Decentralization Support Activity Project
Ministry of Finance
&
Ministry of Economy Development and Cooperation
Addis Ababa
I. CORE ACTIVITIES

A. Accounts Reform

- Consultant

Professor Jim Yardley of Virginia Tech, a specialist in accounting and auditing, was contracted to provide eight months of technical assistance to the accounts component. Professor Yardley arrived on December 30, 1999. During the reporting period Professor Yardley prepared the training of trainers course for Module 1 in Accounting which is to be delivered to new trainers from the Regional Management Institutes and the Ethiopian Civil Service College beginning January 3, 2000.

- Recruitment of a short term consultant

The project identified a short list of accountants to assist the accounts component. During the reporting period the Chief of Party and Professor Yardley screened vitae and identified a short list of potential accountants.

- Assisting the regions to close their accounts

One task of the accounts reform is to reduce the backlog of regions in closing their accounts. The project provides logistical assistance to the Accounts Department of the Ministry of Finance to send teams from the Ministry to train regional accounts staff and to directly assist and supervise the closure of accounts. During this reporting period three staff visited Somalie region for three weeks to close the 1990 accounts. Three staff visited Gambella region for three weeks to assist in closing the 1990 accounts.

- Review of the interim donor reporting system

The project assisted the Head of the Accounts Department of the Ministry of Finance and the Head of the Counterpart Fund Unit to visit Awasa to review the interim donor reporting system. The review was done from December 12th to the 16th.

B. Budget Reform

- Preparation of a budget training manual

A consultant, Perran Penrose, was identified and provided 30 days of technical assistance to develop a training module for the budget component based on Version 2.1 of the Budget Manual. A draft manual was prepared (T-27). In preparing the manual, the consultant and three staff from the budget design team visited the
Southern Region on both the content of the training and the sequencing of the implementation of the budget reform.

- A pilot for the budget reform

Discussions were held within the Ministry of Finance and with the Southern Region on the implementation of a pilot for Version 2.1 of the budget manual. This pilot will be implemented at the federal level by five public bodies: the Ministry of Health, the Ministry of Education, the Ethiopian Roads Authority, the Ministry of Economic Development and Cooperation and the Ministry of Finance. The objective of the pilot is to operationally test the budget reforms outlined in Version 2.1 of the Budget Manual. Since these budget reforms involve the introduction of a new chart of accounts, the pilot will also involve the modification of the Budget Disbursement and Accounts (BDA) System as well as new accounts and treasury formats. The pilot will be implemented in parallel with the current budget, accounts and disbursement systems. These five public bodies will therefore be doing two systems simultaneously. Once the pilot is implemented and reviewed, the budget reforms will be implemented fully for public bodies at the federal level for the preparation of the 1994 EFY budget.

- Development of a Budget Information System

During the reporting period a consultant, Shaun McGrath, was contracted to prepare a Budget Information System (BIS) based on Version 2.1 of the Budget Manual. The BIS will be developed in FoxPro software and will run on microcomputers. The BIS will be used in the pilot to be implemented by federal public bodies over the next two reporting periods.

- Revision of Version 2.1 of the Budget Manual

Version 2.1 of the Budget Manual was substantially revised during the reporting period (B-15).

C. **Cash Management Reform**

- Cash management advisor

The report (C-2) and work of the cash management advisor were reviewed by the project and the Ministry of Finance. The work did not meet the expectations of either the project or the Ministry of Finance and his contract was terminated.

The project proceeded to recruit a replacement consultant for the cash management advisor. The Financial Management Service of the U.S. Treasury Department was contacted and an experienced consultant, Virginia Robinson, who is a former employee of the FMS was identified. The project proceeded to contract Ms.
Robinson who arrives February 6th, 2000 for two weeks to work on a strategy of cash management. During this and the previous reporting period, the project had extensively recruited for a short term consultant to assist in the accounts and cash management areas. This search has produced two potential candidates to assist in cash management.

D. Debt Management Reform

- Meeting with Oracle software consultants on the Debt Management and Financial Analysis Software (DMFAS)

The Ministry of Finance uses Version 4.1 of the UNCTAD DMFAS software to manage its debt. The Ministry has been unable to install Version 5.1 of DMFAS which is Year 2000 Compliant. The project has contacted the Oracle software consultants who are based in Nairobi and have discussed additional steps needed to install Version 5.1 of DMFAS and ensure that this application runs with the Oracle relational database management system and hardware of the Ministry.

E. Public Investment/Expenditure Reform

- EFY 1992-94 PIP

Work continued on finalization of the EFY 1992-94 PIP building upon the guidance provided to staff in the public bodies during the workshops held at the end of August 1999. A comprehensive report on the workshops was prepared and distributed to all workshop participants (P-28). The report was prepared in sufficient detail to enable it ultimately to be used as the basis for a revised PIP Users Manual.

Data entry for the EFY 1992-94 PIP was completed by the end of December and the report was sent for printing. The EFY 1992—94 PIP was prepared in Amharic by MEDaC staff in two volumes. The first volume is a summary and overview of the submissions and was prepared in the Development Finance and Budget Department in MEDaC. The second volume includes strategic planning statements and investment plans for all major public bodies, and the details of 399 projects that are ongoing, approved or planned in the individual public bodies. The second volume was prepared primarily by the sector departments in MEDaC based on submissions provided by the individual public bodies.

- EFY 1993-95 Macroeconomic and Fiscal Framework
There were considerable delays in the submission of data required to prepare the EFY 1993-95 Macro-economic and Fiscal Framework. While the plan was for data to be submitted before the end of September, initial submissions were not received until October, and the forecast of revenues and recurrent expenditures were not completed until early December.

Based on the data received, the Development Finance and Budget Department in MEDaC prepared a draft document for discussion on the EFY 1993-95 MEFF (P-29). This was completed on December 9th and updated on December 29th to reflect changes in the revenue forecast. As of the end of December, response to the recommendations contained in the report had not been received and as a result, Indicative Planning Figures (IPF's) for the period 1993-95 had not been provided to Federal public bodies. Unless IPF's are issued, public bodies prepare investment programs that are "wish lists" rather than realistic plans that reflect resource constraints.

The fiscal forecasts prepared for the period EFY 1993-95 revealed a need for testing the macro-economic impact of different fiscal scenarios on inflation, exchange rates, and balance of payments. The Plan Preparation and Economic Analysis Department in MEDaC started examination of these issues drawing upon the training and macroeconomic model development that was undertaken at Harvard University during July-August, 1999.

- Forecast of External Funding for EFY 1993-95

Related to the development of the fiscal forecasts, a forecast of external funding available for the period 1993-95 was prepared for both projects and counterpart funds (P-30). A draft was prepared in October that involved the following MEDaC Departments: Multilateral, Bilateral, Regional Planning and Economic Development, and Development Finance and Budget. After substantive review and revision by staff in all of these Departments, the forecast was finalized in December 1999.

This is the second year of preparing the forecast. It has been upgraded to distinguish between funding that is included in the capital budget, and funding that is outside the budget. Also, considerable effort was made to improve the forecast of external funding available and that may be included in the budget for each Region.

- Database Management System for External Funding

The forecast of external funding available for EFY 1993-95 was prepared using EXCEL software which is not satisfactory given the size of the database involved. A draft proposal for the data to be captured and the reports to be produced on external funding has been reviewed by the relevant Departments in MEDaC. Work is ongoing on the preparation of a common format for data to be submitted by external funding and implementing agencies.
• PIP Database Management System

The PIP DBMS was modified to enable data entry to be further decentralized to the level of public bodies. Decentralized data entry will be attempted on a pilot basis for the EFY 1993-95 PIP in three public bodies who have the necessary staff and equipment. PIP DBMS Manuals were revised.

• Other Activities

Several briefings were provided on progress related to the Public Investment/Expenditure Program. In the context of the Public Expenditure Review, briefings were provided to donors in October and November. In late November a briefing was presented for the Prime Minister and higher government officials from both the Federal and Regional governments.

F. Policy Support to the Office of the Prime Minister

• Consultancy by Professor Dwight Perkins and Dr. Malcolm McPherson

These two policy consultant’s provided a short consultancy in November. Professor Perkins reviewed with Minister Newai the status of the policy assistance and developed a plan for ongoing assistance through the end of Phase 2 of the project. Key tasks to be done during this period include: revision of the macro model for Ethiopia, training of additional staff in the use of the macro model, the delivery of a version of the Cambridge macroeconomic management course in Ethiopia, a consultancy to develop a commodity market in Ethiopia, and additional commodity studies. Malcolm McPherson worked with the staff who had previously been trained in Cambridge on the macro model.

• Consultancy by Dr. Graham Glenday on Revenue Policy and Administration

The Ministry of Finance and the Office of the Prime Minister requested a consultant to make a preliminary assessment of the revenue situation in Ethiopia. Dr. Graham Glenday of HIID provided four days of technical assistance in December and prepared a brief on the status of revenue policy and administration (PA-9). A follow-on consultancy to design a tax reform has been requested.

• Issue paper on establishing a commodity market in Ethiopia and identification of resource persons

An issues paper was prepared and delivered to Minister Newai outlining the issues to be considered in establishing a commodity market in Ethiopia. Dwight Perkins has discussed with Jim Stone (former head of the Chicago Board of Trade) and Peter Timmer (an agricultural economist and President of Grinnell College) how to proceed
and who should be involved. Two resource persons have been identified to carry out a study for the design of the commodity markets.

G. Training

1. In-Country training

- Software Training for the Ministry of Finance

Training in microcomputer based software began in May 1999 for staff of the Ministry of Finance and continued during the reporting period. Phase 1 of the training ended in November and included 15 staff trained in the following: Introduction to microcomputers and Microsoft (MS) Windows, MS Word and MS Excel. Phase 2 of the training for 16 staff in MS Access began in December and ends in February 2000.

- Training in the Revised PIP Database Management System

Training on the revised DBMS system was provided for 30 persons from MEDaC and selected public bodies during the period November 16-18, 1999.

- Consultation on USAID Mission Order on Training Procedures

The project was requested to review and comment on the draft USAID Mission order on training.

- Preparation of an Annual Training Plan

The project prepared a training plan for the DSA project for USAID covering the period June 15, 1999 to December 31, 2000.

- Training Data Collection

The project provided USAID data on training for the period October 1998 to September 1999. The data covered in-country, third country and US based training and included number of participants, gender, dates, and aggregate cost.

- Specialist Capacity Training

Specialist Capacity Training is funded under the In-Service Financial Training Project (IFTP) and is presented in the IFTP Quarterly Report.
II. PROJECT MANAGEMENT

- Visit by Richard Pagett, Director of HIID

In October Richard Pagett, the Director of HIID, visited Ethiopia and reviewed the DSA/IFTP projects with project staff and staff from the Ministries of Finance and Economic Development and Cooperation and USAID. The visit included a review of the in-service training programs in the Southern and Oromia Regions.

- Distribution of Project Reports to the Civil Service Reform Program Coordinating Office (CSRPCO)

Copies of key project reports were submitted to the CSRPCO during the reporting period.

- Project reporting

During the reporting period the tenth quarterly report (Q-10) was prepared and distributed.

- Administrative support

The project provides a range of administrative support services including: procurement, production of documents, and support for the in-service training program.


- Procurement of a Microcomputer for the Budget Design Team

The project provided an additional microcomputer to the budget design team to assist in the development of the budget formats.

III. OUTSTANDING ISSUES
• Indicative Planning Figures for the 1993-95 PIP

As noted in the PIP section, MEDaC has been unable to release the indicative planning figures to federal public bodies so that they can prepare their three year programs with a ceiling.

• Y2K Compliance of the DMFAS 4.1 debt system

The current debt management system is not year 2000 compliant. UNCTAD is not going to provide technical assistance to the Ministry of Finance before the end of the year so the system will not be updated. Interim measures need to be taken to safeguard the data and have an interim operational system.

• Merger of HIID with the teaching faculties of Harvard University

Harvard University has proposed to integrate the work of HIID into the relevant teaching faculties of the University. The objective of this reorganization is to more closely link the technical assistance work done by HIID with the teaching and research of three schools: the Kennedy School of Government, the School of Public Health and the School of Education. Approximately 85% of HIID’s current work is done by the Public Finance Group (which the DSA/IFT project is a part of) the Macroeconomics Group and the Environment Group. These three groups will be assigned to the Kennedy School of Government while the Public Health and Education Groups will be assigned to the respective schools of health and education.
### ANNEX 1

#### PROJECT REPORTS

#### A. Accounts Reform

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B. Budget Reform

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C. Cash Management


D. Debt Management

D - 1 "Debt Management Issues (Ethiopia)" by Fernando Fernholz, September 1999.

E. Public Investment/Expenditure Reform

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P-7  “System Requirements and Terms of Reference for a Consultant on Data Management for the Public Investment Program,” February, 1998.

P-8  “Expenditure Programming During the PIP Period,” March 1998.


P-10  PIP Preparation: an Example Based on the Ethiopian Roads Authority,” March 1998.


P-12  “Forecast of External Funding Available to Ethiopia,” May 1998.

P-13  “A Note on Flexibility and Relationship to the Capital Budget,” June, 1998.


P-25 “Briefing materials for MEDaC staff on the Public Investment Program,” April 1999.


F. Policy Advice to the Prime Minister’s Office

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PA-7  “Low Wages are Not Enough: An Analysis of Industrial Growth in Ethiopia,” by Professor David Lindauer, June 1999.


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

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<td>“Brief on the Training strategy for Accounts, Budgets, and Financial Planning.”</td>
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<td>T-6</td>
<td>“Meeting on In-Service Training in Financial Management at the Ethiopian Civil Service College,” June 16, 1996.</td>
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H. Miscellaneous Reports

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I. Project Quarterly Reports

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<td>Q-2</td>
<td>“Report of Project Activities: July 1st to September 31st 1997.”</td>
</tr>
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<td>Q-3</td>
<td>“Report of Project Activities: October 1st to December 31st 1997.”</td>
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Q-4  “Report of Project Activities: January 1st to March 31st 1998,”
April 27, 1998.

Q-5  “Report of Project Activities: April 1st to June 30th 1998,”
July 8, 1998.

Q-6  “Report of Project Activities: July 1st to September 30th 1998,”
October 19, 1998.

Q-7  “Report of Project Activities: October 1st to December 31st 1998,”

Q-8  “Report of Project Activities: January 1st to March 31st 1999,”
April 12, 1999.

Q-9  “Report of Project Activities: April 1st to June 30th 1999,”
August 20, 1999.

Q-10 “Report of Project Activities: July 1st to September 30th 1999,”
November 15, 1999.

Q-11 “Report of Project Activities: October 1st to December 31st 1999,”

**J. Minutes of the Project Steering Committee**

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<td>MSC-1</td>
<td>“Minutes of the DSA Project Steering Committee,” December 4, 1997.</td>
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<td>MSC-3</td>
<td>“Minutes of the DSA Project Steering Committee,” for the Sixth Quarter (July 1, 1998 to September 30, 1998),” October 22, 1998,</td>
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<td>MSC-4</td>
<td>“Minutes of the DSA Project Steering Committee,” for the Ninth Quarter (April 1, 1999 to June 30, 1999),” September 2, 1999.</td>
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Quarterly report #11  October 1, 1999 to December 31, 1999