DSA
Report of Project Activities:
July 1st to September 30th, 2000

_Project Report: Q-14_
_October 6, 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 four principal areas. First, he completed the revision of Module 1 *FGE System of Accounting* (T-28, -29, T-30, T-31, T-32, T-33, T-34). Second, he completed the draft version of Manual 2 *Donor Accounting* (A-24). Third, he completed the trainee manual, the instructor’s manual, the extended cases and answers to the extended cases for Module A (version 1.0) *Introduction to the FGE System of Accounting* (T-35, T-36, T-37). Fourth, he attended the semi-annual meeting of training institutions in August in Bahir Dar and presented Module A to trainers.

- Development of a training module in donor accounting

  David Sawyer provided four weeks of technical assistance and prepared the trainee and trainer version of Module 2 version 1.0 *Donor Accounting* (T-38, T-39).

- Consultancy on improvements to the existing FGE accounting system

  Karl Erik Lindberg provided four weeks of technical assistance to the accounts component. He reviewed the existing accounting system and made recommendations for the improvement and expansion of the accounting system (A-25).

- 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 the two local accounting experts (Alemayehu Seifu and Reta Workneh) assisted the Somali Region to close its accounts for EFY 1991. Closure involved consolidating the annual revenue and expenditures, preparing the adjusted budget, closing the accounts book, and preparing a bank reconciliation.

- Preparation of Module A
Module A *Introduction to the FGE Accounting System* was prepared by Jim Yardley, Alemayehu Seifu, and Reta Workneh. During this period, Alemayehu and Reta finalized the Amharic version of Module A. In particular they worked on ensuring that the English accounting concepts were correctly translated into Amharic.

- **Preparation of Directives**

  Alemayehu Seifu and Reta Workneh starting work on preparing accounting directives. Based on Proclamation No 57/1996 and Financial regulation No. 17/1997 the following accounts articles are being developed:

  - Article No. 6 (sub article 3) which is on collections, the first draft is partially completed
  - Article No. 22 which is on payment vouchers, the first draft partially completed
  - Article No. 24 which is on mode of payment, first draft partially completed
  - Article No. 34 which is on collection of checks, the first draft is completed
  - Article No. 35 (sub article 1) which is on deposits is underway

**B. Budget Reform**

- **Preparation of the Strategic Plan for Implementing the Budget Reform**

  A *Strategic Plan for Implementing the Budget Reform at the Federal Level for EFY 1994 (B-27)* was prepared. This *Strategic Plan* describes how the Budget Reform of the Expenditure Management and Control Program of the Civil Service Reform will be implemented by federal public bodies with the preparation of the EFY 1994 budget. This Plan presents an overview of the reform and its objectives principles, tasks and the risks involved.

- **Preparation of the Terms of Reference for the Modification of the BDA System**

  Afcor Ltd. was contracted to prepare the terms of reference for the modification of the Budget-Disbursement-Accounts (BDA) System of the Ministry of Finance. The BDA system is used to disburse and account for the funds disbursed from the Federal budget. With the introduction of a new chart of accounts in the budget reform, the chart of accounts in the BDA system must also be changed. Once the terms of reference is developed and approved, the DSA Project will contract for the modification to the BDA 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 Oromiffa continued during the reporting period. Currently, the Amharic and Oromiffa translations are completed and the Project received final copies (print-outs) as well as soft copies from both translators. The Tigrigna translation is being managed by the Tigray Finance Bureau and should be finalized by the end of this month.

• Translation of the Budget Training Manual

During this reporting period, the translation of the Budget Training Manual into Amharic was also done. The review committee should finalize its work and hand over the document to the DSA Project by the end of October.

• Development of the Budget Information System (BIS)

The project’s computer consultant (Shaun McGrath) continued to provide technical assistance to develop the Budget Information System (BIS) and assist the project in designing the implementation of the budget reform for EFY 1994. Shaun worked on four activities during this period:
1) development of a Data Management Plan for the BIS (B-28),
2) development of a revised work plan for BIS development, 3) enhancement of the Table Management System (TMS) to provide for simplified data entry and 4) development of BIS reports.

All development completed during this reporting period was “unit” and “system” tested. All existing functionality, despite the absence of a variety of reports, is fully tested and fully functional.

C. Public Investment/Expenditure Reform

• EFY 1993-95 PIP Preparation

The EFY 1993-95 PIP was completed during this period. The report was prepared in two volumes in Amharic.

• EFY 1994-96 Macroeconomic and Fiscal Framework

A guideline and timetable for preparation of the MEFF for EFY 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 September 2000, the Working Group had not been convened.

- **Formation of a Public Expenditure Design Team**

  Since work has now started on the design of a Public Expenditure Program that combines planning and programming of both capital and recurrent expenditures, it was necessary to restructure the PIP Design Team to include broader representation from the Ministry of Finance. Two additional members were added to the Design Team, one from the MoF Budget Department, and the other from the Research and Planning Department.

- **Concept Paper for a Public Expenditure Program (PEP)**

  A Concept Paper for the Development of a Public Expenditure Program (P-39) was completed in August as a basis for further discussion. The document compares the concept of a PEP and a PIP and outlines what is required to move from a PIP to a PEP. It has been prepared as a discussion document and before being submitted to the Civil Service Reform Committee for approval to proceed, it is proposed that it be reviewed by federal and regional public bodies. Based on the recommendations evolving from this review, a final proposal for the PEP including an action plan for implementation will be prepared.

- **Public Expenditure Program Design Document**

  A draft Public Expenditure Program Design Document (P-40) was prepared in August and is now under review by the PEP Design Team. This document, together with the Concept Paper will provide the basis for review and development of the PEP Design and plan for implementation.

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

- Dr. Mike Westlake provided fourteen days of technical assistance to the Office of the Prime Minister and prepared the terms of reference for a grain marketing study (PA-11). The design was well received by Government and was forwarded to the Agriculture and Natural Resources Office of USAID Ethiopia for support. The Agriculture Office views the study as important and is interested in exploring with Government funding of this activity.

**E. 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.

**Workshop on Fiscal Decentralization: Harvard University (July 3-21)**
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

**Project Implementation and Evaluation: University of Connecticut (July 3-29)**
Ato Mesfin Asrat  Ministry of Finance, EMC Coordinator

**Training Design and Management: University of Connecticut (July 3-29)**
Wz. Yewoubmar Asfaw  Director, Tigray Regional Management Institute
Ato Alemayehu Alemu  Director, SNN&P Regional Management Institute

**Accounting and Design: University of Connecticut (July 3-29)**
Wz. Aster H/Selassie  Ministry of Finance, Central Accounts Department

**Government Accountability: Conference on Government Accountants (July 3-7)**
H.E. Ato Haile Melekot T/Giorgis  Ministry of Finance

**Global Financial System: Harvard University (July 17-28)**
H.E. Mekonnen Manyazewal  Ministry of Economic Development and Cooperation
II. PROJECT MANAGEMENT

- Phase 3 Strategy and Proposal

The project prepared a Draft Strategy and Proposal for Phase 3 of the DSA-IFT Project (M-13). This has been circulated to the heads of the four design teams for comment.

- Project Reporting

During the reporting period, the thirteenth quarterly report (Q-13) 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 this reporting period. Major work done for the Accounts Project was the printing of 140 copies of the Module 2 (T-38, 229 pages), 150 copies of the “Description of the Ethiopian Accounting System” (A-14, 250 pages), 8 copies of a document entitled “Flow Chart – Line Ministries” (257 pages) and 80 copies of the Accounts Module A (T-35, 205 pages).

100 copies of the version 2.1 Budget manual (B-16, 243 pages), 35 copies of the Budget Training Module (T-27, 50 pages), 40 copies of the “FGE 1993 Budget Year Revenue, Capital and Recurrent Budget - Brief Description” (13 pages) and 50 copies of the “Recurrent Budget - Brief Description” (33 pages) were printed for the Budget Project.

For the PIP project, 75 copies of a document entitled “Public Investment Program” (75 pages), 50 copies of “The 1993 (EC) Budget Year FGE Budget” (101 pages), 10 copies of the “PEP Design Document: (P-40, 54 pages), 50 copies of a “Concept paper for the development of a PEP” (P-39, 27 pages), 20 copies of “Managing Government Expenditures” (96 pages), 16 copies of the “Medium Term Expenditure Frameworks” (41 pages) and 10 copies of the
“Managing Government Expenditures - Chapter 4” (53 pages), were printed during the last three months.

The Project also printed a number of training manuals for the training project including: 350 copies of the Module 1 workbook (T-31, 17 pages) and 50 copies of the Module 1 accounts training (T-29, 234 pages). 2500 copies of the Module 1 (T-29) were also printed during this reporting period using a local printing house.

III. OUTSTANDING ISSUES

- Implementation of the Budget Reform for EFY 1994

Over the next nine months the Government will implement at the Federal level the Civil Service Reform Budget Reform as presented in Version 2.1 of the Budget Reform Design Manual. A Strategic Plan (B-27) for the implementation of this reform has been prepared. For the reform to succeed it needs strong commitment and adequate capacity. The reform introduces procedural changes in the budget, accounts and disbursement systems and also introduces two new computer systems to manage budgeting, accounting and disbursements. Given the magnitude of the changes involved it is essential that the timetables outlined in the Strategic Plan are followed. The Ministry of Finance and the Ministry of Economic Development and Cooperation will play key roles in both managing and implementing this reform. Given that both ministries are heavily engaged during the budget season, it is essential that discussions be held in advance on how best to manage the implementation.

- Phase 3 of the DSA-IFT Project

Phase 2 of the DSA Project ends on December 30, 2000. If project supported activities are to continue a strategy and proposal needs to be agreed to.

- Acknowledgement

For nearly four years the DSA project has worked closely with the Ministry of Finance’s coordinator for Civil Service Reform. The passing of Mesfin Asrat is a great loss to his family, his government family and to all his friends and associates. His wisdom, professionalism and humor will be greatly missed.
ANNEX 1

PROJECT REPORTS

A. Accounts Reform

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B. Budget Reform

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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


B-28 “Data Management Plan for Implementing the Budget Reform by Federal Public Bodies using the Budget Information System (BIS).

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
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<td>“Expenditure Programming During the PIP Period,” March 1998.</td>
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<td>PIP Preparation: an Example Based on the Ethiopian Roads Authority,” March 1998.</td>
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<td>“Forecast of External Funding Available to Ethiopia,” May 1998.</td>
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<td>“A Note on Flexibility and Relationship to the Capital Budget,” June, 1998.</td>
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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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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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T-23  “Visit of ECSC , June 29 and July 14, 1999.


H. Miscellaneous Reports
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I. Project Quarterly Reports

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Q-3  “Report of Project Activities: October 1\textsuperscript{st} to December 31\textsuperscript{st} 1997.”
Q-4  “Report of Project Activities: January 1\textsuperscript{st} to March 31\textsuperscript{st} 1998,”
April 27, 1998.
Q-5  “Report of Project Activities: April 1\textsuperscript{st} to June 30\textsuperscript{th} 1998,”
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Q-6  “Report of Project Activities: July 1\textsuperscript{st} to September 30\textsuperscript{th} 1998,”
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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,”
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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.
Q-13 “Report of Project Activities: April 1\textsuperscript{st} to June 30\textsuperscript{th} 2000,”

J. Minutes of the Project Steering Committee

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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.