DSA
Report of Project Activities:
April 1st to June 30th, 2000

Project Report: Q-13
September 20, 2000

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

A. Accounts Reform

- Technical assistance for the accounts component

  Professor Jim Yardley continued his contract during the reporting period to provide technical assistance to the accounts component. He assisted the Accounts Department of the Ministry of Finance in the following areas: 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 two former staff members of the Accounts Department of the Ministry of Finance, Alemayehu Seifu and Retta Workneh continued their consultancies. These consultants assisted Regions in closing their accounts and assisted in developing the Basic Accounting Training program.

- Basic training

  Work on a Basic Training Module (Module A) in accounts continued. The Basic Training module will be used to orient newly recruited accounts staff in the specific procedures of accounts jobs (e.g. cashier). The two Ethiopian consultants continued 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 Ministry of Finance are reviewing a draft of the document.

- Assisting the regions to close their 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.
B. Budget Reform

- Completion of Version 3.0 of the Budget Reform Design Manual

Version 3.0 of the Budget Reform Design Manual *Organization, Staffing and Administration of Budgeting* was completed (B-23). Version 3.0 reviews the looks at organization, staffing and administrative issues of budgeting for federal, regional and sub-regional governments.

- Workshop on the budget reform for policymakers

A two day workshop (May 19-20) with 35 participants was held at Sodere for Ministers and Vice Ministers of Federal public bodies as well as members of the budget committee of Parliament. Version 2.1 of the Budget Reform Design Manual was presented, discussed and, approved at the meeting.

- Consultancy on unit costs

Perran Penrose provided a three week consultancy on unit cost methodology (B-19) from April 19 to May 5th. The consultant spent five days in the SNNPRG Region reviewing the current practices in the education and health sectors in developing unit costs. The education sector in the region indicated that a study on education sector unit costs is to be undertake but that it was not clear what form this would take. The health sector in SNNPRG has not begun to develop unit costs for budgeting purposes but there is some analysis of average annual expenditures. Finally, the roads sector in the SNPRG has undertaken considerable work on unit costs. After reviewing the developments to date, the consultancy report prepared a methodology for developing unit costs specifically for the education and health sectors. The role and importance of unit costs in the budget reform and the development of the Public Expenditure Program were explained in detail.

- Consultancy on aid management

Edna McColl provided 18 days of technical assistance on aid management (B-24). The consultancy reviewed the current systems of the Federal Government’s recording and reporting of AID and identified the management problems. The consultant also presented the experience of the Zimbabwe government in managing external assistance and loans. While a number of recommendations were provided including the sequencing of the recommendations, the report stressed the need to improve the “incentives” of aid management. The principal disincentive at this point is the offset system.

- Translation of Version 2.1 of the Budget Reform Design Manual
Translation of Version 2.1 of the Budget Reform Design Manual into Amharic, Tigrigna, and Oromifa continued during the reporting period.

- Development of the Budget Information System (BIS)

Despite a few technical problems, the BIS software development project is roughly on schedule. While a few tasks that were not part of the original plan have been undertaken and have caused delays, the number of envisaged computer-generated reports can be reduced thus enabling a fully functional version of the software to be deployed on schedule. The development of the BIS continued during the reporting system. Significant progress was made in the areas of 1) software analysis and design, 2) software development and, 3) software testing.

-Software Analysis and Design

The BIS will have four programs:

- BIS – Budget Information System – core program that will enable a variety of end-users at MEDaC, MoF and any number of public bodies to enter data associated with individual “projects” for both the recurrent and capital budgets.

- LDS – Language Dictionary System – secondary program that will allow the MoF to enter and maintain an extensive list of “text literals” in four different languages as a way of implementing a quadra lingual software system without the requirement for multiple systems analysts capable of speaking all the necessary languages – English, Amharic, Oromifa and Tigrigna.

- SAM – Systems Administration – core program that will be used at all possible user sites to define system users and their associated access rights and privileges, as well as perform periodic database maintenance and other miscellaneous tasks.

- TMS – Table Management System – secondary program to be used by the MoF to define all the supporting information required by the BIS program including budget jurisdictions, budget categories, sources of finance, items of expenditure, items of domestic revenue and external funding sources.

-Software Development
Development to date is aimed at facilitating a fully functional federal version of the BIS and can be summarized as follows:

**BIS – Budget Information System**

The user interface is finished and allows users to view a wide variety of information quickly and easily. Also includes a fully functional search facility. Progress has been made with respect to data entry and importing and exporting data. Some progress has been made with respect to generating MS-Excel-based reports using BIS. To date, much of the user interface has been designed and developed.

**LDS – Language Dictionary System**

LDS development and testing are finished and the application is ready for use. LDS includes a user interface and associated search facility, a data entry facility and a report generation facility.

**SAM – System Administration**

The SAM user interface is finished, as for a federal implementation, and allows users to quickly and easily view system users and their associated access rights and privileges, a list of the different departments where programs will run, as well as four different database maintenance facilities. Currently, as per the BIS Work Plan – Final Version (B-22), there are no data entry facilities associated with SAM. Also according to the current workplan (B-22), while users have the ability to “compact” and “repair” their database independent of technical support, there is no way to roll over budgets or fiscal years.

**TMS – Table Management System**

The TMS user interface is finished, as for a federal implementation, and allows users to quickly and easily view and search for a variety of different categories of data. TMS also includes a search facility. TMS data entry facilities are finished.

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**Software Testing and Work in Progress**

While most of the existing program code has been “unit” tested, “system” testing will occur only once all the activities envisaged in the BIS Work Plan – Final Version (B-22) have been completed. System testing should occur some time in July 2000.

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**C. Cash Management Reform**
• Cash management consultant

Wilbur Luck provided 16 days of consultancy services on four topics: 1) procedures for federal public bodies to reconcile their bank accounts, 2) recommendations for public bodies to prepare quarterly cash projections for the Treasury Department of the Ministry of Finance, 3) recommendations on reducing excessive year end payments and 4) a brief of the advantages and disadvantages of a single treasury ledger system (C-4).

D. Public Investment/Expenditure Reform

• EFY 1993-95 PIP Preparation

Work continued on finalizing the EFY 1993-95 PIP in MEDaC. It had not been finalized at the end of June 2000.

• Assessment of the applicability of the federal PIP for the regions

The PIP Design Team conducted two one-week visits during April and May to the National Regional States of Benishangul Gumuz and Gambela. The purpose of the visits was to assess the implications of introducing a PIP/PEP at the regional level. In each of these Regions, the Team met with staff at the Region, and Woreda levels to review the processes being followed for planning, programming, budgeting and monitoring of expenditures. Reports have been produced (P-36, and P-38) and the comments from the regions were incorporated.

A total of 6 regions were visited and a consolidated report on implementing a PIP/PEP in the National Regional States was completed on June 15, 2000 (P-37). The report was submitted to MEDaC management with recommendations for a workshop with the regions to decide how to proceed. As of the end of June no decision had been reached.

• 1994-96 macroeconomic and fiscal framework

A guideline and timetable for preparation of the MEFF for 1994-96 was submitted to MEDaC management on May 25, 2000 (P-35). The proposal was to convene the MEFF Working Group and complete preparation of the 1994-96 MEFF by August 7, 2000. As of the end of June 2000, the Working Group had not been convened.

• Concept paper for a Public Expenditure Program (PEP)
The PIP Design Team was directed by MEDaC management to start preparation of a concept paper for a Public Expenditure Program. Work started on this paper in June.

E. Policy Support to the Office of the Prime Minister

- Delivery of an in-country training program in the macroeconomic model and policy analysis

  During the reporting period Cambridge based staff delivered in Ethiopia a ten day course on the use and application of the macroeconomic model. Eleven participants from the Ministry of Finance, MEDaC and the National Bank attended. Dr. Malcolm McPherson of Harvard University trained staff in policy analysis and the use of macro models in policy analysis. Tzvetana Rakovski trained staff in the use of the macroeconomic model.

- Identification of consultants for preparing a terms of reference on grain marketing

  In response to the Prime Minister’s Office request for technical assistance in defining the design of a grain market, the project identified and contracted Dr. Mike Westlake during the reporting period. His consultancy will be delivered in the following 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.

2. External Training

- Short term courses

  The DSA Project prepared twelve participants during the reporting period to attend short term overseas courses.

II. PROJECT MANAGEMENT

- Project reporting

  During the reporting period the twelfth quarterly report (Q-12) 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.

• Document production

The project produced a number of major documents during the reporting period including 400 copies of six documents (totaling to about 216 pages) for the Inter Africa Group Symposium in May, 30 copies of the Public Expenditure Management Handbook, 80 copies of the “Presumptive Taxation” document and again 80 copies of a document entitled “Tax payer identification number” for MOF’S Planning and Research Department, 40 copies (of the English version) and 40 copies (of the Amharic version) of a document for the Budget Department (“A supplementary budget proclamation for Federal Government undertaking”), 50 copies of the Public Expenditure Management Hand Book for PIP, 70 copies of the “CSRP- Policy Workshop on the budget reform” for the Budget design team, 50 copies of the “Budgetary Revenue and Expenditure - Details” document, 70 copies (in Amharic) and again 70 copies (in English) of the Budgetary Revenue and Expenditure document for the Accounts Department.

During this period, the project also printed 800 training manuals for the Module 1 accounts training program conducted by the seven management institutes.
ANNEX 1

PROJECT REPORTS

A. Accounts Reform

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B. Budget Reform

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<th>Code</th>
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</table>
B-7  “Budget Reform Design Manual Version 2:0, Budget Classification, Expenditure Codes and Budget Formats,” July 7, 1998


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

B-18 "Budget Information System - Work Plan Version 1.0a Draft, by Shaun McGrath, April 28, 2000


B-24 “Consultancy in Aid Management" by Edna Elliot McColl, June 2000


C. Cash Management


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

C-4 Consultancy in Cash Management” by Wilbert H. Luck, May 30, 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-25  “Briefing materials for MEDaC staff on the Public Investment Program,” April 1999.


P-37 “Implementing a Public Investment or Expenditure Program in the National Regional States”, June 15, 2000


F. Policy Advice to the Prime Minister’s Office

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<th>Code</th>
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<tbody>
<tr>
<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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<th>Code</th>
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<tr>
<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>
</tr>
</tbody>
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T-38 Accounts Training Module 2 Version 1.0 "Donor Accounting" Trainer Version, by David Sawyer, September 2000. (First Draft)


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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<tr>
<td>Q-2</td>
<td>“Report of Project Activities: July 1st to September 31st 1997.”</td>
</tr>
<tr>
<td>Q-3</td>
<td>“Report of Project Activities: October 1st to December 31st 1997.”</td>
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Q-6  “Report of Project Activities: July 1\textsuperscript{st} to September 30\textsuperscript{th} 1998,”
October 19, 1998.

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

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

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

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

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

Q-12 “Report of Project Activities: January 1\textsuperscript{st} to March 31\textsuperscript{st} 2000,”
April 24, 2000.

J. Minutes of the Project Steering Committee

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<tr>
<td>MSC-1</td>
<td>“Minutes of the DSA Project Steering Committee,” December 4, 1997.</td>
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<tr>
<td>MSC-2</td>
<td>“Minutes of the DSA Project Steering Committee,” for the Fourth Quarter (January 1, 1998 to March 31, 1998),” June 4\textsuperscript{th} 1998.</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>
</tr>
<tr>
<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 #13 April 1, 2000 to June 30, 2000