .................................... 11
- Budget Reform in Gambella Region........................................................................ 11
- Budget Reform in Afar Region............................................................................... 12
- Budget reform in Somali Region............................................................................. 12
## ACRONYMS

<table>
<thead>
<tr>
<th>Acronym</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>BDA 3 (A)</td>
<td>Budget Disbursement and Accounts System (for the new chart of accounts and existing single entry cash accounting system)</td>
</tr>
<tr>
<td>BDA 3 (B)</td>
<td>Budget Disbursement and Accounts System (for the new chart of accounts and existing single entry bookkeeping and modified cash accounting system)</td>
</tr>
<tr>
<td>BIS</td>
<td>Budget Information System</td>
</tr>
<tr>
<td>BOFED</td>
<td>Bureau of Finance and Economic Development</td>
</tr>
<tr>
<td>CAD</td>
<td>Central Accounts Department of the Ministry of Finance and Economic Development</td>
</tr>
<tr>
<td>FY</td>
<td>Fiscal Year</td>
</tr>
<tr>
<td>IBEX</td>
<td>Integrated Budget Expenditure System</td>
</tr>
<tr>
<td>MOFED</td>
<td>Ministry of Finance and Economic Development</td>
</tr>
<tr>
<td>RSB</td>
<td>Regional Sector Bureau</td>
</tr>
<tr>
<td>STS</td>
<td>Single Treasury System</td>
</tr>
<tr>
<td>SNNP</td>
<td>Southern Nations, Nationalities and Peoples</td>
</tr>
</tbody>
</table>
I. KEY ACTIVITIES OF THE REPORTING PERIOD

- Assessment reports for Afar, Gambella and Somali regions were finalized and discussed with the respective BOFEDs.

- A report on the assessment conducted in Tigray region on the application of the STS system in Tigray region was finalized and the findings were discussed with BOFED.

- Procedural manuals and training modules in “Budget Preparation and Management” were designed and developed for Afar, Somali, Gambella, Dire Dawa and Harari regions.

- Procedural manuals and training modules in accounts were designed and developed for the Oromia and Benishangul Gumuz regions.

- The Project designed Management Accounts for the four big regions – Tigray, Amhara, SNNP and Oromia. Reports prepared include Volume 1: Expenditure Reports, Volume 2: Revenue and Other Reports and Appendices for Volume 1.

- Work on the identification of the functional requirements for the disbursement module for the IBEX financial computer application was carried out and a draft report was issued: “Disbursement Module: Functional Requirements for the Treasury Department of MOFED”.

- Dire Dawa and Addis Ababa city administrations as well as Tigray, Afar, Somali, Gambella and Harari regions submitted their FY95 accounts to MOFED.

- The FY1997 Approved Budget for Oromia region was printed in 16 volumes. The budget books were also printed for each of the 217 weredas in the region.

- A one-day workshop discussing a) the handling of IDA, ADB and special funds as well as b) audit findings of FY1995 accounts was organized jointly by MOFED and the DSA project on March 14th, 2005, for participants from all regions. The DSA project prepared the minutes for this workshop (M-51).
II OUTSTANDING ISSUES

• Phase 4 Funding Gap

In the Memorandum of Understanding signed on June 29, 2005 between the Ministry of Finance and the three funders of the DSA Project (DCI, USAID, Netherlands Embassy), the Ministry guaranteed to cover the funding gap. The DSA Project has proceeded to contract long-term technical assistance based on the action plan of the Phase 4 Proposal (Report M-41). In-built at this stage then are fixed contracted costs. **If the funding gap is not addressed soon, there will not be funds for the variable reform costs needed to complement and fully utilize the fixed costs already contracted and the project will have to scale back its schedule and content of assistance.** The project also reiterated the urgency of the matter and the impact the gap would have on the reform during the DSA Steering Committee Meeting conducted on February 23rd, 2005.

• Activities Requested by the MOFED but not under the DSA Contract

In October 2004 the Central Accounts Department of the Ministry of Finance directed the DSA project to implement the BIS/BDA financial systems in all federal public bodies as soon as possible. This activity began on November 1 2004 and continued during this reporting period. This activity is not in the project’s Phase 4 contract. The DSA project must have clear scope of work that is specified and funded. The project requests that the Ministry formally adjust the project’s contract to reflect this deliverable and its cost.

• Need for better coordination with the MOFED Information Systems Administration Center

Based on the action plan of Phase 4, the project is to implement in MOFED the upgraded BIS/BDA system (which is called IBEX) for the preparation of the FY1998 Federal budget. Specifically, the IBEX is to run on the MOFED local area network (LAN). During the reporting period the project installed the IBEX in the MOFED budget department and trained department staff in its use. Given the capabilities of the IBEX, it allows the budget to be prepared in the Ministry’s offices that are connected by the Ministry’s LAN. The project found that this network lacked fundamental features of security and management. Several of the offices in the Ministry were not able to connect to the network and access the program. The project has approached the MOFED Information Systems Administration Center and has offered to assist in addressing the deficiencies of the network.
The project is deeply concerned about the potential risks that the problems of the MOFED network create for the smooth and accurate processing of the Federal FY1998 budget.

A further concern of the project is the need for better cooperation and coordination with the MOFED Information Systems Administration Center with regards to the project’s IT initiatives. These initiatives are clearly presented in the Ministry’s own action plan. There needs to be better ownership on the part of MOFED of these mission critical systems. Lack of ownership of these systems on the part of MOFED threatens the sustainability of these financial systems.

- **Assessment of the Project’s Information Systems**

  During the previous reporting period, a European Union funded consultant was tasked to evaluate the project’s information systems. The project has reviewed the consultant’s report and finds it incomplete, inaccurate, flawed and not credible. (See the IT section on page 16).
III CORE ACTIVITIES

A. Accounts Reform

• Accounts Reform at the Federal Government

---Reporting for FY 1994
DSA is providing IT support to consolidate the countrywide FY 1994 accounts

---Reporting for FY 1995
All reporting entities at federal level and all regions have submitted FY 1995 accounts to CAD. In May 2005, CAD closed the FY 1995 Federal accounts using BDA-3B and issued a report. [A-110]

---Reporting for FY 1996
Of the 167 Federal reporting entities that are required to submit monthly reports to the CAD for the FY 1996:

- 153 have submitted monthly reports up to June
- 7 have submitted monthly reports up to May
- 1 has submitted monthly reports up to April
- 3 have submitted monthly reports up to November
- 1 has submitted monthly reports up to October
- 2 have submitted up to September

---Reporting for FY 1997
Of the 167 Federal reporting entities that are required to submit monthly reports to the CAD for the FY 1997:

- 33 have submitted monthly reports up to February
- 35 have submitted all monthly reports up to January
- 14 have submitted monthly reports up to December
- 12 have submitted monthly reports up to November
- 16 have submitted monthly reports up to October
- 17 have submitted monthly reports up to September
- 5 have submitted monthly reports up to August
- 5 have submitted monthly reports up to July

• Accounts Reform in SNNP Region

---FY 1996 accounts
All region sector bureaus and all weredas and zones have submitted reports to BOFED up to June. BOFED is reconciling accounts with zones and weredas.
---FY 1997 accounts
- All region sector bureaus have reported up to February
- 63 of the 123 weredas have submitted reports up to February
- 54 of the 123 weredas have submitted reports up to January
- 6 of the 123 weredas have submitted reports up to December

• Accounts Reform in Tigray Region

---FY 1995 accounts
FY 1995 accounts have been submitted to MOFED.

---FY 1996 accounts
All region sector bureaus and all weredas and zones have submitted reports to BOFED up to June. BOFED is reconciling accounts with zones and weredas.

---FY 1997 accounts
- 44 region sector bureaus at the region have reported up to February
- 3 region sector bureaus at the region have reported up to January
- 37 of the 47 weredas have submitted reports up to February
- 7 of the 47 weredas have submitted reports up to January
- 3 of the 47 weredas have submitted reports up to December

---90 new recruits were trained on the accounts manual for STS and RSB. A report on the assessment of the STS system (M-47) was prepared and its findings were discussed with BOFED.

• Accounts Reform in Amhara Region

---FY 1996 accounts
All reporting units in the region have submitted FY1996 accounts to BOFED.

All weredas have submitted FY1996 accounts to zones that are consolidating the accounts using BDA 3 (B).

---FY 1997 accounts
- All regional sector bureaus submitted monthly reports up to February
- 101 the 106 weredas have submitted monthly reports up to February
- 5 of the 106 weredas have submitted reports up to January
---Accounts reform manual

The Accounts Manual (A-92) for use by region sector bureaus was finalized in January 2005. However, BOFED has requested for a new manual for use by region sector bureaus to be designed using the zero balance bank account system. In addition, the training module (T-216) – Trainee Version - for Volume 1 was prepared.

• Accounts Reform in Benishangul Gumuz Region


The following training materials were prepared:

Training module (T-239) for region sector bureaus – trainee version
Training module (T-238) for the DOFED and OFED – trainee version

• Accounts Reform at the Addis Ababa City Administration

--FY 1996
28 out of 29 region sector bureaus have submitted FY 1996 accounts to BOFED and 1 out of 10 sub-cities submitted FY 1996 accounts to BOFED.

--FY 1997
31 out of 32 region sector bureaus have reported up to February.

• Accounts Reform in Oromia Region

---FY 1996 accounts
Regular follow up through field visits was undertaken to expedite the closure of FY1996 accounts.

172 out of the 197 weredas have closed and submitted FY1996 accounts to their respective zones. Data entry into BDA for all 172 weredas is also completed.

At the regional level, all region sector bureaus have closed and submitted FY 1996 accounts to BOFED.
---FY FY 1997 accounts
- All region sector bureaus have submitted accounts up to December 2004
- 118 weredas have reported up to February 2005
- 11 weredas have reported up to October 2004
- 88 weredas have not submitted any reports

----FY Preparations for the introduction of the accounts reform in FY 1998
Manuals designed for the Oromia accounts reforms were prepared and are currently being translated into Oromiffa language. These manuals are: “Manual 3-O: Oromia Region – Accounting System for the Department of Finance and Economic Development and the Office of Finance and Economic Development”, (A-101) and “Manual 3-O: Chart of Accounts for Oromia Region”, (A-100). The “Manual 3-O: Oromia Region – Accounting System for Region Sector Bureaus” is currently being finalized.

---The Cabinet authorized the recruitment of 402 additional accountants in preparation for the accounts reform.

---The procurement process for the new accounts formats is now completed and the tender for the printing of these formats was awarded to the winning bidder.

- Management Accounts

The Project was involved in the design and development of management accounts for use by the four big regions. The key principles used to design the management accounts include:

- Use of an evolutionary approach to allow for the gradual expansion of information needs to meet future requirements
- Simplicity of report generation by using the BDA 3 (B) installed at BOFED
- Simplicity of report analysis and interpretation

The scope of the reports included in the management accounts are geared to meet the needs of:

- The Federal Government and its development partners
- The Bureau of Finance and Economic Development

In future, the reports may be expanded to meet the specific needs of region sector bureaus, jurisdiction zones and weredas. In addition, as the automation system expands to capture non-financial data, the reports in the management accounts can also be expanded to include non-financial data.
Discussions were held with the regions, federal government and its development partners, and other stakeholders on what information is required, for what purpose, in what format and how often.

Based on these discussions, draft reports on management accounts were prepared and distributed to staff from MOFED and BOFEDs of Tigray, Amhara, SNNP and Oromia. These draft reports are Volume 1, “Management Accounts for regions: Expenditure Reports”, (A-93), Volume 2 “Management Accounts for regions: Revenue and Other Reports”, (A-95) and “Appendices for Volume 1” (A-94). A workshop discussing the draft management reports with the various stakeholders was also carried out on April 4, 2005.

- **Disbursement Module for the Federal Government**

  In 2004, the following key changes were made to the disbursements process:

  - Zero balance drawing limit accounts were introduced at the National Bank of Ethiopia for public bodies located in Addis Ababa and cumulative drawing limits are now negotiated between the MOFED Treasury Department and each public body.

  - The responsibility for processing monthly payroll, salary loans and remitting pension contributions to the Pension Authority was transferred to public bodies.

As a result of these procedural changes, the Treasury Department requested the DSA project to design and develop the appropriate software to capture and report disbursements. The project identified the functional requirements for the disbursement module and a draft report “Disbursement Module: Functional Requirements for the Treasury Department of MOFED” (A 99) was prepared and distributed to staff in the Treasury Department.
B. Budget Reform

- Budget Reform at the Federal Government

The budget call for the preparation of the FY1998 federal budget was issued to public bodies on February 8, 2005 and public bodies submitted their budget requests to MOFED. The budget hearing was conducted in April.

- Budget Reform in Tigray Region

The Negarit Gazzeta for FY 1997 was also prepared and published. The region has prepared draft directives on the financial calendar.

- Budget Reform in SNNP Region

The Negarit Gazzeta for FY 1997 was prepared and sent to the printer’s for printing.

- Budget Reform in Oromia Region

The FY1997 budget book was finalized and printed. Follow up work on budget preparation for FY1998 is underway.

- Budget Reform in Amhara Region

Follow up work on budget preparation for FY1998 is underway.

- Budget Reform in Benishangul Gumuz Region

The FY1997 budget book was finalized and printed.

Follow up work on budget preparation for FY1998 is underway. The directive on the region’s Financial Calendar was issued. The budget call was issued to region sector bureaus and weredas using an estimated ceiling.

The following training materials were prepared for the budget preparation training:

Budget Forms – B-168 – Amharic Version
• Budget Reform in Harari Region

The following training materials were prepared for the budget preparation training:

- Budget Reform Manual – Volume 1- Annexes – B-177 – Amharic Version
- Budget Forms – B-178 – Amharic Version

• Budget Reform at the Dire Dawa Administrative Council

The following training materials were prepared for the budget preparation training:

- Budget Forms – B-173 – Amharic Version

• Budget Reform in Gambella Region

The assessment report for Gambella region (M-49) was finalized and discussed with BOFED. The following training materials were prepared for the budget preparation training:

- Budget Reform Manual – Volume 1- Annexes – B-185 – Amharic Version
- Budget Forms – B-186 – Amharic Version
• Budget Reform in Afar Region

The assessment report for Afar region (M-48) was finalized and discussed with BOFED. The following training materials were prepared for the budget preparation training on budget reform:

Volume 1- Budget Guide – B-162 - English Version
Volume 1- Annexes – B-163 – English Version
Volume 1- Budget Guide – B-164 – Amharic Version
Volume 1- Annexes – B-165 – Amharic Version
Budget Forms – B-166 – Amharic Version
Budget Reform Manual – Volume 1- Set of Forms – T-231 – Amharic Version

• Budget reform in Somali Region

The assessment report for Somali region, (M-50), was finalized and discussed with BOFED. The following training materials were prepared for the budget preparation training:

Budget Forms – B-161 – English Version

C. Expenditure Planning Reform

• Expenditure Planning Reform Training Programs in Tigray, Amhara and Oromia Regions

---During this reporting period, Perran Penrose, the project’s expenditure planning advisor, conducted three training sessions for the Oromia BOFED. He also conducted training programs for the planning teams in Tigray and Amhara regions.
• Expenditure Planning Reform in SNNP Region

As part of the implementation of its Expenditure Management and Control subprogram 2005 Action Plan, the SNNPR BOFED carried out a training program in Awassa, on *PEP Preparation* and *Budget Planning* from March 16th to 19th, 2005.

The SNNPR BOFED has also established a *Regional Support Unit* of 9 members for the PEP preparation. The objectives of the Support Unit are:

- to create an awareness on the purpose and procedures of PEP preparation to office and department heads of wereda, town and zones
- to enable budget and planning experts of sector offices at wereda, town and zone level to prepare a three-year expenditure program
- to establish a PEP preparation support unit at zone and special wereda level
- to follow-up the PEP preparation process in weredas and provide technical support
- to strengthen the awareness and accelerate the implementation of the *Werada Performance Agreements*

The Regional Support Unit is assigned to train and technically support the 2006-2008 PEP preparation process at wereda, zone and region level.

**D. Information Technology**

• IT activities at the Federal Government

  -- The rollout of the BDA 3(B) Public Body Module to federal reporting units continued throughout the quarter. By the end of the quarter, BDA 3(B) has been rolled out to 69 reporting units. The original strategy for this rollout was to install the BDA 3(B) system in those reporting units, which have adequate hardware. The rollout of the BDA 3(B) will resume in April 2005 as reporting units acquired the necessary hardware and operating systems.

  -- A full time IT staff member was assigned at the Central Accounts Department (CAD) at MOFED to help close the FY 1995 accounts. This is the first time that the CAD is closing accounts using the BDA 3(B) system.
-- The DSA project has also been working closely with the CAD to consolidate the FY1994 nation-wide accounts. All FY1994 national accounts data, except for the federal, was received from the CAD, and consolidation work has started.

-- During this reporting period, the DSA project discussed and completed plans for the processing of the FY 1998 federal budget. Plans were also made in preparation for the IBEX April 4, 2005 go-live date. The IBEX Budget Module training was conducted for 41 staff from MOFED.

In addition to the piloting of IBEX in the MOFED, the standalone BIS application was installed in an additional 30 federal public bodies. This brought the total number of public bodies using BIS to prepare their requested budgets to 55.

• IT activities in Tigray Region

-- The DSA project this quarter worked with the Tigray region to address the issue of Ephrem Getachew, the main IT resource of the budget and accounts department, leaving the BOFED. The bureau has hired two additional IT staff which the DSA project trained on the BIS and BDA systems and their maintenance.

In addition, the Tigray region has asked the DSA project to extend the BIS and BDA systems to regional sector bureaus and pools in Mekelle, and to select weredas in the region. While these activities are outside of the scope of Phase IV of the DSA project, the project has agreed to install the BIS and BDA systems in select RSBs and some weredas. The Tigray BOFED will assume the tasks of supporting these new installations.

• IT activities in SNNP Region

-- The main activity in the SNNP region this quarter was the development of a number of additional reports required for the closing of the FY 1996 regional consolidated accounts.

• IT activities in Oromia Region

-- The Oromia Region printed its budget books for the FY 1997 budget in 16 volumes. The budget books were also printed for each of the 217 weredas in the region.
-- The BDA 3(A) installation continued to be supported by the DSA project. Zones that needed additional support were visited by members of the DSA project.

- IT activities in Amhara region

  -- Amhara region had requested that a Disbursement Module be implemented at its BOFED. However, it was recognized that the requirements for a disbursement system are currently not well defined. This is due to the fact that the region is thinking of moving towards a zero-balance system for sector bureaus, similar to the federal government. It was decided that rather than develop a system that might change in the very near term, the project would wait (a) for the completion of the disbursement system study being done in the federal government; and, (b) for a better understanding of the regional requirements of a disbursement system.

  In addition, it was noted that the processing of monthly payroll by the single pool was a burdensome and time-consuming task. The DSA project was requested to help in the automation of this menial and repetitive task. While a payroll system is out of the scope of the DSA project’s phase 4 plans, the project will try and provide some solution. This might include the implementation of a payroll system that has already been developed by Omnitech, the IT sub-contractor with which the project is working.

- IT activities in Addis Ababa

  -- The BDA 3(B) system was rolled out to all 10 sub-cities in the Addis Ababa Region. In addition a number of new reports were developed for the Addis Ababa Region.

  -- Preparations were made for the April 4, 2005 go-live date of the IBEX pilot in Addis Ababa Region. This included the working with the bureau to build a server room on the 10th floor of the Addis Ababa BOFED and testing of the wide area network (WAN) in Addis Ababa (i.e. BOFED to sub-cities). IBEX Budget Module training for 30 staff from the Addis Ababa BOFED and its 10 sub-cities was also conducted.
• IBEX

-- Considerable effort was made to complete the IBEX Budget Module this quarter. This included the remaining functionality of the application, including *Migration Tools* to enable the coexistence of the BIS system with IBEX. In addition, the servers for the Addis Ababa City Administration and MOFED were purchased and delivered. The final steps in the preparation of the IBEX application for the pilots included the extensive testing of the application by the procedural advisors of the DSA project as well as User Acceptance Testing by power users in the MOFED and Addis Ababa Bureau of Finance.

-- Anthony Higgins, a Finance Management Specialist who recently joined the DSA project, spent a number of weeks assessing the functionality of the BIS and BDA systems, and discussing these applications with the DSA IT team. His recommendations have been included in the new features to be incorporated in the BIS/BDA and IBEX applications.

• Assessment of the Project’s Information Systems

During the previous reporting period, a European Union funded consultant was tasked to evaluate the project’s information systems. The project has reviewed the consultant’s report and finds it incomplete, inaccurate, flawed and not credible.1

The report is incomplete. The consultant did not exercise due diligence in reviewing the current financial systems (BIS/BDA) nor did the consultant assess (or even mention) the IBEX upgrade which is in MOFED’s action plan which specifically states:

“The next phase [Phase 4] of the reform will pilot the upgraded version of the BIS/BDA systems which is called the Integrated Budget Expenditure System (IBEX). IBEX is a web-based application that integrates all functionality currently found in the BIS and BDA systems. IBEX will run on the communications infrastructure that the government is currently completing throughout the country.”2

The report is inaccurate. For example, the report concludes that the DSA financial systems “are basically standalone”. This conclusion is false. All software was developed to work in both a standalone and networked environment. Due to the lack of a wide area network, installations outside of BoFEDs, such as weredas

---

and zones work as standalone applications. Where a network exists though, these applications work in a client/server setup. In many public bodies computers in different rooms serving different functions have been connected in a small local area network. Although all sites may not be connected via a network, data still flows up into one consolidated database. The medium of data sharing has had to be a writable media such as CD, zip drive, etc., however, the system does effectively work as a ‘networked’ system.

The consultant’s assertion that the project’s systems can only operate in a standalone mode is refuted by current operations. The IBEX is currently running on a local-area-network (LAN) in MOFED and on a wide-area-network (WAN) in Addis Ababa. In Addis, ten sub-cities are currently producing their budgets online with the city’s BOFED.

The report is flawed. The argument by the consultant that a new off-the-shelf system would not replicate existing procedures and would reengineer current business processes entirely is inappropriate given the breadth, depth, effectiveness and appropriateness of the on-going financial reform which has been implemented over the past nine years. The consultant recommends that the government’s Civil Service Reform Program be restarted. This recommendation is risky, costly, and would disrupt the government’s policy priority of rapidly implementing the budget and accounts reform nation-wide down to wereda level by FY1999. The consultant is also recommending an inappropriate strategy of technology-driven reform which international best practice refutes.

“A bespoke system is likely to replicate existing procedures, whereas an off the shelf package will represent best practice and provide the opportunity to improve business process in its entirety.”

The Ethiopian financial reform has been underway for over nine years. It is an appropriate reform that combines international best practice with the unique requirements of fiscal devolution in a country with limited capacity. The long time frame has been due to the fluid nature of government policy which has sought to deepen fiscal decentralization.

International best practice also refutes the consultant’s assertion that a commercial off-the-shelf (COTS) system will be superior, cheaper and less risky than a custom system. Most important, the assertion by the consultant that a COTS can be adequately modified to meet the unique requirements of Ethiopia’s emerging fiscal devolution is refuted by international practice.

---

The only successful way for a commercial off-the-shelf (COTS) Implementation to be successful is to decide at the outset that you are going to reengineer your business to fit the limitations of the COTS package. These packages usually imply a specific method of doing business with a corresponding set of capabilities.

A managerial decision must be made that whatever the package does is good enough and that customization is not an option. If you do not follow this philosophy, implementing a COTS package is no cheaper and no less risky than building a system from scratch. I have heard more horror stories with respect to implementations of large, famous ERPs [Enterprise Resource Planning] than any other type of systems project.\(^4\)

The report is not credible. International best practice counsels that information technology should support and not drive a financial reform. The consultant did not exercise due diligence to understand the government’s strategy of developing financial information systems, nor did he adequately assess the systems in operation and under development. More seriously, the consultant does not understand the status of financial reform in Ethiopia, the constraints faced of an evolving fiscal devolution, and the role of information technology in such an environment.

The project recommends that it be availed the opportunity to present to the Ministry the strategy of financial information systems developed in the government’s strategic plan for the budget and accounts reforms and currently underway.\(^5\)

- Other

-- As regions have begun to close their FY 1995 accounts, there have been requests for a Revenue Budget Module. This module is used to produce a report showing the planned versus actual revenue collected, which is one of the reports required for the closing of accounts. Again, while this functionality has been out of the scope of DSA’s activities, the project has worked with Omnitech to implement this functionality in all regions using the BDA system.

---


E. Other Issues

- DSA Project Steering Committee Meeting

The DSA Steering Committee meeting was conducted on February 23rd, 2005, chaired by H.E. Minister Sofian Ahmed and co-chaired by Ato Melaku Kifle, Head, EMCP office, Ministry of Finance and Economic Development (MOFED). Participants included all regional finance bureaus heads, the directors of the DSA funders, (Development Cooperation Ireland (DCI), USAID, Royal Netherlands Embassy), MOFED Budget and Accounts department heads and the DSA project Chief of Party and advisors. Minutes were prepared by the DSA Project (MSC-6).

Below is a summary of the decisions of the meeting:

- The budget and accounts reforms already introduced in the large regions need continued support and these reforms need to be extended to the remaining regions and administrative areas.

- DSA is to continue with its contracted IT initiatives

- The funding gap will be addressed by prioritization of project activities and/or by obtaining additional funding. Ato Melaku will follow-up with the Minister.

- This steering committee is to meet in future every four months
ANNEX 1
SUPPORT AND FOLLOW-ON TRIPS CONDUCTED DURING THE
REPORTING PERIOD
ANNEX 2

NEW REPORTS PRODUCED DURING THE REPORTING PERIOD

A. Accounts Reform

<table>
<thead>
<tr>
<th>Code</th>
<th>Title</th>
</tr>
</thead>
</table>

*A summary of all project reports to date is available from the DSA project office.*
### B. Budget Reform

<table>
<thead>
<tr>
<th>Code</th>
<th>Title</th>
</tr>
</thead>
<tbody>
<tr>
<td>B-166</td>
<td>“Afar National Regional State - Budget Forms”, March 2005. [AMHARIC VERSION]</td>
</tr>
<tr>
<td>B-168</td>
<td>“Benishangul Gumuz People’s National Regional State - Budget Forms”, March 2005 - [AMHARIC VERSION]</td>
</tr>
</tbody>
</table>


G. Training Strategy for Accounts, Budget, Public Investment/Expenditure Planning

<table>
<thead>
<tr>
<th>Code</th>
<th>Title</th>
</tr>
</thead>
</table>


<table>
<thead>
<tr>
<th>Code</th>
<th>Description</th>
</tr>
</thead>
</table>


H. Miscellaneous Reports

<table>
<thead>
<tr>
<th>Code</th>
<th>Title</th>
</tr>
</thead>
<tbody>
<tr>
<td>M-51</td>
<td>“Civil Service Reform Program – Minutes: Workshop on Handling of Special Funds”, Ghion Hotel, March 14th, 2005.</td>
</tr>
<tr>
<td>M-52</td>
<td>“DSA Project Brief”, March 29th, 2005.</td>
</tr>
</tbody>
</table>

I. Project Quarterly Reports

<table>
<thead>
<tr>
<th>Code</th>
<th>Title</th>
</tr>
</thead>
</table>
### J. Information Technology

<table>
<thead>
<tr>
<th>Code</th>
<th>Title</th>
</tr>
</thead>
<tbody>
<tr>
<td>IT-008</td>
<td>“IBEX Executive Summary”, February 23, 2005</td>
</tr>
<tr>
<td>IT-009</td>
<td>“Brief on the status of DSA IT Systems”, February 23, 2005</td>
</tr>
<tr>
<td>IT-010</td>
<td>“Procuring a New Financial Information System: issues to consider”, March 11, 2005</td>
</tr>
<tr>
<td>IT-011</td>
<td>“Brief on the status of DSA IT Systems”, March 15th, 2005</td>
</tr>
</tbody>
</table>

### M. Outside Report Involving the DSA project

<table>
<thead>
<tr>
<th>Code</th>
<th>Title</th>
</tr>
</thead>
<tbody>
<tr>
<td>OR-38</td>
<td>“Southern Nations, Nationalities and Peoples Regional Government, Coordination Bureau of Finance and Economic Development – Wereda Bloc Grant Allocation Formula: SNNPR’s Experience Presented by SNNPR BOFED at the Ministry of Revenue (MOR) and MOFED discussion forum with regions, Awash, November 2004. [ENGLISH VERSION]</td>
</tr>
</tbody>
</table>