Report of the DSA Project Activities:
October 1st to December 31st, 2002

Project Report: Q - 23
April 18, 2003

Decentralization Support Activity Project

The DSA Project is implemented by Harvard University and funded by USAID and Ireland Aid
I. KEY ACTIVITIES OF THE REPORTING PERIOD

- The SNNPR BoFED is progressing well on the development of a new and more appropriate intra-regional transfer process.

- The new federal accounting system (double entry, modified cash) is operating without major problems in 138 federal institutions.

- Monthly accounts reports at the federal level are being issued using the new BDA3 computer system installed in the Central Accounts Department of MoFED.

- The Federal Accounting Manual 3 and the Federal Accounting Training Module 3 has been revised.

- The manual of the new accounting system for the SNNPR has been prepared (Manual 3-S) and plans for implementation of the accounts reform in EFY 1996 are complete.

- A draft of the manual of the new accounting system for the Tigray Region has been prepared (Manual 3-T) and plans for implementation of the accounts reform in EFY 1996 are complete.

- A capacity assessment of the SNNPR, bureaus, weredas and zones to execute the EFY 1995 budget was completed.

- New budget training materials were developed for Amhara, Oromia, SNNPR and Tigray.

- Budget reform teams were established in Amhara and Tigray regions.

- The budget structure and a budget training strategy for Amhara region were finalized.

- The user manual for BIS version 2 was revised.
II. CORE ACTIVITIES

A. Accounts Reform

- Federal Level Implementation

  During the reporting period, 97 of 167 reporting entities have delivered at least one report to the Central Accounting Department (CAD) using the new accounting system; 18 entities have delivered all monthly reports for the year. As of the end of this reporting period, 29 reporting entities have not implemented the new accounting system.

---Visits to Public Bodies

A team consisting of at least one person from CAD and one person from the DSA project person visited all of the 154 reporting entities since the beginning of EFY 1995. Many public bodies were visited a second time. The purpose of each visit was:

  o To verify that the new accounting system is understood.
  o To verify that the new accounting forms and registers are in place.
  o To eliminate or receive an explanation for existing backlogs.
  o To help accounts departments properly organize personnel.
  o To verify that start-up accounting entries are understood.

In addition, a qualified accountant at CAD was available to answer any questions on the implementation of the new accounting system. Many Public Bodies telephoned or visited CAD to receive more information.

---Training of Other Federal Personnel

The new accounting system impacts other federal personnel. CAD with the support of DSA conducted training for 45 members of the Inspection Department of MoFED and provided guidance and materials for training in the Office of the Auditor General.

- Accounting Procedures Manual 3

  A final Version 1.1 of Manual 3, the final revised version of the Federal Accounting Manual, was completed.

- Accounting Training Module 3

  A final Version 1.1 of Module 3, the final revised version of the Federal Accounts Training Manual, was completed.
• Fixed Asset Management

DSA finalized a draft of a fixed asset management manual. The manual was delivered to CAD.

• Accounting Reform in SNNPRG for EFY 1996

The SNNPRG Accounts Reform Team finalized a Version 1.0 of the SNNPRG Accounting Manual 4 with the assistance of DSA. An implementation schedule was created and all parties agreed. DSA began work on a training program.

• Accounting Reform in Tigray for EFY 1996

Tigray decided to implement the accounts reform in EFY 1996. DSA agreed to provide assistance. Tigray formed an Accounts Reform Team and members of Tigray’s Accounts Reform Team attended the meeting held to finalize Manual 4. A draft version of Tigray Accounting Manual 5 was distributed. An implementation schedule was created to which all parties agreed. The training program under development for SNNPRG by DSA will be adapted to Tigray.

• Assistance to the Ministry of National Defence

Discussions were held with the Ministry of Defence (MoD) about improving the accounting system employed within MoD. MoD wants to computerize its procurement processes and implement BDA 3 within the Ministry. Specifically, MoD requested the Project to do the following:

- Create a software program for MoD’s procurement process
- Provide technical assistance to determine hardware requirements to implement BDA 3
- Install BDA 3 and the procurement software on the new equipment
- Train MoD personnel on the use of BDA 3 and the procurement software
- Help MoD reorganize its internal financial processes around an installed BDA 3 and computerized procurement system.

1 BDA 3 is the Budget Disbursement and Accounting System which is a microcomputer based system for the disbursement and accounting for funds. BDA 3 was developed by the DSA Project to run the new double entry modified cash accounting system.
B. Budget Reform

- Budget Reform in the SNNPRG

---Capacity Assessment

Coverage: A region-wide assessment was conducted from September 27 to October 18, 2002 to assess the implementation of the budget reform in the SNNPR. Four assessment teams, each composed of 3 members from the SNNPR Bureau of Finance and Economic Development (BOFED) and one member from the DSA Project, visited 13 zone centers, 7 special weredas, and 26 weredas. Five pools at each zonal center and four pools at each wereda and special weredas were interviewed based on a questionnaire designed jointly by the DSA Project and the SNNPR BOFED (A-44 to A-47: “Capacity Assessment of region, zones and weredas in SNNPR to execute the EFY 1995 budget”).

Manpower: The assessment reports indicate that most of the available posts were not filled and the newly assigned staff (because of the devolution) had not arrived. In most cases the qualifications required are so high that the existing staff could not compete for the posts. The budget and accounts posts were temporarily delegated to the available staff.

Training: The new budget system is generally understood. Because of the devolution to weredas, most of the trained staff are assigned elsewhere or are competing for other posts. Few weredas said that they have sufficient staff capable of providing training. Most weredas feel that there is a need to train the newly assigned staff on budget preparation and execution.

Budget Execution: Weredas reported to the assessment teams that the 2nd Cycle budget notifications were not sent to them yet. No wereda has started implementing the FY 1995 capital budget. Salaries are requested on suspense and paid based on the number of the staff. Operating expenses are requested and paid according to the 1/12th increment of the total annual budget for operating expenses. Many weredas complained that they have shortage of budget to meet their obligations.
Two major reforms were carried-out in the SNNPR in 2002 (EFY1994): the implementation of the budget reform and the devolution of financial management to weredas. The devolution process implied a massive movement of staff that took place following the budget training programs. The objective of the restructuring undertaken by the government was to enable weredas to handle the budget preparation and management process. However, a number of problems were faced by the SNNPR Government during the second and third quarters of 2002: a) trained personnel in wereda finance offices were moved to other responsibilities or other locations, b) trained personnel were moved to non-government jobs, c) assignment of staff to work at wereda level was very slow and many were able to carryout financial responsibilities entrusted to weredas and d) a number of government staff - from regional offices or zone level departments - assigned to work at wereda level quit the civil service because they did not wish to work in weredas.

Furthermore, political problems in the SNNPR government necessitated a high-level meeting in Awassa that stretched for about three months involving all decision-making bodies of the region, paralyzing most activities in the region.

These events significantly affected the budget process and delayed the Cycle 2 budget of the SNNPR. The budget process has improved in the last two months of 2002.

Budget Forms: Weredas and zones feel that they do not have problems in filling the budget forms. A few weredas reported space issues on the “GeBeWe/11” forms - not enough space to write Birr figures. Some explained that they faced shortages of the new budget forms. Others complained that the new procedure creates more workload on the existing staff.

The DSA Project assisted the SNNPR in the production and distribution of (BIS) budget forms. Forms were distributed region-wide including a 20% supplement for each bureau at each level. Additional budget forms were stored in Awassa for those weredas who would need more. However, due to the political meeting that was taking place in Awassa at the time, very few requests were reported to Awassa and most responses to these requests were made after this assessment.
The Pool System: In most weredas the pooling system is established but not yet fully operational because of staffing problems but also because of lack of clarity of the procedures. During this reporting period, no pool has yet produced a monthly report for FY1995. Many weredas proposed that they need clarifications on the pool system.

Budget Structure: Weredas and zones reported that there is no missed organization or sub-agency in the budget structure. Some feel that having too many sub-agencies will create an excessive workload. The concept of budget structure is clear for those who were trained, but some still feel that more training on the concept of the cost center is required.

---Support in the revision of the block grant formula

In early November, the DSA Project conducted a workshop on the development of block-grant formulas for weredas. The workshop was held in Awassa and experts from SNNPR, Tigray, Oromia and Amhara regions participated. (P-51: "Regional Allocation of Resources, MTFF-PEP-Structure and Next Steps").

---Development of a revised Budget Guide

From December 10th to 13th, 2002, the Head of the SNNPR budget reform team worked with the DSA Project budget team in Addis Ababa on the revision of the Budget Preparation and Management manual as well as training modules designed for the SNNPRG and provided technical comments. The manuals are to be used for budget training this year in SNNPR.

Below are the manuals and training modules finalized at the end of this quarter:

• Budget Reform in Amhara Region

---Preparation of an Action Plan for FY 1995

The Amhara Regional Government Bureau of Finance and Economic Development, in conjunction with the DSA Project, has designed an Action Plan for the Budget Reform in Amhara Region for FY 1995 focusing on the budget call, regional allocations (grant formula), the budget ceiling, and the BIS strategy.

---Discussions on budget structure

Discussion was held on the draft budget structure of the region. The Amhara budget structure was finalized during the month of November 2002 and presents 38 public bodies and 144 sub-agencies at regional level; 25 public bodies and 36 sub-agencies at zone level (except for four nationality zones, the rest of the zones are branches of the regional bureaus); and 26 public bodies and 51 sub-agencies at wereda level. The regional BoFED presented the draft budget structure to public bodies for comments and suggestions. The regional Cabinet approved the budget structure at the end of December 2002.

---Training Strategy

The Amhara budget reform team (BRT) and the DSA Project have discussed and finalized the training strategy on budget preparation and execution. A core team of 10 trainers will participate in a training of trainers program and then will train a total of 248 Level-1 trainers selected from zones and woredas (two-from each). These Level-1 trainers in turn will train 2,825 wereda staff and 297 zonal staff in the Level-2 training programs, while the core trainers will train 64 additional regional staff. Wereda level training will include, 3 trainees per pool, 2 from each non-pool public bodies and 5 from each wereda Finance and Economic Development Office.

---Automation

The Amhara Regional Government BOFED IT-Team presented its proposal with respect to BIS implementation scenarios and requirements in the region. Four scenarios were proposed and discussions were held between the DSA-IT Team and the Amhara IT-Team. The proposed scenarios for the installation of computers and implementation of the BIS were, 1) at the regional level only, 2) at the region level and all zones, 3) at the regional level, all zones and 2 woredas, 3) at regional level, all zones and 4 woredas. The hardware requirement and other supplies as well as the training requirements have been thoroughly discussed by the two teams. Finally, consensus was reached for further refinement of the options in terms of availability of funds, skilled staff in the region at different levels, and the
capacity of DSA-IT staff in terms of the Project’s commitment in other regions.

---Revised Action Plan

The Amhara Budget Reform Team and the DSA Project have jointly prepared an action plan that contains details of tasks that have to be performed for the implementation of the budget reform. There are two major categories of tasks: 1) procedural tasks including completion of the budget structures, preparation of training materials (including translation and production of manuals), customization of budget forms, finalizing staff assignment, etc., and 2) delivery of training.

---Development of the “budget preparation and management” and the “Accounting and reporting” manuals and training modules for the Amhara region.

During the week of December 16 to 18, 2002, two DSA staff members visited the Amhara Regional Government Bureau of Finance and Economic Development to discuss 1) the development of budget training modules, 2) the status of procedures required to implement the budget reform, and 3) the revision of activities in terms of the Action Plan.

The previous action plan was revised to indicate next steps so as to accelerate the reform.

The Amhara budget reform team also worked with the Project on the draft budget preparation and management manual as well as the training modules.

The following manuals and training modules were finalized by December 31, 2002:

- Budget Reform Manual - Volume II – “Accounting and Reporting” (B-79)
- Budget Training Module – Volume II – “Accounting and Reporting” – *Guide for Amhara Region* - Trainee version” (T-114)
Budget Reform in Tigray Region

The Project held discussions with officials of the region on a range of issues with respect to the new Civil Service Budget Reform. The following activities were completed:

---Finalization of the Budget Call Process

The two cycles in the budget call process have been rationalized after discussions with the region. The new budget call process includes only one cycle with two phases. Phase 1 involves planning at the public body level

---Finalization of Budget Guide

A budget guide (B-78) on how to prepare and administer the budget in weredas, zones and regions has been discussed with the regions and finalized.

---Finalization of Budget Training Module & Solutions

A budget training module trainee version (T-117) with the trainer version - Solutions (T-116) on how to prepare and administer the budget in weredas, zones and regions has been discussed with the regions and finalized. In this regard, a workshop was conducted at the Global Hotel in Addis Ababa with representatives from Tigray, Amhara and SNNPRG regions from January 13 to 14 to agree on the contents and finalize the training module. The budget manual and the training modules will then be translated into Tigrigna.

The following activities are in progress:

---Preparation of the Budget Structure

---Translation of the Budget Forms

---Review of the training strategy for budget preparation

---Finalization of the financial calendar

Budget Reform in Oromia Region

On November 11, 2002, officials from the Oromia Bureau of Finance and Economic Development visited the DSA Project to discuss areas of possible
support for the implementation of the budget reform in Oromia region. The DSA Project explained that its assistance to Oromia region for FY-95 is limited because of limited financial resources, limited staff, and prior commitments in other regions. The Project however informed the Oromia team that support could be provided in reviewing the block-grant formula and providing limited budget training to trainee-trainers. Preparation of budget manuals and training modules as well as limited BIS support will also be provided by the Project.

The DSA Project also suggested that Oromia region has to strengthen the administrative/management aspect of the reform, establish a strong budget reform team, and participate in discussions with reform teams of other regions.

C. Expenditure Planning

- The expenditure planning consultant, Perran Penrose, visited from 27 October to 15 November. He focused on the continuing development of the wereda grant system in the SNNPR.

The planning reform in SNNPR has had to adapt to the demands of wereda decentralisation. It is apparent that the policy of mirroring the federal subsidy formula in the regions for the purpose of wereda transfers is not satisfactory. The offset system created many problems for weredas and zones (even though for 1995 there was no offset in the federal subsidy, which was a very welcome development and should continue); the revenue premium created further inequity; and the inappropriateness of the formula for a fiscally stressed system that is also in need of structural adjustment has meant that existing imbalances between weredas and general allocative inefficiency in the regional budget as whole persist.

Staff have been assigned to the reform in SNNPR, and the following activities are in progress:

- a region-wide data collection exercise to provide information on key indicators of service delivery in the weredas.
- analysis using the BIS of wereda financial data. The combination of these two will provide information on key unit costs.
- the development of a needs based formula on which to base wereda transfers. The formula will represent a ‘Generation II’ formula, and is designed to ensure that wereda commitments can be financed while at the same time planning within the medium term any restructuring that is necessary. The structure will also propose a revised approach to capital budgeting, including foreign aid. It is also noted that no taxes have been assigned to weredas, so that all revenues are regional revenues.
- development of the regional GDP exercise into a regional MEFF.
- development of a performance target system for weredas.

D. Information Systems

• The BDA3 System

A new BDA (budget disbursement accounting system) (termed BDA3) to complement the new accounting system is operating. The new BDA3 system consists of four modules: treasury/disbursement, budget adjustment, CAD transaction register, and monthly report consolidation. All modules are complete, in operation and are performing well.

During the reporting period the Project was providing continuous day-to-day support which includes: data backup, assistance in printing reports, and on-the-job training.

Modifications were introduced into the "Transactions Register" module to allow editing of transactions by CAD staff.

User manuals for the five modules have been prepared.

A public body version of the "Transactions Register" module is currently being tested by the Ministry of Health.

• Improvements in the BIS Version 2

The new reports requested by the SNNPR BoFED were added. Training on the using the BIS for analysis was provided to the SNNPR staff. Support for the cycle 2 budget preparation (the final budget for FY 1995) continued during this period. Ad-hoc analytical reports were produced as requested by the SNNPR BoFED staff.

Enhancements for the FY 1996 budget preparation were completed and include:
- new reports calling interface
- better data recording interface
- better commitment handling
- better user management.

• User Manual for BIS Version 2

A detailed user manual for the Budget Information System (BIS) was finalized during the reporting period (IT-BIS-5). The manual is in English and will be translated into Amharic, Oromiffa, and Tigrigna.
• User Manual for the BDA3

A detailed user manual was developed for the DSA developed Budget Disbursement and Accounting System (BDA) version 3 (IT-BDA-4). BDA version 3 or BDA3 has the capabilities to manage the new double entry and modified cash accounting system. The manual is in English and will be translated into Amharic, Oromiffa, and Tigrigna.

• Support to the Ministry of Finance and Economic Development (MOFED) in processing the EFY 1996 budget data.

The MOFED Budget Consolidation Department has agreed to process the EFY 1996 budget data using BIS and produce comprehensive budget documents using the BIS. A network will be established (a data processing pool) on the fifth floor of MoFED where training will be held for data entry clerks (who will be entering the EFY 96 budget data) as well as experts (at a later stage). All budget data entry will be done in the BIS data processing pool.

• Upgrading MOFED IT staff capabilities in Microsoft Visual Basic Programming and SQL Server Database Administration

Following discussions with the MOFED IT Department, a training program on Visual Basic and SQL database administration was organized for five staff from the MOFED IT Department, including the Department Head. The training program’s objective was to enable the MOFED IT staff to acquire the necessary skills and knowledge to understand and manage the “Budget Information System” (BIS) and the “Interim Budget, Disbursement and Accounts” (BDA) systems developed by the DSA Project.

This Microsoft certified training program was however questioned by Minister d’Etat Getachew Gebre. His observations were: a) there was no guarantee that the trained MOFED staff would continue to work for the Ministry after the training, b) the cost of training was very high and c) the Ministry should train a maximum of only two staff.

The DSA Project re-examined the selection process and criteria used in choosing between the only two training centers that provide the required Microsoft Certified Training Programs. However, judged against the comprehensiveness and adequacy as well as international standard of the courses offered, the prices were acceptable.

The problem with the training centers however is that these classes are not scheduled frequently. A maximum of 5 to 6 participants are needed to run a class. So far, the center needs two or three participants in addition to the two MOFED IT staff to start the training program. Perhaps three or four
additional IT staff from regions may be selected at a later stage to be trained in these courses together with the MOFED staff.

With the Budget and Accounts Reforms being implemented in regions, both the BIS and the BDA will be managed by regional IT staff that will need to be trained.

As of the end of this reporting period, MoFED had not moved forward with this proposal.

E. In-Service Training

- Budget execution training in Tigray region

Level 2 Budget Execution Training Program was conducted in 33 weredas in Tigray region involving 16 participants from each of the weredas and a total of 528 participants. Two weredas did not conduct this training for various reasons and are expected to run the Budget Execution Training Program during the first quarter of 2003 for about 32 additional participants. That should bring the total number of Budget Execution Training participants in Tigray region to 610. (See Annex 1, Training figures).

- Accounts Reform (Module 3-S) Training in SNNPR

A training program involving 436 Accountant/trainers is scheduled to start on February 10, 2003 at the Furra Training Institute in Yirgalem town, Southern Region. The training program will run up to June 20, 2003. 2,847 accountants will be trained in zones and weredas from June 23 to July 4, in the Southern Region.

- In-Country Specialist Capacity Training

The regional management institutes did not provide any in-service training programs this year. Requests for funds for the training of additional staff are continuously being made by all RMIs and mostly the Somali, Benishangul Gumuz as well as Gambela regions. The Afar RMI on the other hand possesses a newly built facility and also requires the training of its trainers as well as funding to equip the RMI and conduct training.

III. OUTSTANDING ISSUES

- Cancellation of EU Funding

The Phase 3 budget of the Project was reduced by $1.5 million and it was agreed by the Government and USAID that additional donor support would be sought. Ireland Aid and the European Union expressed interest and
requested a proposal from the Project for funding. The DSA prepared a proposal for both Ireland Aid and the EU (Reports M-16). Each of the Proposals was for one million euros and they were designed to support the in-service training of the budget and accounts reform. During the reporting period the Project was notified by the EU that it would be unable to fund the proposal. Both cancellation and its late date will require the Project to reschedule its proposed activities for EFY 1995 and reduce the number of activities it can implement. While the cancellation is not categoric, the Project cannot proceed without firm funding commitments. The Project assumes that the funding is cancelled.

• Delays in Funding

During the reporting period Ireland Aid became a funder of the project. Delays in government approval of this funding forced the project to temporarily suspend technical assistance to the regions. Assistance was restored by the end of the reporting period.

• Incomplete Implementation of the Accounts Reform in the Federal Government

As of this reporting period, 29 of the 167 reporting entities of the Federal Government had not implemented the new accounting system. The Project will request the Central Accounts Department of MoFED to look into the explanation of why these institutions have failed to carry out the reform. Of particular concern is the performance of the Ethiopian Road Authority (ERA). ERA has approximately 46% of the capital budget yet it has not adopted the new accounting system.

• Delays in the Expenditure Planning Reform in the Federal Government

The recommended system of expenditure planning in the regions reflects the system recommended at the federal level, which, as reported in previous quarterly reports, has been designed with DSA support but which has not progressed because no MoFED staff have been allocated to the process. The DSA Project has provided extensive technical assistance in the design of a medium term expenditure framework (see reports P-41, P-42, P-43, P-44, P-45, P-46).

The CFAA report noted the absence of medium term expenditure planning in Ethiopia, and DSA remains ready to support continued development once MoFED has established the institutional systems to manage it. As noted in the DSA reports, the fragmentation between the planning and budget departments of MoFED make it difficult to manage the PEP, both because a central part of the PEP process is the timely preparation and announcement of the regional subsidy, and because the PEP will require close collaboration with regional BoFEDs. Assigned staff with authority to manage the PEP are a precondition for any successful exercise.
The need for better integration of the processes has been illustrated again by the late announcement of the 1995 subsidy, and the absence of an announcement for 1996 at the time of writing (Feb 2003). The failure to announce the subsidy has had a serious impact on regional planning.

- Clear Decision on Implementing Regional Reforms

As of December 31, 2002, the decision to implement the accounts reform in SNNPRG and Tigray has not been made. Indecisiveness during the quarter caused accounts implementation to lose one month's time. Originally, training in the new system was scheduled to begin January 10, 2003.

- Directive for the New Federal Accounting System

On August 28, 2002, DSA requested that MoFED issue Accounting Manual 3 as a formal directive. Without a formal directive, the authority of Manual 3 can be questioned and problems may arise with government auditors. To date, no directive has been issued.

- Duplicate Computer Systems

The BDA2 developed by DSA includes a module to assist the Treasury function. The system was installed in the Treasury Department and was used successfully for the first three months of EFY 1995. The module is integrated with BIS and the BDA accounting functions. The Treasury Department is no longer using this module. Treasury now uses BDA1 which is not integrated with BIS or BDA.

The Treasury data was entered in the Treasury Module of the new BDA3 from July through September. DSA IT support staff performed this function while providing on-the-job training to Treasury Department staff. During this time, modifications were made to the system per Treasury Department requirements. All required reports were produced and submitted to the Treasury Department. In September 2002 DSA was informed that MoFED Data Processing Service would begin entering data into the BDA2 and that DSA services were no longer needed.

The new BDA3 offers features that the Treasury Department must use and is not currently using since the old BDA2 does not provide these features:

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2 BDA1 (Budget Disbursement Accounts 1) is the original BDA system that operated in the Ministry of Finance until FY 1993. BDA2 is an upgrade of BDA1 and was upgraded by the DSA Project in FY 1993 to run the new chart of accounts. BDA3 is the latest version of BDA and is a new system developed solely by the DSA Project in FY 1994 to manage the new chart of accounts and the new double entry modified cash accounting system.
a) Along with the Budget Adjustment Module, the system provides the adjusted budget to the Treasury Department. Budget adjustment is up-to-date at Central Accounts Department (CAD). Currently, the Treasury Department is not aware of these budget adjustments.

b) The new system also shows current authorizations for every budgetary institution and consolidated reports in real time (at the time of request). The old BDA2 does not have this functionality.

The duplication of system development is an inefficient use of resources at best; developing systems that do not communicate with each other is destructive at worst.

- Limited Personnel

The pace of accounting reform in the Federal government and in SNNPR and Tigray is staggering. In CAD, there are six senior accountants (including the Head) who are experts in the new accounting system. They also are the senior experts who run the CAD on a daily basis. The same people are expected to coordinate all accounting reforms in all regions. In the SNNPRG the six members of the Accounts Reform Team are Heads of Departments and Sections in BoFED or accounting experts in their institutions. All are important personnel in the daily operation of BoFED and their institutions. Most are heavily involved in the budget reform and the devolution as well as Accounts Reform. In Tigray, with budget and accounts reforms happening simultaneously, the situation is the same. The greatest risk to successful implementation of the accounts reform is the shortage of expert personnel to guide and implement the reform.

- Impact of tax reform and municipalities

The government is undertaking a significant tax reform that directly impacts accounts. The tax system is adding a sales withholding tax and a value-added tax. Collection and administration of these taxes requires complicated accounting at the Ministry of Internal Revenue and the Central Accounts Department of MoFED. At the same time, the government is undertaking a project to identify and reform the financial management of municipalities. Part of this reform is a design of an accounting system for municipalities. Neither of these reforms changes the new accounting system of the CSRP; in fact, both are easily accommodated by the new accounting system.

Integrating these reforms into the new accounting system will require significant time and effort on the part of Central Accounts Department personnel.
• **Tigray Budget Reform: Restructuring of Public Bodies**

The Tigray region is in the process of extensively restructuring its public bodies. The initiative might potentially delay the budget request and notification process as the restructuring adversely impacts the financial calendar in terms of the timing of the following activities:

- Finalizing the list of public bodies and their sub-agencies
- Finalizing the budget structure
- Finalizing the contents of the budget training module
- The number of people trained
- Preparing ceilings for public bodies
- Issuing the budget call
- Submitting the budget request
- Recommending and approving the budget
- Budget notification

The Project strongly supports the restructuring of public bodies at wereda level to simplify financial management. However, the restructuring exercise must be completed as soon as possible to minimize delays in the budget.

• **Tigray Budget Reform: Management of the Reform**

The management of the budget reform within the region is a weak link as demonstrated by the constant changes to agreed action plans. The key areas of concern are the following:

- Only two members of the budget reform team are currently active – the other members of the team are assigned to other jobs.
- The two active members are unable to dedicate and allocate the time required to the reform as they have other duties to perform.

Because of the above situation, the planned set of activities that need to be undertaken to move the reform forward is delayed. The Project recommends that the Region reviews the size and composition of the budget reform team to ensure that the team is adequately staffed with qualified personnel who are assigned with the sole responsibility of moving forward the budget reform.

• **Lack of Office Space**

The Project has reported its office space needs to the Ministry on various occasions and the Ministry responded by reducing rather than increasing the space. The Project's IT staff has now vacated the MOFED compound. This action will impair the support to the Ministry's budget (BIS) and
accounting (BDA) computer systems developed with the assistance of the Project.
ANNEX 1

TRAINING FIGURES
## ANNEX 2

### 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,” 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-33 “FY1994 Recommended Budget for the FDRE, Volume I, Budget Summary.” Amharic Version

B-34 “FY1994 Recommended Budget for the FDRE, Volume II, Budget Details.” Amharic Version

B-35 “FY1994 Recommended Budget for the FDRE, Volume I, Budget Summary.” English Version

B-36 “FY1994 Recommended Budget for the FDRE, Volume II, Budget Details.” English Version

B-37 “FY1994 Approved Budget for the FDRE, Volume I, Budget Summary.” Amharic Version

B-38 “FY1994 Approved Budget for the FDRE, Volume II, Budget Details.” Amharic Version

B-39 “FY1994 Approved Budget for the FDRE, Volume I, Budget Summary.” English Version

B-40 “FY1994 Approved Budget for the FDRE, Volume II, Budget Details.” English Version


B-47 "SNNPRG EFY 1995 Budget Call for Regional Public Bodies."
[Amharic version]

B-48 "SNNPRG EFY 1995 Budget Call for Zone Public Bodies."
[Amharic version]

B-49 "SNNPRG EFY 1995 Budget Call for Woreda Public Bodies."
[Amharic version]


B-51 “FY1995 Requested Budget for the FDRE, Volume I, Budget Summary.” Amharic Version

B-52 “FY1995 Requested Budget for the FDRE, Volume II, Budget Details.” Amharic Version

B-53 “FY1995 Requested Budget for the FDRE, Volume I, Budget Summary.” English Version

B-54 “FY1995 Requested Budget for the FDRE, Volume II, Budget Details.” English Version
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