DSA
Report of Project Activities:
January 1<sup>st</sup> to March 31<sup>st</sup>, 2000

Project Report: Q-12
April 24, 2000

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

A. Accounts Reform

- Recruitment of a short term external accounts consultant

Professor Jim Yardley commenced his contract for eight months of technical assistance. He assisted the Accounts Department in the following areas: revision of training Module 1 in accounts, development of the Basic Training Module in Accounts, and review and development of a procedures manual for donor accounting.

- Recruitment of local accounts consultants

The Project recruited two former staff members of the Accounts Department of the Ministry who had reached the age of mandatory retirement: Alemayehu Seifu and Retta Workneh. These consultants will assist Regions in closing accounts and assist in the development of the Basic Accounting Training Program.

- Training of Trainers Course and Review of Training Module 1 in Accounts

Professor Yardley delivered a three week “Trainers of Trainers” course on Accounts Module 1 for new trainers of the Regional Management Institutes. The participants were as follows: Beneshangul/Gumuz (4), SNNPRG (4), Amhara (2), Oromia (4), Tigray (2), Addis Ababa (2), and the Ethiopian Civil Service College (4). There were two parts to this training program. Twelve new trainers participated in the Training of Trainers Course and ten trainers who had already been trained reviewed the training materials for Module 1. The review by the trainers was incorporated in the revised Version 1.1 of Module 1 of The FGE System of Accounting.

- Revision of Training Module 1 The FGE System of Accounting

Version 1.0 of Training Module 1 was revised and is now Version 1.1. All materials were reviewed, updated and corrected. An English and Amharic version of 1.1 is completed and the Project is arranging for the translation of Version 1.1 into Tigrigna and Oromiffa. Version 1.1 consists of the following documents:

- Trainer Manual (T-28)
- Trainee Manual (T-29)
- Guide for Trainers (T-30)
- Workbook for Trainees (T-31)
- Overheads for Trainers (T-32)
- Forms [Overheads] for Trainers (T-33)
Basic Training

Work on a Basic Training Module in accounts began. The Basic Training module will be used to orient newly recruited accounts staff in the specific procedures of accounts jobs (e.g. cashier). The design of this Module was discussed in a meeting with Ministry of Finance personnel, representatives from Tigray and SNNPRG and DSA consultants. The purpose and outline of the module were discussed and agreement was reached on a schedule of development. Two Ethiopian consultants began work on writing the Basic Training manual. It is proposed to have a draft of the Module ready for discussion at the semi-annual in-service training meeting scheduled for August in Bahir Dar.

Donor Accounting Manual

Work proceeded on a Donor Accounting Manual. Personnel in the MOF reviewed an initial draft of the document. Corrections and improvements are now being incorporated into a draft document.

Assisting the Regions to Close Accounts

One task of the accounts reform is to assist Regions to reduce the backlog of 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 four staff visited Gambela for three weeks to close the 1990 accounts.

B. Budget Reform

Version 2.1 of the Budget Reform Design Manual completed

Version 2.1 of the Budget Reform Design Manual Chart of Accounts, Budget Preparation and Presentation for the Federal Government was completed (B-16). Version 2.1 was also distributed to all Federal public bodies.

Workshop on Version 2.1 of the Budget Reform Design Manual

Version 2.1 of the Budget Reform Design Manual was presented to Heads of Finance and Plan Bureaus at the semi-annual in-service training meeting held
in Mekelle in February. A one-day session was held after two days of meetings on training and the status of the expenditure management and control component of the Civil Service Reform. The one day session presented the revisions to the Manual that were incorporated since meeting with Regions on the Manual at Debre Zeit in 1999. The second part of the meeting concerned the next steps needed for regions to implement the manual. These steps include the formation of regional budget reform teams and the translation of the manual into Tigrigna, Oromifa, and Amharic.

- **Contracting for the translation of Version 2.1 of the Budget Reform Design Manual**

  The project contracted to have Version 2.1 translated into Amharic, Tigrigna, and Oromifa.

- **Development of the Budget Information System (BIS)**

  Progress was made by the information system consultant, Shaun McGrath, in developing the BIS which will automate the budget system presented in Version 2.1 of the Budget Reform Design Manual. A systems design document was prepared (B-17) based on the information requirements presented in Version 2.1. Development of the BIS was delayed due to delays in completing the upgrade of the PIP database system.

- **Consultancy on Unit Costs**

  A consultant, Perran Penrose, who provided technical assistance on the budget training manual was identified and contracted to provide a consultancy on unit costs. The consultancy will focus on unit costs in the education sector but will also develop a methodology for developing unit costs in other sectors as well.

- **Consultant in Aid Management**

  A consultant was identified to provide a consultancy in Aid Management for the upcoming reporting period.

**C. Cash Management Reform**

- **Cash management advisor**
Virginia Robinson provided twelve days of technical assistance on cash management. Ms Robinson reviewed the current practices of cash management and made recommendations for short and long-term improvements (C-3). She also provided the project with recommendations for consultants who can provide technical assistance to complete these recommendations.

D. Public Investment/Expenditure Reform

- **EFY 1993-95 Macroeconomic and Fiscal Framework**

  As noted in the last quarter, there were considerable delays in the submission of data required to prepare the EFY 1993-95 Macroeconomic and Fiscal Framework. While the plan was for data to be submitted before the end of September 1999, 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. This was completed on December 9th and updated on December 29th to reflect changes in the revenue forecast.

  During February and March 2000 further revisions were made to the MEFF, and Indicative Planning Figures were prepared for Federal public bodies for the period EFY 1993-95. In light of the current fiscal uncertainties, a decision was made not to issue the IPF’s. The data was used, however, to develop preliminary EFY 1993 Capital Budget Ceilings.

  The report on the Forecast of External Funding for EFY 1993-95 was updated (P-30) and issued on February 3, 2000. A consolidated report on the preparation of the MEFF for EFY 1993-95 was finalized on March 20, 2000 (P-29).

  The Plan Preparation and Economic Analysis Department in MEDaC started examination of the macro-economic impact of different fiscal scenarios on inflation, exchange rates, and balance of payments.

- **EFY 1993-95 PIP Preparation**

  Although IPF’s were not issued for the EFY 1993-95 period, work continued on finalization of the project data and investment forecasts. The report is to be finalized by mid-April.

  Data entry was decentralized successfully to either the MEDaC Sector Departments, or to the public bodies (Ethiopian Agricultural Research Organization; Ministry of Water Resources; and the Ethiopian Roads Authority).
• **Assessment of the Applicability of the Federal PIP for the Regions**

The PIP Design Team conducted three one-week visits during February and March to the Tigray, Amhara, and Southern Nation, Nationalities and Peoples Regions. The purpose of the visits was to assess the implications of introducing a PIP/PEP at the Regional level. In each of these three Regions, the Team met with staff at the Region, Zone and Woreda levels to review the processes being followed for planning, programming, budgeting and monitoring of expenditures. Reports have been produced (P-32, P-33, P-34) and have been sent to the Regions for their review and comments. The Team also met with the Oromia Bureau of Planning and Economic Development and determined that the assessment made for that Region in August 1998 is still applicable. Minor changes were incorporated in the Report (P-20).

• **Other Activities**

Several briefings were provided on progress related to the Public Investment/Expenditure Program. The Chairman of the PIP Design Team participated in the Public Expenditure Review and in that context briefings were provided to donors on the Macro-economic and Fiscal Framework, and the Forecasts of External Funding. A Member of the PIP Design Team provided a briefing to the Regional Heads of Finance and Planning Bureaus at a meeting held in Mekelle at the beginning of February. Finally, PIP Design Team Members were requested to participate in the second Annual Review Meeting for the Health and Education Sector Development Programs from March 13-15 2000.

E. **Policy Support to the Office of the Prime Minister**

• Preparation of an in-country training program in the macro model

During the reporting period Cambridge based staff working on the macro model prepared a training program to be delivered in Ethiopia during the next reporting period.

F. **Training**

1. In-Country training

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

- **Training Data Collection**

USAID provided all its Projects with a new training database called TraiNet, Training Results and Information Network, designed to support planning and monitoring of all agency sponsored training programs. During this reporting period, USAID installed this software at the DSA Project Office and provided a brief training on how to enter data. Henceforth, all training information is to be periodically forwarded to USAID through TraiNet. The DSA Project entered all its data for US-based as well as in-country training programs for the period October 1999 to March 2000.

2. **External Training**

- **Macro Model Training at Harvard University**

Three staff attended a two week training program (February 6-18) at Harvard University on the macro model developed by the Project. The participants included: Dr. Gebrehiwot Ajeba of the Prime Minister’s Office and Dr. Eyob Tesfaye and Ato Yohannes Ayalew of the Economic Research Department of the National Bank.

- **Preparation of the External Training Plan**

The DSA Project is proposing to send thirteen participants this year to attend short courses. The following are the proposed participants:

- Ato Yoseph Abdissa  Head, Oromia Regional State Finance Bureau
- Ato Mohammed Bidary  Head, Afar Regional State Finance Bureau
- Ato Abdurahim Mohammed  Head, Harare Regional State Finance Bureau
- Ato Abdurahman Hussein  Head, Somale Regional State Finance Bureau
- Ato Kifle Giorgis Eneyew  Head, Dire Dawa Council Finance Bureau
- Wz. Yewoubmar Asfaw  Director, Tigray Regional Management Institute
- Ato Alemayehu Alemu  Director, SNN&P Regional Management Institute
- Ato Mesfin Asrat  Ministry of Finance, EMC Coordinator
II. PROJECT MANAGEMENT

- Project Reporting

During the reporting period the eleventh quarterly report (Q-11) 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.

- Production During the Period January to March 2000

The reproduction and binding of a number of major documents was done by the Project during this period including: 625 copies of the Budget Reform Design Manual Version 2.1, FDRE Government PIP Program 1992 – 1994 (EC) Volume II (75 copies printed in Amharic), Report on workshops for Federal public bodies on the preparation of PIP (10 copies), Macroeconomic and Fiscal Framework for 1993 – 1995 (EC) (40 copies), Module 1 Accounts trainee manual, tests & solutions and workbook for trainees (400 copies each printed in Amharic), Module 1 Accounts trainee manual, tests & solutions and workbook for trainees (190 copies each printed in Oromiffa), 85 Certificates for the Ethiopian Civil Service College, 180 Certificates for Benishangul Gumuz Regional Management Institute and 215 Certificates for Oromia Regional Management Institute.

- Procurement
H.E. Minister Neway Gebreab of the Prime Minister’s Office requested the purchase of two laptop microcomputers and one desktop computer to be used by the participants of the macro model training. The computers were procured in Cambridge and loaded with the modeling software. The Project delivered one laptop and one desktop computer to the Prime Minister’s Office. A second laptop computer was delivered to Dr. Eyob Tesfaye for use by him and Ato Yohannes Ayalew at the National Bank.

Procurement done under the IFT Project is covered in that Project’s quarterly report.

III. OUTSTANDING ISSUES

• USAID’s Strategic Planning Exercise

The USAID Mission to Ethiopia is in the process of preparing a strategic plan which will guide its programming for the next five years. The mission has introduced six Strategic Objectives (SOs) one of which is “Management of Public Financial Resources Improved” (SO-2). The SO-2 covers many of the reforms of the CSR Expenditure Management and Control Sub-Program including: accounts, budget, expenditure planning and cash management. The SO-2 also covers support to macro economic policy reform. The draft of the Mission’s SO-2 is attached and is still being reviewed within the Mission. To promote coordination with selected activities of the CSR, it would be useful for the steering committee to review and discuss the proposed SO-2.

• Development and Support for Information Systems Development

This issue was previously raised in Quarterly Report #10. The DSA project has no provision in its contract nor does it have budget provision for the development of computerized information systems for the Project’s procedural reforms in accounts, budget, expenditure planning or cash management. The development of these systems was and is the responsibility of the CSR Financial Information Systems (FIS) Project. Delay in procuring the FIS project has meant that the DSA project has had to develop computer systems for the planning reform and is currently developing an information system for the budget reform. The project initiated development of these systems so that implementation of the plan and budget procedural reforms would not be delayed.

The development of these systems raises several issues. First, it must be recognized that the development and delivery of these systems is a deliverable that the Project was not contracted to provide. Second, the Project has funded this deliverable by reallocating from activities that have been slow in implementing (e.g. cash management). Third, there must be a
clear understanding by Government, the USAID Mission and the DSA Project about the level of support that will be provided to this activity. Information technology reforms are resource intensive and require specialized personnel and extensive provisions for support. The DSA Project has neither the staff nor the budget to adequately support information systems. It is particularly important to delineate the responsibilities of the Project in this area for the demand for information technology services will soon expand in two areas: revision and support of the PIP database system for regions and development of an integrated Budget Disbursement Accounts (BDA) system.

Recommended actions:

- The DSA Project will complete the current budget information system (BIS) under development and will upgrade the BDA system if the proposed study on the upgrade shows that the upgrade will be of modest cost.

- The DSA Project will make only those modifications to the PIP system needed to integrate PIP data to the Federal budget information system (BIS).

- The DSA Project will fully document the PIP and BIS/upgraded BDA systems so that the FIS Project can quickly assume management of the systems.

- The DSA Project will not undertake the development of any new systems nor modify existing systems except as proposed above.

- The CSR FIS Project be contracted as soon as possible and as part of its first stage it should provide consultants who will work with the DSA system consultant to transfer these consultants to the FIS project.

- The Ministry of Finance and the Ministry of Economic Development and Cooperation immediately provide information technology staff to work with the DSA consultant and take ownership of these systems.

- These information system deliverables should be formally acknowledged by Government and by USAID and approval to reallocate the DSA budget to complete these deliverables should be obtained from USAID.

While the development of information systems for the budget and PIP were not in the DSA contract, the development of these systems will have significantly advanced the automation of financial information systems in Ethiopia. These efforts do not duplicate the effort of the FIS for what has been done by the DSA Project has been to clarify the user requirements in
budget and expenditure planning. The principal reason information systems fail or under perform is that they do not meet user needs.

• Reallocation of Funds for External Training

The DSA project has provision for six overseas training positions per year. Last year the project sent fifteen staff to overseas short courses exhausting Project’s overseas training budget for both years. It is proposed to send thirteen staff this year overseas for training. To fund this training the Project will have to seek approval from USAID to reallocate funds from activities which have slower implementation rates.

USAID has issued a guidelines which strongly encourage the expansion of female participation in overseas training. The agency has a global target of 50 percent participation. Of the 17 participants sent to last years overseas training only one was a woman which is a 5.9% participation rate. Of the 13 participants proposed to attend training this year only 2 are women which is a 15.4% participation rate.

• Reallocation of the DSA Budget

To fund the additional overseas training proposed for this year and to complete the BIS the project will request approval from USAID to reallocate from the cash management component to these activities.

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1Seventeen staff were sent overseas but four staff attended the Aid Management workshop in Nairobi which costs roughly one-half what a course in the US or Europe costs.
## ANNEX 1

### PROJECT REPORTS

#### A. Accounts Reform

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B. Budget Reform

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B-17  “Budget Information System – Results of Initial System Study, Proposed Future Activities and Work Completed to Date, Version 1.0,” February 2000

C. Cash Management


C-3  Consultancy in Cash Management” by Virginia Robinson, March 1, 2000

D. Debt Management

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

E. Public Investment/Expenditure Reform

Code Title


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-18 “Briefing on the Status of the Public Investment Program,”


P-20 “Assessment of the Applicability of the Federal PIP Format to the
Oromia Regional State,” PIP Design Team, August, 1998. (Revised
March 2000)

March 22, 1999.

March 25, 1999.


P-24 “Preparation of the Macro-Economic and Fiscal Framework for
1993-1995,” May 13, 1999 (Updated July 1999 and December
1999).

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

P-26 “Database Management System for External Funding,” May 19,
1999.

P-27 " Briefing Materials for Workshops for Federal Public bodies on the

P-28 “Report on Workshops for Federal Public Bodies on the Preparation
of the Public Investment Program,” October 1999.

P-29 “Macroeconomic and Fiscal Framework for 1993-95 (Draft for
Discussion),” December 9, 1999 (Updated December 29, 1999).
(March 20, 2000: Third Revision _ consolidated document)

(First Revision _ February 3, 2000)

P-31 “Report on the PIP Workshop for MEDaC Departments,” May 11
1999.

P-32 “Assessment of the Applicability of the Federal PIP Format to the
F. Policy Advice to the Prime Minister’s Office

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<td>PA-7</td>
<td>“Low Wages are Not Enough: An Analysis of Industrial Growth in Ethiopia,” by Professor David Lindauer, June 1999.</td>
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G. Training Strategy for Accounts, Budget, Public Investment/Expenditure Planning

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<td>T-3</td>
<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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<tr>
<td>Q-1</td>
<td>“Report of project Activities: February 10th to June 30th 1997.”</td>
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Q-2  “Report of Project Activities: July 1st to September 31st 1997.”
Q-3  “Report of Project Activities: October 1st to December 31st 1997.”
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,”
Q-12 “Report of Project Activities: January 1st to March 31st 2000,”
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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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MSC-3  "Minutes of the DSA Project Steering Committee," for the Sixth Quarter (July 1, 1998 to September 30, 1998)," October 22, 1998,

MSC-4  "Minutes of the DSA Project Steering Committee," for the Ninth Quarter (April 1, 1999 to June 30, 1999)," September 2, 1999.
Quarterly report #12 January 1, 2000 to March 31, 1999