

**Ethiopia:**

**PEFA**

**Regional Public Financial Management  
Performance Report**

April 2007

# Table of Contents

Exchange Rates, Calendar Information and Abbreviations.....	2
Summary Assessment .....	5
1. Introduction .....	12
2. Background Information .....	14
2.1 Economic Country Situation.....	14
2.2 Recent Budgetary Outcomes.....	16
2.3 The Legal and Institutional Framework for PFM.....	19
3. Assessment of the PFM system .....	21
3.1 Budget Credibility.....	21
3.2 Transparency and Comprehensiveness .....	25
3.3 Policy-based budgeting .....	30
3.4 Predictability and Control in Budget Execution .....	32
3.5 Accounting, recording and reporting.....	39
3.6 External scrutiny and audit .....	41
4: Government Reform Processes .....	45
Annex 1: Performance Indicators Summary .....	<b>Error! Bookmark not defined.</b>
Annex 2: Sources of Information .....	55

# Exchange Rates, Calendar Information and Abbreviations

## CURRENCY AND EXCHANGE RATES

Currency unit = Ethiopian Birr (ETB)

€ 1 = ETB 11.872 (As of April 2, 2007)

US\$ 1 = ETB 8.8873 (As of April 2, 2007)

**Government Fiscal Year (FY):** July 8 – July 7

Ethiopian Fiscal Year (EFY)	Gregorian (European year Equivalent)
1994	2001/02
1995	2002/03
1996	2003/04
1997	2004/05
1998	2005/06
1999	2006/07

## ACRONYMS AND ABBREVIATIONS

AD	Administrative Department
ADB	African Development Bank
AG	Auditor General
BI	Budget Institutions (ministries, agencies, institutions, and other budgetary units)
BoFED	Regional Bureau of Finance and Economic Development
BS	Budget Support
CBE	Commercial Bank of Ethiopia
CAD	Central Accounts Department
CFAA	Country Financial Accountability Assessment
CPA	Central Personnel Agency
CPAR	Country Procurement Assessment Report
CG	Central Government
CIDA	Canadian International Development Agency
COFOG	Classification of Function of Government
DEMFAS	Debt Money and Financial Analysis System
DSA	Decentralized Support Activity Project
EC	European Commission
ECA	Ethiopian Customs Authority
EFY	Ethiopian Fiscal Year
EU	European Union
FA	Fiduciary Assessment
FD	Finance Department
FIRA	Federal Inland Revenue Authority
FPPA	Federal Public Procurement Agency

FY	Financial Year or Fiscal Year
GDP	Gross Domestic Product
GFS	Government Financial Statistics
GNI	Gross National Income
HIPC	Highly Indebted Poor Countries
HIV/AIDS	Human Immunodeficiency Virus/Acquired Immunodeficiency Syndrome
HRD	Human Resource Department
ID	Inspection Department
IDA	International Development Agency
IMF	International Monetary Fund
IMIS	Integrated Management Information System
INTOSAI	International Organization of Supreme Audit Institutions
IPSAS	International Public Sector Accounting Standards
IT	Information Technology
MDA	Ministries, Department and Agencies
MDG	Millennium Development Goals
MEFF	Macroeconomic and Fiscal Framework
MEPD	Ministry of Economic Planning and Development
MOFED	Ministry of Finance and Economic Development
MTBF	Medium Term Budget Framework
NAO	National Authorizing Officer
NBE	National Bank of Ethiopia
ODA	Overseas Development Assistance
OECD	Organization for Economic Cooperation and Development
OFAG	Office of the Federal Auditor General
ORAG	Office of the Regional Auditor General
PAC	Public Accounts Committee
PASDEP	A Plan for Accelerated & Sustained Development to End Poverty
PBS	Protection of Basic Services
PE	Public enterprises
PEFA	Public Expenditure and Financial Accountability
PER	Public Expenditure Review
PFM	Public Finance Management
PIP	Public Investment Program
PM	Prime Minister
PIP	Public Investment Program
PPESA	Privatization and Public Enterprises Supervising Agency
PRSP	Poverty Reduction Strategy Program
PSCAP	Public Sector Capacity Building Programme
SCOPE	Cabinet Standing Committee on Public Enterprises
SDPRP	Sustainable Development & Poverty Reduction Program
SIGTAS	Standard Integrated Government Tax Administration System
SME	Small and Medium Enterprises
SN	Sub National
TIN	Taxpayer Identification Number
TOR	Terms of Reference

UNDP	United Nations Development Program
VAT	Value Added Tax
WB	World Bank
WoFED	Woreda Office of Finance and Economic Development

# Summary Assessment

The good performance of institutions and systems of Public Finance Management (PFM) makes it more likely that governments reach the three interrelated objectives of budgetary management, namely:

- Aggregate fiscal discipline;
- Strategic allocation of resources in accord with the priorities of public policies;
- Efficient service delivery.

This report presents an evaluation of PFM performance in seven regions of the Federal Democratic Republic of Ethiopia based on an international reference framework (PEFA). With the use of high-level indicators, this framework contemplates six critical dimensions:

- (i) Credibility of the budget;
- (ii) Comprehensiveness and transparency;
- (iii) Policy-based budgeting;
- (iv) Predictability and control in budget execution;
- (v) Accounting, recording and reporting;
- (vi) External scrutiny and audit.

In addition donor practices have also been taken into consideration.

In conformity with the PEFA methodology this report does not include detailed recommendations (but only recommendations on potential areas of intervention for PFM reforms). Notwithstanding, after the discussions with donor partners (regarding the outcome of the exercise), the Government of the Federal Democratic Republic of Ethiopia with the assistance of the donor community is welcome to elaborate a detailed action plan (of priority actions) with the objective of improving PFM performance. This would be an on-going effort together with the regular update of the assessment and the measurement of progress made.

The structure of this section follows the PEFA methodology and is structured according to the six core dimensions of an open and orderly PFM system identified by the PEFA Performance Measurement Framework.

## **(i) Integrated Assessment of PFM Performance**

### ***Credibility of the budget***

The constitutional change in fiscal federalism and decentralisation of mandates to sub-national levels has been applied uniformly across regions. Nonetheless, regions and weredas at a sub-regional level rely on transfers from the federal

centre and have limited independence to raise revenue. No SN entity may run deficits, although there are discrete examples of expenditure over-runs at least at wereda level.

For the 7 regions, budget management has been good and regional fiscal deficits are non-existent.

Revenue forecasts are not realised fully at either regional or wereda levels although own revenue accounts for only 10% of total revenue and the remainder is made of transfers. Revenue forecasts at wereda level are over-optimistic and imposed as targets from regions. Sample data at weredas visited highlighted variance from plan of own revenue by up to 20%.

Regional and wereda budgets were found to be almost fully financing recurrent expenditure. There was no ex-post evidence of aggregate expenditure variance of outturn compared to original approved budget at regional level or at the weredas sampled in four regions; the same applied to composition of budget expenditure outturn against budget. The two regions where this could not be validated were Gambella and parts of Benishengal.

There were no expenditure arrears noted although some weredas reported an occurrence in the last fiscal year due to unmandated salary increases imposed on the back of a directive from the Ministry of Capacity Building.

### ***Comprehensiveness and transparency***

The comprehensiveness and transparency of the budget at regional and wereda levels was found to have improved in recent years, particularly with all transactions conducted through the Single Pool account. Capital expenditure is handled at either regional or zonal levels and there was therefore no evidence of liabilities for suppliers of goods and services at wereda level and none was reported for regional level. This cannot be validated for Gambella and parts of Benishengal.

The transparency of the budget has improved in recent years. Information on the budget is available and discussed with the wereda councils and either posted at the Wereda Finance Offices (WoFEDs) or printed in the local/regional press. The same applies for regional budgets. Reporting has also improved, but year-end financial statements were delayed in some regions.

The transfer of funds by donors direct to wereda level outside the budgetary process impedes comprehensiveness and transparency. Whilst the single pool system is used at the wereda level, the amounts transferred and the timeliness is not clear or fully captured as funds go direct to the wereda level. Furthermore, there is no clear accountability of the aggregate sums.

### ***Policy-based budgeting***

In theory the budget preparation phase is reasonably robust at both regional and wereda level. Both MoFEDs and BoFEDs have planners who liaise with sectoral experts and sectoral strategies. In practice, budgets are so constrained (\$5-8 per capita) that the budgets finance salaries with education, health, agriculture and administration accounting for the majority of funding without recourse to these plans – based in essence on the simple rule of last year’s distribution of expenses.

The same is broadly true of the actual totals budgeted. Whilst in principle there is a bottom-up budget proposal from WoFEDs the actual budget ceiling from BoFEDs tends to be based on last year’s total adjusted for inflation.

A consistent concern at wereda levels was the allocative mechanism or formula used by each of the BoFEDs. Although the currently applicable formulae in each region are essentially the same and based on population, development and per capita income, there is no transparency in the precise data used. The same issue holds at regional level.

### ***Predictability and control in budget execution***

All taxes raised at SN level have a legal basis, and there is uniformity across the country as the taxation system is standardised, and thus the regional proclamations governing taxation are uniform one to another. Taxpayer obligations are transparent and appeals processes exist. But there is not a uniform registration system, which means that it is difficult to determine the rate or effectiveness of registration ‘capture’. Similarly tax penalties exist but it is difficult to tell how effective these are, due to a dearth of information. Arrears amongst those who are registered for tax, however, are slight. This is an area undergoing considerable reform, but it is noted that there are significant capacity constraints in this area.

Cash forecasting is done through out SN jurisdictions, although it should be noted that most expenditure is routine (the most significant recurring item being payroll expenditure). Forward planning is evident. Ceilings information provided by the beginning of the fiscal year compared to actual resources received at SN level are consistent, and disbursement by way of grant predictable.

Payroll controls are robust. There are strong links between HR records and payroll data, and any changes appear to be actioned in a timely manner. There is regular internal audit scrutiny.

Procurement reforms are being rolled out nationwide. New guidelines set out competition thresholds. These are being adhered to although thresholds themselves appear very low, resulting in strains on already limited capacity and



resources (e.g. transport), particularly in rural weredas. Less competitive methods of procurement are not used or sanctioned. But there are no procurement complaints procedures operational as yet, although the law allows them.

Internal controls for non-salary expenditure are strong (although it should be noted that at SN level recurrent expenditure outside of payroll is often insignificant). Budgeting and accounting reform has embedded a commitment system based on cash planning. The rules around these and other internal controls are widely understood and there appears to be a high degree of compliance.

Internal audit reform is underway nationwide, with the introduction of a new systemic methodology and the rollout of a new manual. The actual quality and nature of internal audit SN jurisdiction to jurisdiction is uneven, with some regions embracing systemic methodology, whilst others are more rooted in the 'inspection' approach. But report distribution is wide (although not institutionalised by reporting schedules), and there are links with Regional Auditors General (ORAGs), which contrasts favourably to the situation at federal level). There is also ample evidence of strong follow-up of internal audit recommendations, sometimes by elected members.

There is prompt reconciliation of bank accounts across all regions, but clearance of suspense accounts is not as timely.

Funds are received at service delivery points, and the Chart of Accounts is able to produce disaggregated data that shows this.

Both in-year reporting and production of end of year financial statements have been historically problematic, but this is gradually being resolved by the roll-out of Decentralisation Support Activity (DSA) reforms (with regions towards the end of the sequenced roll-out such as Afar and Gambella not performing as well as others). Timeliness of reporting generally mirrors the pattern of reform rollout, with some regions still experiencing significant delays with others able to produce timely in-year and end of year information.

### ***External scrutiny and audit***

At SN level each region has a Regional Auditor General whose office is responsible for the external audit of activity at regional and wereda level. The mandate of the Federal Auditor General to track funds down to wereda level is a point of contention, but the relationship between his office (OFAG) and those of his regional counterparts (ORAGs) is strong and mutually supportive. However, in terms of scope ORAG coverage is generally less than 50% of total

expenditures, with coverage of weredas often insubstantial. Follow-up of recommendations was also uneven.

Regional legislatures and wereda councils review annual budget laws, although capacities to do this effectively and in detail are often limited. The right of review is uniformly respected, but is often given little time. A regulatory framework that requires the involvement legislatures governs in-year amendment. This is also respected.

Save for Dire Dawa, where the ORAG reports to the executive, legislative scrutiny of audit reports takes place within three months. Specific audit hearings took place in two of the regions reviewed, with similar variations shown regarding the issuance of recommendations by the legislature.

## **(ii) Assessment of the Impact of PFM performance**

At the aggregate level there have been noticeable improvements in the PFM system at SN level, in particular around the ability of the authorities to achieve and maintain fiscal discipline, and to maintain comprehensive and transparent budgetary systems. Improvements in the provision of in-year information (as reforms at SN level become embedded) have enhanced this.

A well-classified budget, comprehensive budget information, and a well-defined budget process all contribute to strategic allocation, although at present budgetary processes are annualised, and are not focused sufficiently on the medium term. A move towards medium term budgeting, linked to strategic plans, and greater clarity at SN level, in particular wereda level, will enhance strategic allocation further. More robust institutional linkages between plans and budgets will enhance also strategic allocation, particularly in the context of scaling up resources for primary service delivery, an issue that has driven donor support for the Protecting Basic Services modality. Currently absorptive capacity exists for Ethiopia, and particularly jurisdictions at SN level, but for opportunity costs and the potential for positive development outcomes to be maximised strategic allocation needs to be enhanced.

Efficient service delivery is already aided by predictability of fund flows to SN jurisdictions, robust expenditure controls, an improving situation with regard to procurement, improving internal audit, improved reporting and relatively robust oversight, underpinned by a service culture which is intolerant of corruption. But again there are gains to be made in terms of moving towards a multi-year budget perspective, and further gains will also be made when ongoing reform processes (e.g. procurement, internal audit, in-year reporting) become embedded uniformly across all regions.

### **(iii) Prospects for reform planning and implementation**

Most current reforms are encapsulated in the Expenditure Management and Control Programme (EMCP), which (along with other reforms such as the tax reform programme and procurement reform) is now part of the multi-sector Public Sector Capacity Building Programme (PSCAP), a \$400 million programme supported by a number of donors paying into a pooled fund. There has been a fairly successful track record of reform in Ethiopia, building on a strong culture of public service and now driven by colossal commitments of government to empowerment through decentralisation. Leadership is high, and well-articulated support modalities exist through PSCAP (although bottlenecks, some on the donor side, need to be removed so that funding can be properly mobilised).

The elements of the EMCP that impact most on SN PFM performance have been the budgeting, accounting and FIS reforms rolled-out country-wide via the Decentralisation Support Activity (DSA) project. But the apparent unevenness of PFM performance from one region to another – evident from comparing some of the PI indicator scores - can be explained in part by the fact that reform roll-out has been sequenced across the regions; some regions have undergone several iterations of reform (e.g. Oromiya, Tigray) whilst others (Afar) are only just benefiting. When some of the key innovations of the DSA programme, including double entry accounting and single pool accounts, are rolled out universally, the overall standard of PFM will improve and regional variations will be reduced.

However, the DSA programme is soon to come to an end and a challenge will be how to manage the transition and maintain reform effort. Government leadership in this area is high, but the capacity to take forward a coordinated reform programme across a number of areas is one which may well need ongoing partner support for some while.

There are other challenges to reform, too. The most acute is that presented by limited human capacity. Put simply, there are not enough qualified professional staff to go around, and the review team noted many vacancies, especially in wereda establishments, and often in key areas – notably planning and internal audit. Both attracting and retaining staff are difficulties, particularly in remote weredas, and turnover is often high.

A lack of some basic office infrastructure, e.g. office space, and desks, plus some less basic infrastructure, such as motorised transport, puts further pressure on the system. Simple compliance with procurement regulations or the need to perform basic banking business in remote weredas is often a logistical nightmare. The recent creation of new weredas has, if anything exacerbated this set of problems.



# 1. Introduction

**Background and objectives** During its negotiations with the World Bank on the Protection of Basic Services (PBS) modality, the Government of the Federal Democratic Republic of Ethiopia agreed to have a Programme of Public Expenditure and Financial Accountability (PEFA)<sup>1</sup> assessment in 2006 that would build on the Fiduciary Assessment (FA) completed in 2004<sup>2</sup>. It will cover the Federal Government and those regions that were not, or only partially, covered in the first FA<sup>3</sup>.

With the objective of preparing this evaluation, the Government of the Federal Democratic Republic of Ethiopia agreed with the Delegation of the European Commission and Canada to the conduct of a review using the PEFA PFM Performance Measurement Framework. This Framework includes this PFM performance report and a set of high-level indicators, which draw on the HIPC expenditure tracking benchmarks, the IMF Fiscal Transparency Code and other international standards.

The main objectives of the current exercise are to:

- (i) Create an integrated monitoring framework that allows measurement of the country PFM performance over time;
- (ii) Contribute to the government reform process by determining the extent to which reforms are yielding improved performance and by increasing the ability to identify and learn from reform success;
- (iii) Facilitate harmonised dialogue between Government and donors around a common framework measuring PFM performance.

Moreover, the PEFA exercise aims, in the case of the Federal Democratic Republic of Ethiopia, to address weaknesses in PFM (at both the Federal and regional levels) in order to contribute to better implementation of existing reforms.

The PEFA review in Ethiopia has been split into two discrete processes. Reports from both processes will be presented simultaneously. The first process has

---

<sup>1</sup> PEFA is a multi-agency partnership program sponsored by the World Bank, the International Monetary Fund, the European Commission, the UK's Department for International Development (DFID), the French Ministry of Foreign Affairs, the Royal Norwegian Ministry of Foreign Affairs, the Swiss State Secretariat for Economic Affairs, and the Strategic Partnership with Africa (SPA). In the PEFA website [www.pefa.org](http://www.pefa.org) additional information on the program can be found.

<sup>2</sup> In 2004, the Government of the Federal Democratic Republic of Ethiopia and the Budget Support Donors agreed on the Terms of Reference for a FA that would serve as an input to the Government's Annual Progress Report on the SDPRP. The first FA, covering the Federal Government and 7 regions, was carried out in the last quarter of 2004 and a final draft report was submitted in August 2005.

<sup>3</sup> This present report covers seven regions: Afar, Benishengal, Dire Dawa, Gambella, Harar, Tigray and Oromiya. A separate report covers Federal systems.

looked at systems operating at federal level. The second process (upon which this report is based) has looked at systems operating at SN level in Ethiopia, in a sample of the countries Federal regions and the districts or weredas operating below them.

A joint government-donor Steering Committee (SC) chaired by the State Secretary of the Ministry of Finance has been established to provide overall guidance to the assessment process, although the Consultants independently conducted the PEFA exercise fieldwork and allocated scorings to the Performance Indicators (PIs).

**Process at the Sub-national (SN level)** The regions reviewed in this PEFA exercise were selected because they were not (save for one) looked at during the Fiduciary Assessment of 2004-2005. The regions reviewed are Afar, Beneshengul, Dire Dawa Gambella, Harar, Oromiya (parts not covered in 2004-2005), and Tigray.

The information needed to measure the PFM performance through the 31 high-level indicators was principally compiled by visiting the seven regions involved. The Ministry of Finance and Economic Development at Federal level (MOFED) was the principle liaison point. It help set up initial meetings with the regional Bureaux of Finance and Economic Development (BOFEDs) at regional level, and assisted in the logistics of determining how the weredas selected in each region would be visited.

The team attempted, wherever possible, to pick a sample of diverse weredas, covering for example both food secure and food insecure areas, and weredas which were some distance from main roads as well as ones which were, to all intents and purposes, urbanised.

A workshop was held on October 13<sup>th</sup>, 2006, in Addis Ababa to present the methodology and approach for a PEFA review to the federal and regional representatives from the respective BoFEDs, to present the findings of the earlier Fiduciary Review and underscore the difference between the two exercises.

Hard data was collected from MoFED, BoFEDs and wereda bureaux (both finance bureaux [WoFEDs] and sector bureaux). But this was not always sufficient to gain a complete picture of the operation of systems at these levels, and as a consequence much reliance (certainly more reliance than at the federal level) has been placed on interviews conducted with regional and wereda officials. There is undoubtedly an issue regarding evidence here, and it is important to point out that standards of evidence are lower than those employed at federal level. The team was only ever in one wereda for a few hours, meaning that documentary evidence was often difficult to collect. A balance has been struck between collecting documentary evidence and allowing reasonable coverage within the resources made available through donor funding,

recognising that a PEFA exercise is not an audit, *per se*, but that assessments (and particularly the grading applied through the PIs) need some objective basis.

The World Bank and the IMF were informed of the exercise and several working sessions took place with these agencies during the review.

The PEFA Secretariat (World Bank) in Washington DC was also informed of the exercise from the beginning. The Secretariat will review the final draft of the PEFA.<sup>4</sup>

Most of the fieldwork including the drafting of the preliminary report was carried out in the regions of the Federal Democratic Republic of Ethiopia between October 2006 and January 2007.

**Structure of the Report** Chapter II briefly describes the context of the country, the structure of the public sector and of consolidated public sector operations, and the legal and institutional framework for PFM analysis. Chapter III presents the evaluation of PFM systems, processes and institutions based on the 31 high-level indicators of the PEFA performance framework. Chapter IV describes recent and on-going reforms and main areas for interventions.

**Future Steps** In conformity with the PEFA methodology this report does not include recommendations. Notwithstanding, after the discussions with the European Commission and CIDA (regarding the outcome of the exercise), the Government of the Federal Democratic Republic of Ethiopia with the assistance of donors is welcome to elaborate a brief action plan (of priority actions) with the objective of improving PFM performance. This would be an on-going effort together with the regular update of the assessment and the measurement of progress made.

## **2. Background Information**

This section provides information on country and economic context of Ethiopia, to allow sufficient understanding of the core characteristics of the PFM system and the wider context to PFM reforms.

### **2.1 Economic Country Situation**

The Federal Democratic Republic of Ethiopia, with a population of 74.8 million (July 2006), is the second most populous country in Sub-Saharan Africa. One of the world's oldest civilizations, the country is also one of the world poorest

---

<sup>4</sup> Frans Ronsholt was the key contact at the PEFA Secretariat

countries. At US\$130 (2004), Ethiopia's per capita GNI is only about a fifth of the Sub-Saharan African average<sup>5</sup>.

Most human development indicators have improved since the country began decentralizing basic service delivery responsibilities—first to regions, in the mid-1990s, and then more recently to local governments. Life expectancy at birth has improved between 1980 and 1990 and then returned to the 1980 level in 2004 due to the AIDS epidemic. Infant mortality rates went down gradually since the 1980s but remain under Sub-Saharan African average and below the average of low-income countries.

**TABLE 1: LIFE EXPECTANCY AT BIRTH AND INFANT MORTALITY RATES  
(1975-1980/1998-2004)**

INDICATORS	1975-80	1985-90	1998-04	Sub-Saharan Africa	Low-Income Countries
Life expectancy at birth	42	45	42	46	58
Infant mortality rate <sup>6</sup> (per 1000 live births)	143	131	112	101	79

(Source: *Interim Country Assistance Strategy for the Federal Democratic Republic of Ethiopia*, WB Report 35142-ET, May 2006, page 39)

Economic growth performance during EFY 1996 (2003/04) and EFY 1997 (2004/05) has been strong and broad-based. After a significant drought-induced contraction, real GDP growth was 8.9 percent in 2004/05, following an 11 percent growth rate rebound in 2003/04. The growth rate was projected to be above 5% 2005/06. However, rising oil prices, a freeze in direct budget support, increased demand for imports due to fast economic growth, and an ambitious infrastructure investment program have had a negative impact on the country's balance of payment situation.

Most donors aligned their support around the country's nationally articulated poverty reduction strategy. The first generation PRS, the Sustainable Development and Poverty Reduction Program (SDPRP) was finalized by the

<sup>5</sup>*Interim Country Assistance Strategy for the Federal Democratic Republic of Ethiopia*, WB Report 35142-ET, May 2006, page 38

<sup>6</sup> The infant mortality rate is a crucial indicator because it reveals the real status of most fragile individuals in society or in a particular sector of society. The slight increase in the infant mortality rate between 1970 and 1974 helped understand the deterioration of the Soviet Union and allowed to predict its collapse already in 1976. Likewise the slight increase in the infant mortality rate of peoples of Afro-Caribbean origin in the USA is the sign of the failure of racial integration (Sources: Emmanuel Todd, *La chute finale*, Paris 1976 and *Après l'Empire*, Paris 2002)



government in 2002<sup>7</sup>. The program was developed through a limited participatory process. Its core objective was to reduce poverty through enhancing rapid economic growth, while at the same time maintaining macroeconomic stability.

Overall, Ethiopia has performed well in implementing the SDPRP despite experiencing numerous shocks. The Federal Government has significantly increased poverty-targeted expenditures, including transfers of funds to local governments, which have responsibility for basic service delivery. Access to education has increased though there are concerns that improvements in quality have not kept up with the enrollment rise<sup>8</sup>. In addition, access to clean water has also improved<sup>9</sup>. Moreover, the coverage of the roads network has increased<sup>10</sup>.

In September 2006, a new five-year second generation PRS, the Plan for Accelerated and Sustained Development to End Poverty (PASDEP) was completed by the government and endorsed by the House of Peoples' Representatives<sup>11</sup>. The plan focuses on eight pillars: (i) commercialization of agriculture and promoting much more rapid non-farm private sector growth; (ii) geographical differentiation; (iii) population; (iv) gender; (v) infrastructure; (vi) risk management and vulnerability; (vii) scaling up service delivery to reach the Millennium Development Goals (MDG); and (viii) employment. In addition, there is considerable emphasis on governance, with plans to accelerate empowerment of people by continuing programs of decentralization. .

## **2.2 Recent Budgetary Outcomes**

In recent years the Ethiopian authorities have made reasonably good progress in achieving aggregate fiscal discipline. Recent budgetary performance has been characterised by declining fiscal deficits, from 6.9% of GDP in 2000 to an estimated 2.5% in 2004. The government has forecast a financing gap of 2.5% of GDP over the period 2005-07 which is expected to be filled through debt relief by Paris Club Creditors and external assistance.

Whilst recent macro-budget management has been quite effective at improving fiscal discipline this has been done with only a marginal improvement in the allocative efficiency of the budget. Recent expenditure adjustment has relied on cash sequestration and across-the-board cuts. A major contributor to fiscal consolidation has been the contraction of the externally financed public investment programme, reducing key investments in education, health and

---

<sup>7</sup> The Federal Democratic Republic of Ethiopia, Ministry of Finance and Economic Development (MOFED): Ethiopia: Sustainable Development and Poverty Reduction Program, 2002

<sup>8</sup> The gross primary enrollment rate rose from 64.4% in 2002/03 to 79.2% in 2004/05, though there are concerns that quality improvements have not kept up with the enrollment rise

<sup>9</sup> From 34.1% in 2002/03 to 42.2% in 2004/05

<sup>10</sup> From 31 km per km<sup>2</sup> in 2002/03 to 33.6 km per km<sup>2</sup> in 2004/05

<sup>11</sup> Ministry of Finance and Economic Development (MOFED): *A Plan for Accelerated & Sustained Development to End Poverty (PASDEP)*, 2005/06-2009/10, Volume I, Main Text, Addis Ababa, September 2006

transport as well as a reduction of expenditure on complimentary inputs. Trends in the functional allocation of resources are shown in Table 2 below.

**Table1. Ethiopia General Government Finance (%GDP)**

	200 1 act.	200 2 act.	2003 act.	2004 est.	2005 est.	2006 est.
Total Revenue			16.4	16.6	16.1	17.5
Tax Revenue			12.1	13.0	12.8	12.7
Total Expenditure			30.1	24.5	25.7	26.4
Non-interest current			18.1	13.0	12.7	12.8
Capital			9.3	9.9	11.7	12.6
Fiscal Balance (cash)						
Primary Balance						
Net Financing			7.1	3.1	4.8	5.5
External (net)			5.7	2.9	2.5	1.4
Domestic			2.4	2.6	3.6	2.5

**Table 2. Ethiopia: General Government Expenditure (% total expenditure)**

	2002 act.	2003 act.	2004 act.	2005 pre act.	2006 pre act.
1. General Public Service	7.34	6.02	7.61	7.49	7.92
2. Defence	24.71	17.28	20.47	22.06	19.75
3. Public order & security	5.43	5.85	6.4	6.74	7.88
4. Education and training	16.82	16.8	21.0	22.52	25.64
5. Health	4.94	3.88	4.44	5.26	5.40
6. Social protection <sup>1</sup>	4.00	2.43	1.0	1.0	1.21
7. Housing and utilities <sup>2</sup>	1.13	1.03	1.1	1.0	1.3
8. Recreation and culture <sup>3</sup>	0.54	0.38	0.59	0.48	0.54
9. Fuel & energy complex					
10. Agriculture & water <sup>4</sup>	6.39	5.39	7.26	8.75	10.28
11. Mining <sup>5</sup>	0.35	0.35	1.2	0.2	0.25
12. Transport <sup>6</sup>	0.60	1.14	1.34	0.49	0.22
13. Other related service <sup>7</sup>	2.0	2.0	1.0	1.0	1.0
14. Other <sup>8</sup>	26.0	37.0	27.0	23.2	18.0
Memo:					
Total Expenditure (m som)	10,56 4	13,54 9	11,977	13,235	15,234

Source: Ministry of Finance

1. Labour, social welfare and rehabilitation
  2. Urban development and Construction
  3. Culture and Sports
  4. Agriculture and National Resources
  5. Mining and Energy
  6. Transport and Communication
  7. Trade and Tourism and Economic Development Studies
- Organs of State, Justice, Interest and Charges, and External Assistance and miscellaneous

### 2.3 The Legal and Institutional Framework for PFM

After a long history of highly centralised government, Ethiopia is now a federal state that has also embraced wide-scale decentralisation below regional government level. Thus there are a number of relationships that need to be taken account of when mapping the fiscal framework: relations between federal government and the regions (of which there are 9, plus two municipalities that have region status), between each region and the districts (or *Weredas*) below it (which number in excess of 600), and the relationship between *Weredas* and village councils (or *kebeles*). Whilst the (political governance) issues around federalism and decentralisation are distinct, they contribute two important facets to the fiscal architecture. The 1995 constitution sets out the main issues for decentralisation.

In terms of **expenditure assignment**, Federal Government looks after issues of state and certain sector issues best handled at this level (e.g. food security, transport policy). Regional governments are responsible for the implementation of socio-economic development policy, policing of regional states, Regional water resource development and Standard setting for primary service delivery. *Weredas* are responsible for delivery of primary services.

The principle transfer mechanism between Federal Government and Regions is the General Purpose grant, or the Block Grant. The intention behind this is to move resources down to lower levels of government, whilst not compromising the abilities these tiers to make their own spending decisions. Funds are untied. Funds are allocated according to a transfer formula, which is designed to address efficiency and equity in the allocation. Current formula methodology aims at ensuring horizontal fiscal equalisation, meaning that as a guiding principle each region should be given resources to provide average or standard public services, taking into account average levels of efficiency and average efforts to raise revenue from its own sources. Currently these formulae are being reviewed, and more transparent systems (based in part on performance) will soon be introduced.

Below this, there is also a Regional Grant system (or regional block grant), again using a grant formula system (closely replicating the Federal Block grant system) that provides a block grant to *weredas*. The basic objective of this is to empower *wereda* level and grass root populations to decide on development priorities and expenditure needed to move these forward.

In theory the system affords a great deal of budgetary autonomy at both region and *wereda* level. However, in reality severe resource constraints mean that *weredas* have little discretion, as all available funding goes on establishment costs.

Each region has its own legal and regulatory framework that resembles the framework at federal level. This includes, for example, arrangements for external audit (through Regional Auditors General rather than the Federal Auditor General), procurement and revenue raising.

The Constitution of 1995 assigns different forms of taxation to different levels of Government. Those taxes that are highly progressive, redistributive and important for economic stabilisation are assigned to Federal Government, whilst taxes that are levied on what is termed “relatively immobile assets” are assigned to lower levels of Government.

In addition to this, weredas are assigned a share of personal income tax income incurred within their boundaries (shared with regional government), agricultural income, rural land use fees, rental income tax and licences or fees for services rendered within districts.

One idiosyncrasy of the current structure is that staffing within regions is the same across weredas no matter how big the wereda is (in terms of either land area or population). This places particular strains on smaller weredas.

### 3. Assessment of the PFM system

This section provides an assessment of the key elements of the PFM system, as captured by the PEFA indicators, and reports on progress made in improving those where applicable. The seven regions assessed are Afar, Benishengal, Dire Dawa, Gambella, Harari, Oromiya and Tigray.

#### 3.1 Budget Credibility

##### Indicator 1: Aggregate Expenditure Outturn compared to original approved budget

The deviation in actual expenditure, excluding interest payments, from budgeted expenditure for the seven regions Afar, Benishengal, Dire Dawa, Gambella, Harari, Oromiya and Tigray, was respectively (3.18%, 7.12%, 35.42%, 9.86%, 0.92%, 4.47%, 15.72%) in 2004, (6.18%, 3.68%, 3.43%, 2.28%, 3.55%, 1.51%, 0.30%) in 2005 and (2.86%, 1.79%, 28.44%, 0.46%, 2.50%, 8.88%, 2.26%) in 2006. Average deviation for the three fiscal years for the six regions was, respectively (4%, 4%, 22%, 4%, 2%, 5%, 6%). (D for Dire Dawa, C for Tigray and A for remaining regions).

Indicator		2004	2005	2006	Brief Explanation	Rating
1. Aggregate Expenditure Outturn compared to original approved budget	Dire Dawa	35.42%	3.43%	28.44%	Deviation of actual expenditure from the approved budget has been greater than 15% in two of the three years	D
	Harrar	0.92%	3.55%	2.50%	Deviation of actual expenditure from the approved budget did not exceed 5% in any of the three fiscal years	A
	Afar	3.18%	6.18%	2.86%	Deviation of actual expenditure from the approved budget greater than 5% in only one of the three fiscal years	A
	Oromiya	4.47%	1.51%	8.88%	Deviation of actual expenditure from the approved budget greater than 5% in only one of the three fiscal years	A
	Benishangul	7.12%	3.68%	1.79%	Deviation of actual expenditure from the approved budget greater than 5% in only one of the three fiscal years	A
	Gambella	9.86%	2.28%	0.46%	Deviation of actual expenditure from the approved budget greater than 5% in only one of the three fiscal years	A

	<b>Tigray</b>	15.72%	0.30%	2.26%	Deviation of actual expenditure from the approved budget has been more than 15% in one of the three years	<b>C</b>
--	---------------	--------	-------	-------	---	----------

### Indicator 2: Composition of expenditure outturn compared to original approved budget

Disaggregated data across the main functional categories of expenditure and actual expenditures for the years 2004 – 2006 show significant deviations, with Gambella region the highest. Differences between approved and actual expenditures are significant by administrative, functional and economic classifications. It is not clear if these adjustments usually take place with clear rules or guidelines or are undertaken informally.

Deducting the average deviation in expenditure by functional category from the deviation in overall primary expenditure for each year provides the following absolute measures by which variances in expenditure composition exceeded overall expenditure variance for the seven regions: (4.29%, 34.97%, 34.22%, 9.13%, 38.58%, 24.0%, 0.70%) in 2004, (40.20%, 17.87%, 31.01%, 14.78%, 21.97%, 37.41%, 14.88%) in 2005 and (20.47%, 31.38%, 12.28%, 6.87%, 14.28%, 55.35%, 18.64%) in 2006. (D - All regions).

Indicator		total exp. Variance			Variance in excess of total deviation			Brief Explanation	Rating
		2004	2005	2006	2004	2005	2006		
2. Composition of expenditure out-turn compared to original approved budget	<b>Dire Dawa</b>	39.71%	43.62%	48.91%	4.29%	40.20%	20.47%	Variance in expenditure composition exceeded the overall deviation in primary expenditure by more than 10 percentage in at least two of the three years	<b>D</b>
	<b>Harrar</b>	35.89%	21.41%	33.89%	34.97%	17.87%	31.38%	Variance in expenditure composition exceeded the overall deviation in primary expenditure by more than 10 percentage in at least two of the three years	<b>D</b>

	Afar	37.40%	37.19%	15.14%	34.22%	31.01%	12.28%	Variance in expenditure composition exceeded the overall deviation in primary expenditure by more than 10 percentage in at least two of the three years	D
	Oromiya	13.61%	16.30%	15.75%	9.13%	14.78%	6.87%	Variance in expenditure composition exceeded the overall deviation in primary expenditure by more than 10 percentage in at least two of the three years	D
	Benishangul	45.70%	25.66%	16.07%	38.58%	21.97%	14.28%	Variance in expenditure composition exceeded the overall deviation in primary expenditure by more than 10 percentage in at least two of the three years	D
	Gambella	33.86%	39.69%	55.81%	24.00%	37.41%	55.35%	Variance in expenditure composition exceeded the overall deviation in primary expenditure by more than 10 percentage in at least two of the three years	D
	Tigray	16.42%	15.18%	20.90%	0.70%	14.88%	18.64%	Variance in expenditure composition exceeded the overall deviation in primary expenditure by more than 10 percentage in at least two of the three years	D

### Indicator 3: Aggregate revenue outturn compared to original approved budget

Budgeted revenue outturns compared to the original approved budgets did not vary significantly in the three years 2004-06. Compared to the previous two years, most regions experienced a decline in revenues in 2006 following a tax rate adjustment which was effected across all regions.

Volatility in revenue outturn to budget is affected by exogenous factors, most particularly on the agricultural sector through changes in weather: a good harvest can swing revenues at all SN levels, weredas and regions; equally the reverse is



true. Strong revenue outturns are therefore partly explained by good annual harvests over the period across the 6 regions.

Nonetheless, there is a general weakness across all regions in the ability to accurately forecast revenue. There is no economic modelling or even a qualitative approach to comparison to regional GDP, even broadly on agriculture and services. Instead revenue targets for regions are in essence determined from the federal level. This in turn means that regional BoFEDs in essence impose revenue demands on WoFEDs in weredas in excess of the feasible targets proposed by the latter during the budgeting process. (D for Tigray and Binishangul, B for Harari and A for remaining regions)

Indicator	Region	2004	2005	2006	Brief Explanation	Rating
3. Aggregate revenue out-turn compared to original approved budget	Tigray	110.2	88.8	65.1	actual rev. collection was below 92% in two of the reported years	D
	Afar	131.0	148.4	95.0	actual rev. collection was below 97% in one of the reported years	A
	Oromia	113.3	127.1	99.9	actual rev. collection was 100% in all of the reported years	A
	BSG	103.4	90.3	64.6	actual rev. collection was below 92% in two of the reported years	D
	Gambella	89.1	101.9	112.7	actual rev. collection was below 97% in one of the reported years	A
	Hareri	102.8	89.4	95.3	actual rev. collection was below 92% in one of the reported years but was below 97% in one and more than 100% in the other	B
	Dire Dawa	105.2	135.2	105.8	actual rev. collection was more than 100% in all of the reported years	A
	TOTAL	112.1	116.2	89.0	actual rev. collection was below 92% in one of the reported years	C

Regional Aggregate Revenue Out-turn Compared to Original Approved Budget, 2004-2006									
Region	2004			2005			2006		
	Budget	Actual	%	Budget	Actual	%	Budget	Actual	%
Tigray	137.9	151.9	110.2	200.4	178.0	88.8	299.6	194.9	65.1
Afar	20.0	26.2	131.0	27.7	41.1	148.4	40.0	38.0	95.0
Oromia	485.0	549.4	113.3	506.2	643.4	127.1	625.0	624.3	99.9
BSG	20.7	21.4	103.4	30.0	27.1	90.3	34.2	22.1	64.6
Gambella	10.1	9.0	89.1	10.3	10.5	101.9	11.0	12.4	112.7
Hareri	14.2	14.6	102.8	16.0	14.3	89.4	21.5	20.5	95.3
Dire Dawa	23.2	24.4	105.2	23.3	31.5	135.2	32.7	34.6	105.8
TOTAL	711.1	796.9	112.1	813.9	945.9	116.2	1064.0	946.8	89.0

In million Birr

#### Indicator 4: Stock and monitoring of expenditure arrears

Both stock and flow of arrears have not been an issue in the regions covered for the FY 2002-04. The PFM system in Ethiopia does not allow the emergence of expenditure arrears and primacy of expenditure assignment is focussed on the payment of salaries. The possibility of expenditure arrears for capital expense is constrained by a fairly rigid procurement system – see PI19 – and centralisation

of large-scale procurement at the regional level, which limits further the possibility of this emerging at the wereda level.

Ex-ante risk assessment of arrears at the regional level can improve as part of a greater programmatic focus with improved regional forecasting.

Indicator	Brief Explanation	Rating
4. Stock and monitoring of expenditure payment arrears	This is not really an issue for the regions in Ethiopia as the budgets are almost fully recurrent and there are no expenditure arrears in the context of balanced budgets. Although stock of arrears for each region is under 2% of the budget, the robustness of procedures for monitoring cannot be validated. Hence the PI is redundant.	N/a

## 3.2 Transparency and Comprehensiveness

### Indicator 5: Classification of the budget

The budget classification in the seven regions assessed is largely consistent with the Government Financial Statistics (GFS) 1986 classification and can provide information by economic, administrative and functional classifications. Revenue and expenditure data generally accord with GFS international standards. There is a limited application of functional classification at the budget preparation stage, where the focus is on economic and administrative classifications.

Budget classification in regions has improved through TA provided by the DSA project under the auspices of the Expenditure Management and Control Programme (EMCP) that has also introduced the Chart of Accounts. The classification system is used in each of the seven regions covered in this report and allows BoFEDs and WoFEDs to rationalise expenditure into a single series. Sample data from weredas visited confirmed that the classification reforms are imbedded and followed and this has in turn facilitated reporting from WoFEDs to zones and/or BoFEDs in Regions and from BoFEDs to the federal level.

Indicator	Brief Explanation	Rating
5. Classification of the budget	Budgets for all seven regions covered include administrative, economic, and functional classification of expenditures.	A

### Indicator 6: Comprehensiveness of information included in the budget

The information included in budget documentation (the annual budget and budget supporting documents) has improved in recent years but does not yet provide comprehensive information on public revenues and expenditures. According to the PEFA Guidelines, the annual budget documentation should include information on 9 elements as follows where each statement applies for the seven regions as the entire sample:

1. Information regarding macroeconomic assumptions. This is not relevant for regions, although reference to regional GDP may be valid in the context of IP3.
2. Information on the fiscal deficit, defined according to GFS standard. This is provided where exceptionally the case.
3. Information on deficit financing is included. There are occasional deficits.
4. Information on debt stock is not relevant, as regions do not have a mandate for debt issuance.
5. Information on the Government's financial assets is not included for any region.
6. Information on prior year budget outturn is presented in the same format as the budget proposal for all 6 regions.
7. Information on current year is presented in the same format as the budget proposal for the coming year for all six regions
8. Summarised budget data, including revenue and expenditure data, for the main budget entities is included for the current and previous year for all regions.
9. Information on the implications of new policy initiatives is not included and there are no explanatory memoranda and analytical tables to provide additional information to the annual budget proposal.

Indicator	Brief Explanation	Rating
6. Comprehensiveness of information included in budget documentation	The FY1999 budget documentation satisfies 5 of the 7 requirements relevant for regional review listed by PEFA	A for all regions

### Indicator 7: Extent of unreported government operations

The comprehensiveness of budget information at the regional level has continued to improve, in part due to donor-financed DSA project under the EMCP. In general, the regional and wereda accounts capture all government

operations with the exception of donor financed budgetary transfers slated for SN level that bypass the wereda and regional budgets and miscellaneous wereda-specific transfers such as those related to health and sanitation. There is no evidence of offsets at the regional level or special means (such as fees charged or revenue collected on budget but outside the budget process).

Overall, the extent of unreported government operations is less than 1-5% but there is lack of comprehensiveness of donor funded income and expenditure data in the regional and wereda reports.

Indicator	Brief Explanation	Rating
7. Extent of unreported government operations including those funded by donors.	The comprehensiveness of fiscal information has improved in recent years for all regions although it needs to improve further in Benishengal and Gambella. The extent of unreported government operations is estimated to be in less than 5% of total expenditure. Unable to score due to lack of overall information.	Harar C, All others B

#### **Indicator 8: Transparency of inter-governmental fiscal relations**

Fiscal relations between the federal and regional levels are established constitutionally. Fiscal federalism in Ethiopia in principle enshrines substantial discretion for SN entities to programme and execute budgets. The treasury mechanism works and the system and procedures for transfers are efficient. In spite of this, fiscal space is more constrained at both regional and wereda levels. The existing tax-sharing arrangements give less than 10% own revenue for SN bodies and the remainder is premised on a transfer formula from the federal level to each region and separately, from each region to each sub-regional wereda.

As far as the Federal transfers to the regions and regional transfers to weredas are concerned, whilst the system of inter-governmental transfers is clear, the execution of the transfer formula has remained the federal governments and the regional governments sole mandates respectively. There is uniform unhappiness in the seven regions and weredas visited about the transparency of the transfer formula and the underlying time series data variables utilised. This is especially so for conditional transfers. A worrying implication of note is that the expansion in the number of weredas – ostensibly without any cost-benefit analysis - across Ethiopia will tend to reduce inter-governmental transparency at the SN level as the average end-funding per capita is diluted through additional resource absorption by the managing/paying agencies, and the increasing political incentive for regions for directing funding to these new weredas.

Overall, the distribution of expenditure assignment between different levels is fully transparent at both the federal assignment to regions and also from regions to weredas. Although on the upside the budget cycle is established in all regions and WoFEDs send initial budget proposals before budget ceilings are decided, and whilst there is concern about the transparency of the transfer formula, ex-post, it appears that there is a general rule of per capita transfers which are broadly equal although aggregates vary. On balance, the **first dimension is rated B for all regions.**

The budget cycle process is well developed across the seven regions. Timeliness of reliable information to weredas on their allocations is therefore systemised and BoFEDs provide the ceilings in time for weredas to adjust their spending plans. The **second dimension is rated B for all regions.** There was no significant deviation between approved and actual expenditure for wereda budgets. At present almost all wereda budgets are slated for current expenditure. This means that the true application, test and A rating of this PI will only be valid if and when there is scale-up and regions face choice and opportunity cost of alternative funding decisions.

There has been a noticeable improvement in reporting and collation of data by regions and submission of reports by weredas<sup>12</sup>. Weredas in general produce monthly reports that have a rolling stock assessment so that the end-year report is that of month 12 and 100% (by value) of SN expenditure is collected and consolidated within 10 months of the FY. **Third dimension rated A for all regions.**

Indicator	Brief Explanation	Rating
8. Transparency of Intergovernmental Fiscal Relations	The distribution of expenditure responsibilities between regions and weredas is transparent. Timeliness of information from regions to weredas is good and SN reporting of local government expenditure is comprehensive.	B+

**Indicator 9: Oversight of aggregate fiscal risk from other public sector entities**

Fiscal risk to regions and weredas is limited through rules preventing spending or borrowing outside the budget. Hence contingent and quasi-fiscal liabilities have

<sup>12</sup> Where they occur delays in submission of wereda reports are often due to logistical challenges (which we note elsewhere also impact on other operating efficiencies of weredas – e.g. procurement control). Some weredas are far from their capitals (and even their banks). In some extreme cases officials of a wereda have to cross through other regions to reach their capital.

not been an issue at SN level for the 6 regions covered in this report and none have been reported by either internal or external audit reports.

Indicator	Brief Explanation	Rating
9. Oversight of aggregate fiscal risk from other public sector entities	Fiscal risk from other public sector entities is non-existent at SN levels for the 6 regions.	Not applicable

#### Indicator 10: Public access to key fiscal information

The fiscal federal system in Ethiopia has evolved such that there is a genuine dialogue involving bottom up territorially-specific needs and demands. At the wereda level this entails that the budget cycle – planning, execution/monitoring and ex-post audit validation – has full engagement of the local communities through the wereda councils and who are fully informed of budgetary outlays. Equally, regional level data on budgets is available to both the Peoples’ Representatives (regional parliament) and through the press. Wider public access is generally good in 4 of the 6 regions visited – Benishengal and Gambella excepted – and budget data is either posted at the wereda offices or in rare instances printed in the local media. The budget law is however not publicly available but in the public domain.

The PEFA guidelines identify 6 types of information to which public access in a timely manner is essential, as discussed below:

- The approved budget together with annexes and explanatory notes is published as a printed document but it is difficult to obtain for public use – particularly at the time of submission to legislature **(first dimension - no)**.
- In-year budget execution reports are made available at wereda levels to the wereda council. At a regional level, the same process applies although the interim reports are not uniformly published. **(second - yes)**.
- Year-end financial statements: the statements are not generally or consistently made available to the public through appropriate means within six months of completed audit by either weredas or regions although they are through the Regional external audit offices. **(third – no)**
- External audit reports at wereda level are made available to wereda councils only and at the regional level to the regional council. Formally audited bodies have to comply with the findings within 30 days but this was found not to be the case in. **(fourth - no)**.
- The award of all contracts with values of the equivalent of approximately \$100,000 is not published. This applies to regions only since weredas typically procure items at values below €1000 **(fifth - no)**.

- Information on resources made available to primary service delivery units with coverage is generally available at both regional and wereda levels although its usefulness is undermined by the high illiteracy level in the country **(sixth - yes)**.

Indicator	Brief Explanation	Rating
10. Public access to key fiscal information	Public information is available for 2 of the 6 yardsticks for all regions.	C for all regions

### 3.3 Policy-based budgeting

#### Indicator 11: Orderliness and participation in the annual budget process

The budget cycle and budget calendar are well established and clear in each of the seven regions and within the weredas visited in six of these regions. There is a manual for the budget cycle and budgetary entities at both wereda and region levels generally adhere to this cycle and calendar. Budgetary entities in Gambella region have not, however, been able to strictly follow the budget calendar over the last two years due to challenges caused by political instability in the region. (First dimension – A for all regions).

There is strong evidence of ownership of the budget formulation process by local councils at both wereda and regional levels, highlighting a strong bottom-up dimension to the budgetary process.

Comprehensive and clear budget directives, which reflect ceilings approved by the regional parliaments and wereda councils, are issued to wereda and regional level bodies on time. However, in the existing budget constrained environment, budget submissions are bound to be relatively clear since they are pro-poor/social sector biased and almost entirely finance recurrent expenditures. Thus, the idea of appropriations based on a medium term basis and based on programmatic approach is meaningless at the moment. (Second dimension – A for all regions).

Documentation presented at both regional and wereda levels indicates that in all but Gambella and Afar regions, regional parliaments and local councils have approved the annual budgets before the beginning of the year for each of the last three fiscal years. (Third dimension – A for all regions).

Indicator	Brief Explanation	Rating
-----------	-------------------	--------

11. Orderliness and participation in the annual budget process	A clear budget calendar exists and there is good ownership at wereda and regional levels. Approval by legislature timely in most – Gambella and Afar exceptions.	A for 5 regions and C+ for Gambella and Afar
--	--	--

**Indicator 12: Multi-year perspective in fiscal planning, expenditure policy and budgeting**

There is a five-year plan for each region and each wereda. However, in practice these plans are not based on rigorous need- and gaps-assessments. It is not clear if there is any value added of having dedicated functional positions for planning at the WoFED level given the relatively limited sub regional budget allocations by value and the almost full absorption by current expenditure items. This is evident by a number of instances of voluntary vacancies in WoFED offices where budget constraints force staff cuts.

There is a five-year planning for each of the seven regions but it is not multi-annual in the context of a medium-term budget plan linked to either national or regional growth, or that links budget planning to policy content at a sectoral level. Regions or weredas do not prepare multi-year fiscal forecasts and forward expenditure estimates. Political scrutiny of the 5 Year proposals or plans at the regional level proposals is limited and there is no evidence of either a monitoring function or an evaluation function to assess the ex-ante, interim or ex-post validity of intervention logic; political scrutiny is much more focussed during review of the annual budget. (first dimension - C).

SN bodies do not have the right to issue debt and no debt sustainability analysis is carried out. (second dimension – not applicable),

There are sector strategies at the regional level for the 6 regions and indeed at the wereda levels. However, sectoral line agencies at the regional level do lack a well-defined sector analysis and explicit set of policy objectives. There are some exceptions: for example, there are instances of substantial amount of sector analysis exists, particularly in Health and Social protection, often at a target wereda that is benefiting from donor assistance. (third dimension: D) The public investment budget in the 6 regions is relatively modest and it is not clear to what extent the process of establishing linkages between recurrent and capital budgets is developed for any of the 6 regions (fourth dimension C).

Indicator	Brief Explanation	Rating
12. Multi-year perspective in fiscal planning,	Some basic elements of a MTBF process have been introduced at the six	D+



expenditure policy and budgeting	regions. Further developments are required to improve the quality of the MTBF and enhance its linkage with the annual budget.	
----------------------------------	---	--

### 3.4 Predictability and Control in Budget Execution

#### Indicator 13: transparency of taxpayer obligations and liabilities

All taxes have an explicit legal basis. While public service mandates have been decentralised to regions and then to weredas, the broad template for the tax code is essentially the same for the regions. The regions have limited tax-raising powers and rely on transfers from the federal level. Weredas can collect own revenue up to the target level – rarely achieved – but do not have an incentive for over-collection as anything over target is either shared with or claimed by the regions to the zone or regional level. Nor do the new Revenue offices that have recently been separated from the Finance offices have data on cost-recovery of their function. There have been some concerns from the IMF about the tax base and the tax rates, particularly for agricultural landholdings, but there is satisfactory transparency of taxpayer obligations and liabilities. (First dimension – A for all regions).

Taxpayers' rights are defined in each region and information is available on taxes although this is eased by the fact that the majority of taxpayers are individual farmers and by the existence of a limited number of service sector providers. (Second dimension – C for all regions).

The regional tax codes for the seven regions specify the tax appeals procedure, which are currently set up and functioning. While evidence exists that the appeal systems are working, it is too early to assess their effectiveness. (Third dimension – B for all regions).

Indicator	Brief Explanation	Rating
13. Transparency of taxpayer obligations and liabilities	Legislation and procedures are clear but discretionary power of tax authorities still exist. The flow and access of taxpayer information needs further work. Appeals mechanisms have been rolled out but too early to judge how effective and fair they are.	B for all regions

**Indicator 14: Effectiveness of measures for taxpayer registration and tax assessment**

A taxpayer information system provides taxpayer information, including taxpayer registration (dimension 1). This function is delegated in essence to the wereda levels in the 7 regions. There is no uniform system of taxpayer registration, particularly at wereda level. There is no single Large Taxpayer Unit at the regional level to improve the effectiveness of the tax administration – Dire Dawa is an exception. There is no evidence that the effectiveness or comprehensiveness of this system as regards interoperability or links to other relevant databases (First dimension – C for all regions).

There are penalties for non-compliance but there is limited data on validating their effectiveness in any of the regions. From the limited evidence available, it can be deduced that regions are not as effective as desired in the execution due to capacity constraints – this is particularly so in Gambella (Second dimension – B for all 6 regions, C for Gambella).

There is no real data to suggest the existence of systematic taxpayer audit based on clear risk assessment (dimension 3). Revenue offices in regions and weredas have capacity limitations that restrict revenue maximisation and audit or risk assessment of tax compliance – *ad hoc* practices. There is no independent information from taxpayers to assess performance. (Third dimension – D for all regions).

Indicator	Brief Explanation	Rating
14. Effectiveness of measures for taxpayer registration and tax assessment	Registration of taxpayers exists but limited in scope and interoperability with other databases, effectiveness of penalties for non-compliance with registration and tax registration is weak and planning and monitoring for tax audits is limited.	C- for Gambella, C for all others

**Indicator 15: Effectiveness in collection of tax payments**

In EFY 1996 Government of Ethiopia wrote off SN tax arrears for all preceding years as part of the roll out of a comprehensive tax reform programme. In the two years following this move, arrears have become insignificant in general. Tax arrears in dispute are even more insignificant in the regions (First dimension – B for all regions)

At wereda and regional level, all tax revenue is paid directly into accounts controlled by the Treasury or collections are transferred to the treasury on a daily basis. (Second dimension – A for all regions).

Annual comprehensive reconciliation of tax assignments, collections, arrears and transfers to Treasury takes place often within the first quarter after end of the financial year. (Third dimension – C for all regions).

Indicator	Brief Explanation	Rating
15. Effectiveness in collection of tax payments	Average debt collection ration has been high in recent years and total amounts of tax arrears are insignificant. Tax revenues are paid directly into treasury or transferred to daily. Complete accounts reconciliation is an annual exercise, often delayed.	C for all regions

**Indicator 16: Predictability in the availability of funds for the commitment of expenditure**

Cash flows are forecast and monitored across the regions in question. As most recurrent expenditure is of a predictable nature (e.g. salary and staff costs) this is a reasonably easy undertaking. As all operations at wereda level are on a cash basis, forecasting is essential and is performed routinely. (First dimension – A for all regions).

Forward planning of expenditure is done on a similar basis. Ceiling information to both regional and wereda jurisdictions is transparent and resource envelope figures disclosed at the beginning of the fiscal year are reliable. In the case of weredas, disbursements of 1/12<sup>th</sup> of the annual allocation netted off against 1/12<sup>th</sup> of the annual own revenue targets are made on a monthly basis (often conditional on satisfactory fulfilment of reporting requirements to the region). (Third dimension – A for all regions)

Ceilings set at the beginning of the fiscal year only change in very exceptional circumstances (e.g. when a wereda successfully challenges the basis of the transfer formula). (Second dimension – A for all regions)

Indicator	Brief Explanation	Rating
-----------	-------------------	--------

Indicator	Brief Explanation	Rating
16. Predictability in the availability of funds for the commitment of expenditure.	Fund availability highly predictable. Variations in ceilings set as part of budget cycle are exceptional and justifiable.	A (across all regions)

**Indicator 17: Recording and management of cash balances, debt and guarantees**

This indicator relates to debt management functions and is thus not applicable (at this time) to operations below the federal level.

Indicator	Brief Explanation	Rating
17. Recording and management of cash balances, debt and guarantees	This is not applicable at sub-federal level	N/A

**Indicator 18: Effectiveness of payroll controls**

Payroll controls are very tight at all levels, a reflection of the way in which Ethiopian civil service systems have, as their foundation, hierarchies of internal controls with duties and responsibilities spread over a wide range of officers. It is significant that payroll controls have not been subject to comment by external auditors across the jurisdictions reviewed. This is particularly noteworthy given that payroll expenditure makes up such a high proportion of overall recurrent expenditure.

Although not physically integrated in information systems, there are strong links between personnel and payroll records, with reconciliations of such records performed routinely during monthly payroll runs. Amendments to nominal rolls need robust supporting information; changes to standing payroll data are then linked back to this information. (First dimension - A).

Changes are performed in a timely manner (and are not in quantitative terms significant at sub-regional level). (Second dimension - A).

Authority to change records is restricted, respects principles concerning separation of duties and needs supporting documentation/appropriate audit trails. (Third dimension – A).

Payroll runs are subject to routine internal audit scrutiny. (This is often itself a 'pre audit' inspection function, which, whilst not now accepted as good practice

serves as a good safeguard concerning the reliability of the probity of payroll transactions). (Fourth dimension – A)

Indicator	Brief Explanation	Rating
18. Effectiveness of Payroll controls	Controls around nominal rolls, reconciliation with payroll data, alterations to payroll/establishment data and independent scrutiny of payroll transactions all in evidence and effective across all jurisdictions.	A

**Indicator 19: Competition, value for money and controls in procurement**

A new public procurement proclamation was introduced in 2006 and the regions adopted supporting directives by early 2007. This law and directives are consistent across SN and federal entities and all regions have been notified of the requirements for implementation through guidelines. Training for regional and wereda officials was taking place during 2006 and early 2007. The procurement procedures are thorough but there is a concern that thresholds for weredas are too low, meaning significant investment and use of administrative time for relatively small value purchases. Secondly, there is a common limitation in all regions reviewed relating to lack of a framework agreement or term contract approach to the provision of supplies and services. Nonetheless the process of open tenders above the threshold level has been followed. (First Dimension – A for all regions). There is no evidence of use of direct contracts or use/and or justification for other less competitive procurement methods (Second Dimension - A for all regions).

The procurement proclamation and directives make provisions for the establishment of complaints mechanisms. However, these mechanisms are fairly new in the regions visited and effectiveness is too early to judge. There is a lot of room for improvement at the wereda level. It is worth noting that internal and external audit findings are very few in the area of procurement.

The review was not able to assess feedback from private sector users or the efficacy of the complaints procedure. Most suppliers are some distance from the wereda or regional capitals. (Third dimension - D for all regions).

Indicator	Brief Explanation	Rating
19. Competition, value for money and controls in procurement	The legislative framework is satisfactory but still has to become fully effective in practice. There are weaknesses in the setting up of apples mechanisms – particularly at wereda level - across all regions.	C+ for all regions

#### **Indicator 20: Effectiveness of internal controls for non-salary expenditure.**

Internal controls for non-salary expenditure are effective, partly for the same reasons that determine the strength of the salary expenditure controls. (A strong, control oriented civil service culture exists). It is also worth noting that recurrent non-salary expenditure as a proportion of overall expenditure is comparatively low, meaning that irrespective of the strength of the controls this is not an area that appears to present inherent material risk.

The BDA/BIS methodology, rolled out in all the jurisdictions assessed, has strong commitment controls that seemed widely understood and universally applied. (First dimension – A for all regions).

The overall control environment is comprehensive and robust, reflecting principles of separation of duties, management supervision, and, often, pre-audit inspection. Second dimension – A for all regions)

Transactions are recorded and processed promptly (again as a result of DSA reforms); it was evident that there was wide understanding and compliance with these systems (Third dimension – A for all regions).

Although not reflected in the marking across dimensions, the team observed that, if anything, the regions that now had a single pool system (Tigray and Oromiya) had a control environment that was more robust than non-single pool jurisdictions, because transaction scrutiny was focused at the WoFED level (rather than disbursed through sector bureaux), increasing the potential effectiveness of the control environment.

Indicator	Brief Explanation	Rating
20. Effectiveness of internal controls for non-salary expenditure.	Robust systems of commitment, recording and processing, widely understood and applied across all regions.	A

#### **Indicator 21: Effectiveness of Internal Audit**

Nationwide Ethiopia is modernising government internal audit functions to comply with good international practice. Traditional pre-audit inspectorates, where audit checks form part of any system of expenditure, are being replaced by modern internal audit functions that apply a ‘systems based’ methodology, assessing the strengths of particular systems and reporting their findings to management. This approach is reflected in a new manual that is in the process of rollout.

Because, as has been the case with other reforms, rollout has been sequenced rather than simultaneous across all regions, some regions have more effective internal audit functions than others. This is particularly the case with dimension 1, which looks at issues relating to the overall coverage of internal audit and its focus on systemic issues. In Tigray region, internal audit seemed to function across government entities, and for at least some of the time had a focus on systemic issues. This was clearly not the case with other regions, where the application of a systemic approach to recognised standards was not as wide (Dimension 1 scored at B for Tigray, C for other regions). What should be noted here is that the direction of travel is positive; internal audit methodology is considerably more modern now than it was several years ago.

With regard to reporting, there appeared to be no fixed schedules of reporting in any of the regions reviewed (save for normal performance reporting to councils as part of BoFED or WoFED reporting), but reports were distributed appropriately when they were produced, to BoFEDs, WoFEDs and Regional Auditors general (many of whom, to varying degrees, appear to support the development of internal audit functions). (Second dimension B across all regions).

Where internal audit functions scored very well, however, was the extent to which findings were responded to by management. In all regions the principle of management action and follow-up appeared to be strongly understood and applied, with bureaux and offices at wereda level often having to set out reports showing remedial action to WoFEDs, cabinets and in some cases elected members. (Third dimension scores A across all regions).

Indicator	Brief Explanation	Rating
Indicator 21. Effectiveness of Internal Audit	Internal audit in the middle of nationwide reform process yielding some results, reporting mechanisms and follow-up appropriate, but until reforms bed down there is not an appropriately systemic focus in most regions.	B+ all regions

### 3.5 Accounting, recording and reporting

#### Indicator 22: Timing and regularity of accounts reconciliation

Bank reconciliations were performed regularly at both wereda and regional level. This is a notable achievement in some environments where WoFEDs can be some way (i.e. many kilometres) from the town where their banks are located. This situation seemed particularly extreme in Afar and parts of Oromiya.

Prompt reconciliation is part of the set of procedures for periodic reporting and its timely execution is incentivised in that late submission of month-end information can result in delays in the releases of tranches from region to wereda.

As all reconciliations are taking place monthly, with few delays, the score for dimension 1 across regions is A.

However, with regard to the reconciliation, regulation and clearances of suspense accounts and advances this picture is not as good, and in each region external audit reports in particular highlighted particular problems. Reconciliations are performed at least annually, but a number of balances appear to be brought forward across all jurisdictions year on year. (Second dimension – C for all regions).

Indicator	Brief Explanation	Rating
Indicator 22. Timing and regularity of accounts reconciliation	Bank reconciliations are performed across all regions on a timely and regular basis, despite logistical challenges. Clearance of suspenses and advances is not always achieved.	B

#### Indicator 23: Availability of information on resources received by service delivery units

Information is available on the flow of resources to service delivery points at wereda and regional levels. The BDA/BIS system, and the underpinning chart of accounts, disaggregates data right down the point of service delivery. In-kind transfers flowing through government systems are also recorded.

One point not directly influencing this indicator’s assessment, but which does have an impact on the PFM framework more generally is the extent of community contributions, most often expressed in terms of benefits in kind through labour on capital projects. These are not captured anywhere in PFM systems, and it is at



best very difficult to put any monetary value on them, but they do impact considerably, particularly on the capital side.

Indicator	Brief Explanation	Rating
Indicator 23 Availability of information on resources received by service delivery units	Disaggregated data in budget and accounting systems available showing resources down to point of delivery.	A

#### Indicator 24: Quality and timeliness of in-year budget reports

The systems introduced through the Decentralisation Support Activity Project provide information that allows accurate in-year monitoring of financial performance against budget. This includes committed expenditure. (First dimension – A for all regions)

The issue of timeliness of in-year reporting, however, shows that there are some variations in performance across the country, related in part to the staggered rollout of DSA reforms. Some regions were able to produce quarterly reports on a timely basis, but others experienced delays of up to six weeks. (Second dimension Tigray, Harari, Dire Dawa, Benishengal all score A, Oromiya and Afar B, Gambella C).

There were no issues about accuracy in terms of production of data and information at sub-regional level (Third dimension – A for all regions). However, the review notes that, although not impacting on the rating of this indicator at sub-federal level, there do seem to be some data migration issues (often caused by manual data posting) in terms of integration of sub-federal data into consolidated national data.

Indicator	Brief Explanation	Rating
Indicator 24 Quality and timeliness of in-year budget reports	System allows for monitoring of performance against budget across all jurisdictions examined, but there were some fluctuations in timeliness of in-year report completion. There are no material concerns about data accuracy.	Gambella C+, Oromiya, Afar B+, Tigray, Harari, Dire Dawa, Benishengal A

**Indicator 25: Quality and timeliness of annual financial statements**

Each region produces consolidated statements showing expenditure, revenue and all relevant information. (First dimension scored at A for all regions).

As with Indicator 24, the extent to which these statements are prepared in a timely fashion reveals some regional variations. There were no apparent problems in Tigray, Oromiya, Benishengal and Dire Dawa, but there were delays in production of information in Gambella, Harar and Afar, these being particularly significant in Gambella – exasperated by security challenges. (Second Dimension Gambella C, Harar C, Afar B, all others A). The review notes that the timely production of end of year information has been a real problem in the past, but that there are perceptible improvements overall in this dimension across the country.

Reporting is done in accordance with international accounting standards (A for all regions).

Indicator	Brief Explanation	Rating
Indicator 25 Quality and timeliness of annual financial statements	Year-end information of appropriate quality (and in accordance with accounting standards) is produced, but there are some delays in some regions.	Gambella C+, Harar C+, Afar B+, other regions A

**3.6 External scrutiny and audit**

**Indicator 26: Scope, nature and follow up of external audit**

External audit in the regions is undertaken by Regional Auditors General and their offices (ORAGs) that are established under regional proclamations. In some cases (in particular Dire Dawa) the work of the Regional Auditor General is augmented by that of the Federal Auditor General (who has a number of regional offices). The extent to which the Federal Auditor General has the mandate to track funding flows right down to wereda level has been a point of fierce debate recently. The Federal Auditor General has argued that his constitutional powers allow funds to be tracked and monitored to the point of final expenditure, but Federal Government has contested this.

Nevertheless the relationship between the Office of the Federal Auditor General and the Regional Auditors General is close; fora exist for AGs to swap information and problem share, underpinned by mentoring support given from OFAG.

However, there are significant problems with scope. In each of the regions visited coverage of an annual audit by the ORAG is less than 50% of accounting entities and actual expenditure, both in terms of audits of sector bureaux, other agencies at regional level, and (more acutely) individual weredas, who are often not visited for three or more years. This is a reflection of the logistical and resource challenges associated with such extensive fiscal decentralisation. ORAGs are not resourced sufficiently to perform their mandate. (First dimension - D for all regions).

Annual reports of ORAGs are nevertheless submitted to the legislature within eight months of the end of the fiscal year (Second dimension – B for all regions).

There is a mixed picture relating to the follow up of recommendations contained in the reports of ORAGs. In Tigray and Oromiya (which have both introduced a Public Accounts Committee) there was clear follow up, driven by parliamentary scrutiny. There are systems in place to ensure that remedial action is taken and tracked. In other regions this was less clear, and AGs reported that sometimes action was taken, but at other times it was not, and their own powers to pursue these matters were limited (Third dimension – A for Tigray and Oromiya, and C for remaining regions).

Indicator	Brief Explanation	Rating
Indicator 26 Scope, nature and follow up of external audit	Regional audit is severely hampered by its limited scope, although annual audit reports are made and submitted to the legislatures, which are followed up to varying degrees.	All regions D+

#### Indicator 27: Legislative scrutiny of the annual budget law

Regional legislatures and wereda councils review annual budget laws. The extent of the review potentially covers all areas, including the fiscal frameworks at regional level, as well as the detail of the budget. There is an issue relating to the capacity of legislatures to take detailed reviews, beyond the scrutiny of income and expenditure budget lines forward, but within these parameters scrutiny is comprehensive. (First dimension A **for all regions**).

Across all regions the right of members of the legislature to review the draft budget is well respected, and is indeed a feature of the budget cycle in all regions reviewed (Dimension 2 – A for all regions).

However, the time allowed for debate of the budget was clearly insufficient (often just a day or so). Regional parliaments do not spend more than a few days reviewing the budget. At wereda level even less time is given to this activity. (Third dimension D across all regions).

With regard to in-year amendments of the budget, these are clearly regulated in sub-federal proclamations and regulations. Where amendment needs legislative approval this will be sought. Often budget revision sessions occur at the mid-point of the fiscal year. (Fourth Dimension A across all regions).

Indicator	Brief Explanation	Rating
27. Legislative scrutiny of the annual budget law	Scrutiny occurs but is perhaps limited by capacity. Nevertheless, oversight and scrutiny are established in budget cycles and clear rules exist relating to budget amendments, although the amount of time elected members have to scrutinise the budget is severely limited.	D+

#### **Indicator 28: Legislative scrutiny of external audit reports**

External audit reports are scrutinised in a timely way in all regions examined except for Dire Dawa (where the ORAG actually reports to the executive). (First dimension A across all regions except Dire Dawa, which couldn't be scored). However, such scrutiny is often constrained by the Regional Councils' understanding of the nature of external audit and its own role in the process.

The extent to which there are formal hearings or parliamentary committees varies across regions. In Tigray and Oromiya hearings take place and appear to be effective, but in other regions the establishment of such mechanisms is either work-in-progress or occasional and ad hoc (Second dimension A for Tigray and Oromiya, C of all others).

The extent to which recommendations are issued and follow up also varies. In Tigray and Oromiya recommendations are both issued and robustly followed up, but in other regions it is not always clear whether councils have issued recommendations; in many cases councils do not follow up recommendations. (Dimension three – A for Tigray and Oromiya, C for all other regions).

Indicator	Brief Explanation	Rating
28. Legislative scrutiny of external audit reports.	Reports are issued in all regions, but the extent and institutionalisation of parliamentary review and follow-up is mixed.	Dire Dawa not scored (cannot score dimension 1) A (Tigray and Oromiya) C+ all other regions

## **4: Government Reform Processes**

### **Description of Recent and Ongoing Reforms**

It is important, when looking at PFM reform issues in Ethiopia, to appreciate the context in which such reforms operate. Ethiopia has historically had a strong civil service culture that has survived the changes in government and governance structures that marked the last quarter of twentieth century Ethiopian history. Commitment to the ethos of public service is high. Historically there have also been low levels of corruption in terms of rent seeking; such behaviour is not culturally acceptable (although this may be changing). And commitment to reform is high in Ethiopia – when reform is embraced it is often embraced whole-heartily (as evidenced by the reforms around decentralisation, which witnessed very swift roll-out of reforms that actually marked profound changes in the way in which the business of government was conducted).

Taking these issues together, then, it is perhaps not surprising that there has been a relatively long and successful track record of public financial management reform in Ethiopia.

Current reforms are encapsulated in the Expenditure Management and Control Programme (EMCP) which started life in the 1990s as a bringing together of eight individual PFM reform projects. Since then both the size and scope of the EMCP has grown. In 1998 the EMCP was subsumed into the Civil Service Reform programme (CSR), PFM reform being seen as a vital element of enhancing civil service delivery. CSR has itself now been subsumed into the multi-sector Public Sector Capacity Building Programme (PSCAP), a \$400 million programme supported by a number of donors paying into a pooled fund.

Initially the EMCP comprised work streams relating to the Financial Legal Framework, Public Expenditure Programme (PEP), Budget Reform, Accounts Reform, Cash Management, Financial Information Systems, Internal Audit, External Audit, with later additions relating to the Auditing and Accounting Profession, Management Accounting, PEM Programme Plan (integrating PEM/PFM reforms under one plan), Financial Information Systems Strategy, Procurement Implementation Support, and Property Management. A substantial revision and refocusing of the EMCP occurred in 2002 after the CFAA, but many felt that even this was unable to revitalise parts of a reform plan which seemed well articulated at strategic level, but which experienced real problems in operationalisation and roll-out, witnessed by delays and sometimes poor progress<sup>13</sup>.

---

<sup>13</sup> The Fiduciary Assessment of 2005 noted, for example, that progress had been slow in areas that were not covered by the Decentralisation Support Activity y Project (DSA). This is a situation that has now

One exception to this has been in the areas of Budget, FIS and Accounts reform which have been bundled together in the Decentralisation Support Activity Project<sup>14</sup>, which given the nature of first Federal reform and then decentralisation, has had as its focus implementing reforms at SN level (albeit based on systems, procedures and methodologies first rolled out through BIs at Federal level).

The DSA project has had a profound impact at all levels of government. A platform approach has been taken to reform. Initial measures have been taken to enhance the **transaction platform** through budget reforms (e.g. bringing together capital and recurrent budgets, reclassifying expenditure, drawing up new chars of accounts), planning reforms (budget calendars) accounting reforms (moving to double-entry, modified cash, single-pool systems through a series of incremental and sequenced reform) and FIDS reforms (effectively seeing automation of these reforms once established, culminating in the development of an integrated system showing budget and dispersal information alongside accounting/budget execution information) . A second series of reforms have enhanced the **policy/performance platform** through the creation of a Macroeconomic and Fiscal Framework, and is currently continuing at SN level with reforms to the block grant mechanisms and a move towards more performance based budgeting.

Very careful sequencing (both in terms of building up the respective platforms sequentially, but also in terms of region-by-region roll-out, where the strongest regions have first piloted, then rolled out first, and then helped the weaker regions), iterative and repeated training, and drives to build sustainable internal capacity to continue training and reform effort (rather than rely on externalised technical support) have all contributed to the success of DSA, which has now completed the roll out of reforms to most parts of the country and which, given the 'interconnectedness' of decentralised/Federal Ethiopia has resulted in a number of positive outcomes, not least the significant reduction of accounting backlogs over recent years.

One particular reform incorporated within the DSA methodology that has positively impacted on SN jurisdictions is the move to a single pool system. This rationalises accounting operations (itself welcome in a low capacity environment where accounting skills are in short supply) and increases control over income and expenditure recording.

---

changed, and progress is now evident in areas such as internal audit, procurement and cash management, all subject to less than favourable comment in the Fiduciary Assessment.

<sup>14</sup> A project funded by USAID, Irish Aid and the Netherlands, with Harvard University as the executing agent.

In the period since the Fiduciary Assessment of 2005 there has also been progress in some other areas of the EMCP not covered by DSA activities. In particular those affecting performance at SN level are :

- Internal Audit: A new internal audit manual, reflecting good international systems audit practice, has been developed and rolled out at Federal and SN level, reforms that have been possible through support from UNDP and Irish Aid;
- Procurement: oversight of procurement processes has been agenised (through the creation of the Federal Public Procurement Agency), new proclamations developed at Federal and SN level, and new procedures are now being rolled out;

Recent developments serve to augment the EMCP activities. Following difficulties that occurred after the 2005 elections, budget support donors suspended non-earmarked, general budget support, but recognized that if Ethiopia's overall developmental progress was to be sustained (or even accelerated) modalities needed to be developed which continued to fund the provision of primary services at the point of delivery. Together Government and donor partners have now developed the **Protecting Basic Services** (PBS) modality that is, some would d argue, direct budget support that is targeted on service delivery at SN level.

Stakeholders appreciate that for sustainable responsiveness and accountability to flourish within the PBS modality (themselves important elements to ensuring that the needs of the most poor and vulnerable are addressed) concerted attempts need to be made to invigorate citizen-state dialogue around financial accountability issues. As a result, two sub-components of the programme have been developed which specifically look at these issues. The first (component 3 of the programme) looks at building capacity within the executive to produce information n that will enhance financial accountability. Particular emphasis has bee put on building external audit capacity at SN level (although it is somewhat surprising that this has concentrated on working through the OFAG rather than the networks of ORAGs). The second component (component 4 of the programme) looks at building the capacity of citizens and communities to demand and use such information so that the State is genuinely held to account by its citizens. Taken together, the two PBS components address both the supply and demand side of the financial accountability institutional framework.

Another current development is the move towards the implementation of a fully integrated IFMIS system. The issue about whether to develop and implement an IFMIS has been discussed in Ethiopia for some time. Although not really part if its original mandate, the DSA project has automated its systems and procedures, and latest iterations of the budget and accounting reforms present an integrated budget and accounting solution (IBEX) which incorporates the functionality of budget and disbursal systems and accounting systems. It has apparently now



been decided to build on IBEX functionality and deliver a full-blown IFMIS system. Such enterprises are not without risks, and if this is to be a success the implementation process will have to be carefully managed and ideally will be build on the successes that IBEX has already secured.

### **Institutional Factors supporting reform planning and implementation**

Government leadership and ownership regarding ongoing PFM reform efforts are both high. Reform processes in Ethiopia need to be understood against the policy context; the current government believes that issues around poverty and growth are best addressed through governance systems that empower people at grass roots. The PSCAP process is thus seen by many as a process that enables democratisation by building capacities at local level.

Over the years there has clearly been government ownership of PSCAP and the EMCP. However, when being critical of Ethiopia's reform efforts some have felt that the DSA activities which form part of the EMCP have taken on a life of their own, and, because of project management arrangements, have actually taken over from EMCP and in some ways have become separate from it. If these issues are real, they will not be current for much longer, as the DSA project in its current form is set to close later in 2007, its activities to be subsumed into ongoing reforms led at MoFED. Whilst this move is in principle correct, it is not without its challenges. Reform effort has to be maintained, and MoFED is currently looking at options around how the project activities are to be 'handed over' and how future activities are to be managed.

One very clear challenge on the horizon is that of invigorating MoFED's role coordinating and overseeing the strategic rollout of a multi-faceted reform programme. Capacities of the Government of Ethiopia to articulate vision has always been strong, but it has been the rollout of EMCP that has been the Achilles heel, in particular the production of annualised plans and the coordination of reform. It is likely that partner support will be needed in the future to bolster these capacities, particularly once the DSA project in its current configuration ceases to exist.

Another challenge relates to the availability and mobilisation of resources needed to effect reform. As has been noted, the EMCP is tied to PSCAP, but accessing PSCAP funds is often difficult. Donor funds exist but past PSCAP review missions have highlighted the difficulties presented to maintaining the impetus of reform presented by bottlenecks in the system. It is hoped that these will soon be addressed.

At SN level, in particular, one last challenge worth noting is that of capacity. Qualified professional staff are thin on the ground, and establishments,

particularly at wereda level, are often found carrying vacancies in key areas, Both attracting and retaining staff are difficulties, particularly in remote weredas, and turnover is often high. Operational effectiveness is further hampered by a lack of some basic office infrastructure, e.g. office space, and desks, and transport. The recent creation of new weredas has, if anything exacerbated this set of problems.

### **Sustainability of reform**

Reforms in Ethiopia are sustainable. Reliance on external technical assistance is actually relatively low, and successful reform efforts (in particular DSA) have placed an emphasis on building internal capacity to continue reforms. So, for example, as initiatives in some of the first regions to undergo reform have become imbedded, so the capacity that has allowed that is then used to help roll out reforms in other regions. In other words, much of the reform effort (in particular by way of training) has been taken forward in its second and further phases not by expatriate experts, but by peers of those first encountering reform. This is highly sustainable, but also indicative of ownership.

Nevertheless, the reform challenge facing Ethiopia is still monumental (in particular in terms of scale), and external assistance in one form or another will be needed to augment Ethiopia's own financial contributions and ideological commitment to this agenda.

# Annex 1: Performance Indicators Summary

## ANNEX 1: TABLE 1 FOR GENERAL SCORING

	A. PFM OUT-TURNS: Credibility of the budget	Scoring						
		Afar	B/G	Dire Dawa	Gambela	Harari	Oromiya	Tigray
PI-1	Aggregate expenditure out-turn compared to original approved budget	A	A	D	A	A	A	C
PI-2	Composition of expenditure out-turn compared to original approved budget	D	D	D	D	D	D	D
PI-3	Aggregate revenue out-turn compared to original approved budget	A	D	A	A	B	A	D
PI-4	Stock and monitoring of expenditure payment arrears	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	<b>B. KEY CROSS-CUTTING ISSUES: Comprehensiveness and Transparency</b>	Scoring						
PI-5	Classification of the budget	A	A	A	A	A	A	A
PI-6	Comprehensiveness of information included in budget documentation	A	A	A	A	A	A	A
PI-7	Extent of unreported government operations	B	B	B	B	C	B	B
PI-8	Transparency of Inter-Governmental Fiscal Relations	B+	B+	B+	B+	B+	B+	B+
PI-9	Oversight of aggregate fiscal risk from other public sector entities	N/A	N/A	N/A	N/A	N/A	N/A	N/A
PI-10	Public Access to key fiscal information	C	C	C	C	C	C	C
	<b>C. BUDGET CYCLE</b>	Scoring						
	<b>C (i) Policy-Based Budgeting</b>							
PI-11	Orderliness and participation in the annual budget process	C+	A	A	C+	A	A	A
PI-12	Multi-year perspective in fiscal planning, expenditure policy and budgeting	D+	D+	D+	D+	D+	D+	D+
	<b>C (ii) Predictability &amp; Control in Budget Execution</b>							
PI-13	Transparency of taxpayer obligations and liabilities	B	B	B	B	B	B	B
PI-14	Effectiveness of measures for taxpayer registration and tax assessment	C	C	C	C-	C	C	C
PI-15	Effectiveness in collection of tax payments	C	C	C	C	C	C	C
PI-16	Predictability in the availability of funds for commitment of expenditures	A	A	A	A	A	A	A
PI-17	Recording and management of cash balances, debt and guarantees	N/A	N/A	N/A	N/A	N/A	N/A	N/A
PI-18	Effectiveness of payroll controls	A	A	A	A	A	A	A
PI-19	Competition, value for money and controls in procurement	C+	C+	C+	C+	C+	C+	C+
PI-20	Effectiveness of internal controls for non-salary expenditures	A	A	A	A	A	A	A

PI-21	Effectiveness of internal audit	B+	B+	B+	B+	B+	B+	B+
	<b>C (iii) Accounting, Recording and Reporting</b>							
PI-22	Timeliness and regularity of accounts reconciliation	B	B	B	B	B	B	B
PI-23	Availability of information on resources received by service delivery units	A	A	A	A	A	A	A
PI-24	Quality and timeliness of in-year budget reports	B+	A	A	C+	A	B+	A
PI-25	Quality and timeliness of annual financial statements	B+	A	A	C+	C+	A	A
	<b>C (iv) External Scrutiny and Audit</b>							
PI-26	Scope, nature and follow-up of external audit	D+	D+	D+	D+	D+	D+	D+
PI-27	Legislative scrutiny of the annual budget law	D+	D+	D+	D+	D+	D+	D+
PI-28	Legislative scrutiny of external audit reports	C+	C+	CNS	C+	C+	A	A
	<b>D. DONOR PRACTICES</b>							
D-1	Predictability of Direct Budget Support	N/A	N/A	N/A	N/A	N/A	N/A	N/A
D-2	Financial information provided by donors for budgeting and reporting on project and program aid	N/A	N/A	N/A	N/A	N/A	N/A	N/A
D-3	Proportion of aid that is managed by use of national procedures	N/A	N/A	N/A	N/A	N/A	N/A	N/A

### ANNEX 1: TABLE 2 FOR DETAILED SCORING

	A. PFM OUT-TURNS: Credibility of the budget	Scoring						
		Afar	B/G	Dire Dawa	Gambela	Harari	Oromiya	Tigray
PI-1		A	A	D	A	A	A	C
	<b>D (i)</b>	A	A	D	A	A	A	C
PI-2		D	D	D	A	D	D	D
	<b>D (i)</b>	D	D	D	D	D	D	D
PI-3		A	D	A	A	B	A	D
	<b>D (i)</b>	A	D	A	A	B	A	D
PI-4		N/A	N/A	N/A	N/A	N/A	N/A	N/A
	<b>D (i)</b>	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	<b>D (ii)</b>	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	<b>B. KEY CROSS-CUTTING ISSUES: Comprehensiveness and Transparency</b>	<b>Scoring</b>						
PI-5		A	A	A	A	A	A	A
	<b>D (i)</b>	A	A	A	A	A	A	A

PI-6		<b>A</b>	<b>A</b>	<b>A</b>	<b>A</b>	<b>A</b>	<b>A</b>	<b>A</b>
	<b>D (i)</b>	A	A	A	A	A	A	A
PI-7		<b>B</b>	<b>B</b>	<b>B</b>	<b>B</b>	<b>C</b>	<b>B</b>	<b>B</b>
	<b>D (i)</b>	B	B	B	B	C	B	B
	<b>D (ii)</b>	B	B	B	B	C	B	B
PI-8		<b>B+</b>	<b>B+</b>	<b>B+</b>	<b>B+</b>	<b>B+</b>	<b>B+</b>	<b>B+</b>
	<b>D (i)</b>	B	B	B	B	B	B	B
	<b>D (ii)</b>	B	B	B	B	B	B	B
	<b>D (iii)</b>	A	A	A	A	A	A	A
PI-9		<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>
	<b>D (i)</b>	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	<b>D (ii)</b>	N/A	N/A	N/A	N/A	N/A	N/A	N/A
PI-10		<b>C</b>	<b>C</b>	<b>C</b>	<b>C</b>	<b>C</b>	<b>C</b>	<b>C</b>
	<b>D (i)</b>	C	C	C	C	C	C	C
	<b>C. BUDGET CYCLE</b>	<b>Scoring</b>						
	<b>C (i) Policy-Based Budgeting</b>							
PI-11		<b>C+</b>	<b>A</b>	<b>A</b>	<b>C+</b>	<b>A</b>	<b>A</b>	<b>A</b>
	<b>D (i)</b>	A	A	A	A	A	A	A
	<b>D (ii)</b>	A	A	A	A	A	A	A
	<b>D (iii)</b>	A	A	A	A	A	A	A
PI-12		<b>D+</b>	<b>D+</b>	<b>D+</b>	<b>D+</b>	<b>D+</b>	<b>D+</b>	<b>D+</b>
	<b>D (i)</b>	C	C	C	C	C	C	C
	<b>D (ii)</b>	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	<b>D (iii)</b>	D	D	D	D	D	D	D
	<b>D (iv)</b>	C	C	C	C	C	C	C
	<b>C (ii) Predictability &amp; Control in Budget Execution</b>							
PI-13		<b>B</b>	<b>B</b>	<b>B</b>	<b>B</b>	<b>B</b>	<b>B</b>	<b>B</b>
	<b>D (i)</b>	A	A	A	A	A	A	A
	<b>D (ii)</b>	C	C	C	C	C	C	C
	<b>D (iii)</b>	B	B	B	B	B	B	B
PI-14		<b>C</b>	<b>C</b>	<b>C</b>	<b>C-</b>	<b>C</b>	<b>C</b>	<b>C</b>
	<b>D (i)</b>	C	C	C	C	C	C	C
	<b>D (ii)</b>	B	B	B	C	B	B	B
	<b>D (iii)</b>	D	D	D	D	D	D	D
PI-15		<b>C</b>	<b>C</b>	<b>C</b>	<b>C</b>	<b>C</b>	<b>C</b>	<b>C</b>
	<b>D (i)</b>	B	B	B	B	B	B	B
	<b>D (ii)</b>	A	A	A	A	A	A	A
	<b>D (iii)</b>	C	C	C	C	C	C	C
PI-16		<b>A</b>	<b>A</b>	<b>A</b>	<b>A</b>	<b>A</b>	<b>A</b>	<b>A</b>
	<b>D (i)</b>	A	A	A	A	A	A	A
	<b>D (ii)</b>	A	A	A	A	A	A	A
	<b>D (iii)</b>	A	A	A	A	A	A	A

PI-17		<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>
	<b>D (i)</b>	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	<b>D (ii)</b>	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	<b>D (iii)</b>	N/A	N/A	N/A	N/A	N/A	N/A	N/A
PI-18		<b>A</b>	<b>A</b>	<b>A</b>	<b>A</b>	<b>A</b>	<b>A</b>	<b>A</b>
	<b>D (i)</b>	A	A	A	A	A	A	A
	<b>D (ii)</b>	A	A	A	A	A	A	A
	<b>D (iii)</b>	A	A	A	A	A	A	A
	<b>D (iv)</b>	A	A	A	A	A	A	A
PI-19		<b>C+</b>	<b>C+</b>	<b>C+</b>	<b>C+</b>	<b>C+</b>	<b>C+</b>	<b>C+</b>
	<b>D (i)</b>	A	A	A	A	A	A	A
	<b>D (ii)</b>	A	A	A	A	A	A	A
	<b>D (iii)</b>	D	D	D	D	D	D	D
PI-20		<b>A</b>	<b>A</b>	<b>A</b>	<b>A</b>	<b>A</b>	<b>A</b>	<b>A</b>
	<b>D (i)</b>	A	A	A	A	A	A	A
	<b>D (ii)</b>	A	A	A	A	A	A	A
	<b>D (iii)</b>	A	A	A	A	A	A	A
PI-21		<b>B+</b>	<b>B+</b>	<b>B+</b>	<b>B+</b>	<b>B+</b>	<b>B+</b>	<b>B+</b>
	<b>D (i)</b>	C	C	C	C	C	C	B
	<b>D (ii)</b>	B	B	B	B	B	B	B
	<b>D (iii)</b>	A	A	A	A	A	A	A
	<b>C (iii) Accounting, Recording and Reporting</b>							
PI-22		<b>B</b>	<b>B</b>	<b>B</b>	<b>B</b>	<b>B</b>	<b>B</b>	<b>B</b>
	<b>D (i)</b>	A	A	A	A	A	A	A
	<b>D (ii)</b>	C	C	C	C	C	C	C
PI-23		<b>A</b>	<b>A</b>	<b>A</b>	<b>A</b>	<b>A</b>	<b>A</b>	<b>A</b>
	<b>D (i)</b>	A	A	A	A	A	A	A
PI-24		<b>B+</b>	<b>A</b>	<b>A</b>	<b>C+</b>	<b>A</b>	<b>B+</b>	<b>A</b>
	<b>D (i)</b>	A	A	A	A	A	A	A
	<b>D (ii)</b>	B	A	A	C	A	B	A
	<b>D (iii)</b>	A	A	A	A	A	A	A
PI-25		<b>B+</b>	<b>A</b>	<b>A</b>	<b>C+</b>	<b>C+</b>	<b>A</b>	<b>A</b>
	<b>D (i)</b>	A	A	A	A	A	A	A
	<b>D (ii)</b>	B	A	A	C	C	A	A
	<b>D (iii)</b>	A	A	A	A	A	A	A
	<b>C (iv) External Scrutiny and Audit</b>							
PI-26		<b>D+</b>	<b>D+</b>	<b>D+</b>	<b>D+</b>	<b>D+</b>	<b>D+</b>	<b>D+</b>
	<b>D (i)</b>	D	D	D	D	D	D	D
	<b>D (ii)</b>	B	B	B	B	B	B	B
	<b>D (iii)</b>	C	C	C	C	C	A	A
PI-27		<b>D+</b>	<b>D+</b>	<b>D+</b>	<b>D+</b>	<b>D+</b>	<b>D+</b>	<b>D+</b>
	<b>D (i)</b>	A	A	A	A	A	A	A
	<b>D (ii)</b>	A	A	A	A	A	A	A

	<b>D (iii)</b>	D	D	D	D	D	D	D
	<b>D (iv)</b>	A	A	A	A	A	A	A
PI-28		<b>C+</b>	<b>C+</b>	<b>CNS</b>	<b>C+</b>	<b>C+</b>	<b>A</b>	<b>A</b>
	<b>D (i)</b>	A	A	CNS	A	A	A	A
	<b>D (ii)</b>	C	C	C	C	C	A	A
	<b>D (iii)</b>	C	C	C	C	C	A	A
	<b>D. DONOR PRACTICES</b>							
D-1		<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>
	<b>D (i)</b>	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	<b>D (ii)</b>	N/A	N/A	N/A	N/A	N/A	N/A	N/A
D-2		<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>
	<b>D (i)</b>	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	<b>D (ii)</b>	N/A	N/A	N/A	N/A	N/A	N/A	N/A
D-3		<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>
	<b>D (i)</b>	N/A	N/A	N/A	N/A	N/A	N/A	N/A

## **Annex 2: Sources of Information**

Development Assistance Group (DAG) Ethiopia, *Annual Report 2005*, Addis Ababa, April 2006;

International Monetary Fund (IMF): The Federal Democratic Republic of Ethiopia –*Debt Sustainability Analysis*, Country Report No. 05/27, January 2005;

International Monetary Fund (IMF): The Federal Democratic Republic of Ethiopia-*2005 Article IV Consultation*, Country Report No. 06/159, May 2006;

International Monetary Fund (IMF): East AFRITAC, *Ethiopia-Draft Technical Note on the Strategy for Implementing Phase II of Treasury Reforms*, by Vijay Ramachandran, AFRITAC Resident Advisor, December 2006;

International Monetary Fund (IMF): *Statistical Appendix*; Country Report No. 06/109, March 2006;

Ministry of Finance, Ministry of Economic Development and Cooperation, *Decentralization Support Activity (DSA): Budget Reform Design Manual* prepared by the Civil Service Reform Budget Design Team, Version 2.1, February 2000;

Ministry of Finance and Economic Development (MOFED): *A Plan for Accelerated & Sustained Development to End Poverty (PASDEP)*, 2005/06-2009/10, Volume I, Main Text, Addis Ababa, September 2006;

Ministry of Finance and Economic Development (MOFED): *Revised Federal Budget Manual (Final Draft)*, Prepared by the Budget Reform Team of the MOFED and the Decentralization Support Activity (DSA) Project, January 2007;

PEFA, *Public Expenditure and Accountability: Financial Management: Performance Management Framework*, PEFA Secretariat and the World Bank, Washington DC, 2005;



The Federal Democratic Republic of Ethiopia, Ministry of Finance and Economic Development (MOFED): Ethiopia: Sustainable Development and Poverty Reduction Program, 2002;

The Federal Democratic Republic of Ethiopia, Central Accounts Department: Budgetary Revenue and Expenditure (Audited). For EFY 1995, Addis Ababa January 2006; For EFY 1996, Addis Ababa 2005; for EFY 1997 Addis Ababa, December 2006.

The Federal Democratic Republic of Ethiopia, FY 2006/07 approved Budget, Volume III-Detailed Budget, July 2006;

The Federal Democratic Republic of Ethiopia, Federal Negarit Gazeta, Federal Government Budget Proclamation 2006-2007, July 2006;

World Bank (WB), European Commission (EC), DFID, NORAD, Ireland Aid, the Netherlands: Ethiopia, Country Financial Accountability Assessment (CFAA), WB Report No. 26092-ET in Two Volumes, June 2003;

World Bank (WB): Ethiopia Country Procurement Assessment Report, 2 Volumes, Washington DC, June 28, 2002;

World Bank (WB): Ethiopia, Public Expenditure Review (PER), WB Report 29338-ET in Two Volumes, June 2004;

World Bank (WB): Interim Country Assistance strategy for the Federal Democratic Republic of Ethiopia, WB Report 35142-ET, May 2006;

## **ANNEX 3: Files for Calculating PI-1, PI-2 and PI3**

Region Tigray	2004					2005					2006				
	Budget	Actual	Diff.	Absolute	%	Budget	Actual	Diff.	Absolute	%	Budget	Actual	Diff.	Absolute	%
Expenditure	47.00	45.00	-2.00	2.00	4.26	57.30	68.30	11.00	11.00	19.20	77.10	74.00	-3.10	3.10	28.18
Org. of St. & Justice	41.70	38.10	-3.60	3.60	8.63	53.20	36.90	-16.30	16.30	30.64	36.30	61.20	24.90	24.90	152.76
Public Order	25.40	17.70	-7.70	7.70	30.31	38.20	35.70	-2.50	2.50	6.54	54.70	59.00	4.30	4.30	172.00
Gen. Pub. Ser.	187.70	166.70	-21.00	21.00	11.19	228.00	223.00	-5.00	5.00	2.19	279.70	318.90	39.20	39.20	784.00
Education	76.80	73.10	-3.70	3.70	4.82	90.20	86.20	-4.00	4.00	4.43	97.00	99.90	2.90	2.90	72.50
Health	6.00	2.05	-3.95	3.95	65.83	2.88	2.60	-0.28	0.28	9.72	2.76	2.97	0.21	0.21	75.00
Social Wel.	16.21	18.00	1.79	1.79	11.04	12.10	6.70	-5.40	5.40	44.63	23.10	14.00	-9.10	9.10	168.52
Cons. & Urb. Dev.	4.20	2.90	-1.30	1.30	30.95	15.40	11.20	-4.20	4.20	27.27	6.10	8.40	2.30	2.30	54.76
Culture & Sport	79.33	57.60	-21.73	21.73	27.39	97.20	88.40	-8.80	8.80	9.05	121.40	119.70	-1.70	1.70	19.32
Agri. & Natural Res.	0.64	0.50	-0.14	0.14	21.88	0.84	0.83	-0.01	0.01	1.19	1.26	0.73	-0.53	0.53	5300.00
Mining & Energy	6.24	4.40	-1.84	1.84	29.49	7.40	8.07	0.67	0.67	9.05	13.65	13.43	-0.22	0.22	32.84
Ind. Trade & Tour	3.00	1.04	-1.96	1.96	65.33	1.73	21.55	19.82	19.82	1145.66	1.39	2.17	0.78	0.78	3.94
Trans. & Commun	17.89	4.50	-13.39	13.39	74.85	20.54	37.41	16.87	16.87	82.13	85.90	7.85	-78.05	78.05	462.66
Other	512.11	431.59	-80.52	80.52	15.72	624.99	626.86	1.87	1.87	0.30	800.36	782.25	-18.11	18.11	2.26
Total Expenditure	512.11	431.59	-80.52	80.52	15.72	624.99	626.86	1.87	1.87	0.30	800.36	782.25	-18.11	18.11	2.26
Comp. Variance	512.11	431.59		84.10	16.42	624.99	626.86		94.85	15.18	800.36	782.25		167.29	20.90

### Results Matrix

	for PI-1		for PI-2
year	total exp. deviation	total exp. Variance	Variance in excess of total deviation
2004	15.72%	16.42%	0.70%
2005	0.30%	15.18%	14.88%
2006	2.26%	20.90%	18.64%

Score for indicator PI-1: C - In only one of the three years actual exp. deviated from the budget by more than 15%

Score for indicator PI-2: D - In two of the three years variance in exp. composition exceeded overall deviation in primary exp. by more than 10%

Region GAMBELLA	2004					2005					2006				
	Budget	Actual	Diff.	Absolute	%	Budget	Actual	Diff.	Absolute	%	Budget	Actual	Diff.	Absolute	%
Expenditure	12.40	16.20	3.80	3.80	30.65	15.70	14.10	-1.60	1.60	10.19	19.80	21.90	2.10	2.10	10.61
Org.of St.& Justice	12.20	8.00	-4.20	4.20	34.43	7.60	12.20	4.60	4.60	60.53	9.50	16.80	7.30	7.30	76.84
Public Order	9.24	9.17	-0.07	0.07	0.76	9.97	10.97	1.00	1.00	10.03	12.12	19.49	7.37	7.37	60.81
Gen.Pub.Ser.	24.16	18.05	-6.11	6.11	25.29	20.72	34.72	14.00	14.00	67.57	24.70	50.77	26.07	26.07	105.55
Education	12.92	15.04	2.12	2.12	16.41	15.88	13.18	-2.70	2.70	17.00	19.09	10.74	-8.35	8.35	43.74
Health	0.69	1.10	0.41	0.41	59.42	1.10	1.06	-0.04	0.04	3.64	1.32	0.02	-1.30	1.30	98.48
Social Wel.	30.08	13.71	-16.37	16.37	54.42	4.70	12.70	8.00	8.00	170.21	20.90	7.85	-13.05	13.05	62.44
Cons. & Urb. Dev.	0.80	1.90	1.10	1.10	137.50	1.80	1.10	-0.70	0.70	38.89	2.30	2.07	-0.23	0.23	10.00
Culture & Sport	12.25	16.82	4.57	4.57	37.31	21.50	14.50	-7.00	7.00	32.56	24.07	17.77	-6.30	6.30	26.17
Agri.&Natural Res.	0.00	0.00	0.00	0.00	#DIV/0!	0.00	0.00	0.00	0.00	#DIV/0!	0.00	0.00	0.00	0.00	#DIV/0!
Mining & Energy	1.00	0.08	-0.92	0.92	92.00	2.10	0.70	-1.40	1.40	66.67	2.60	1.07	-1.53	1.53	58.85
Ind. Trade & Tour	0.64	1.51	0.87	0.87	135.94	18.23	18.13	-0.10	0.10	0.55	3.07	0.62	-2.45	2.45	79.80
Trans.& Commun	10.20	12.52	2.32	2.32	22.75	12.23	1.17	-11.06	11.06	90.43	15.33	4.99	-10.34	10.34	67.45
Other	126.58	114.10	-12.48	12.48	9.86	131.53	134.53	3.00	3.00	2.28	154.80	154.09	-0.71	0.71	0.46
Total Expenditure	126.58	114.10	-12.48	12.48	9.86	131.53	134.53	3.00	3.00	2.28	154.80	154.09	-0.71	0.71	0.46
Comp. Variance	126.58	114.10		42.86	33.86	131.53	134.53		52.20	39.69	154.80	154.09		86.39	55.81

**Results Matrix**

	for PI-1		for PI-2
year	total exp. deviation	total exp. Variance	Variance in excess of total deviation
2004	9.86%	33.86%	24.00%
2005	2.28%	39.69%	37.41%
2006	0.46%	55.81%	55.35%

Score for indicator PI-1: A

Score for indicator PI-2: D

Region BENISHENGAL	2004					2005					2006				
	Budget	Actual	Diff.	Absolute	%	Budget	Actual	Diff.	Absolute	%	Budget	Actual	Diff.	Absolute	%
Expenditure	27.00	23.90	-3.10	3.10	11.48	23.00	25.30	2.30	2.30	10.00	20.70	27.60	6.90	6.90	33.33
Org. of St. & Justice	5.10	15.90	10.80	10.80	211.76	13.60	15.00	1.40	1.40	10.29	16.10	19.60	3.50	3.50	21.74
Public Order	5.55	10.79	5.24	5.24	94.41	11.60	13.69	2.09	2.09	18.02	21.21	17.04	-4.17	4.17	19.66
Gen. Pub. Ser.	46.16	39.30	-6.86	6.86	14.86	50.26	49.57	-0.69	0.69	1.37	60.95	59.39	-1.56	1.56	2.56
Education	20.91	17.80	-3.11	3.11	14.87	0.00	20.73	20.73	20.73	#DIV/0!	26.60	24.36	-2.24	2.24	8.42
Health	1.53	1.67	0.14	0.14	9.15	1.34	0.37	-0.97	0.97	72.39	0.00	2.82	2.82	2.82	#DIV/0!
Social Wel.	12.87	37.13	24.26	24.26	188.50	19.53	21.73	2.20	2.20	11.26	39.74	47.30	7.56	7.56	19.02
Cons. & Urb. Dev.	1.10	4.90	3.80	3.80	345.45	1.50	1.50	0.00	0.00	0.00	0.90	1.20	0.30	0.30	33.33
Culture & Sport	35.35	24.39	-10.96	10.96	31.00	39.73	26.12	-13.61	13.61	34.26	46.90	38.60	-8.30	8.30	17.70
Agri. & Natural Res.	0.00	0.00	0.00	0.00	#DIV/0!	0.14	0.00	-0.14	0.14	100.00	0.17	0.12	-0.05	0.05	29.41
Mining & Energy	2.38	2.38	0.00	0.00	0.00	4.80	4.41	-0.39	0.39	8.12	2.49	2.94	0.45	0.45	18.07
Ind. Trade & Tour	0.60	1.62	1.02	1.02	170.00	0.68	0.38	-0.30	0.30	44.12	0.00	0.00	0.00	0.00	#DIV/0!
Trans. & Commun	12.83	3.80	-9.03	9.03	70.38	7.01	1.60	-5.41	5.41	77.18	5.31	4.42	-0.89	0.89	16.76
Other	171.38	183.58	12.20	12.20	7.12	195.79	180.40	7.21	7.21	3.68	241.07	245.39	4.32	4.32	1.79
Total Expenditure	171.38	183.58	12.20	12.20	7.12	195.79	180.40	7.21	7.21	3.68	241.07	245.39	4.32	4.32	1.79
Comp. Variance	171.38	183.58		78.32	45.70	195.79	180.40		50.23	25.66	241.07	245.39		38.74	16.07

**Results Matrix**

	for PI-1		for PI-2	
year	total exp. deviation	total exp. Variance	Variance in excess of total deviation	
2004	7.12%	45.70%	38.58%	
2005	3.68%	25.66%	21.97%	
2006	1.79%	16.07%	14.28%	

Score for indicator PI-1: A

Score for indicator PI-2: D

Region Oromiya	2004					2005					2006				
	Budget	Actual	Diff.	Absolute	%	Budget	Actual	Diff.	Absolute	%	Budget	Actual	Diff.	Absolute	%
Expenditure	234.90	271.60	36.70	36.70	15.62	188.80	294.60	105.80	105.80	56.04	246.20	279.90	33.70	33.70	13.69
Org.of St.& Justice	217.50	216.80	-0.70	0.70	0.32	188.30	151.10	-37.20	37.20	19.76	176.40	230.50	54.10	54.10	30.67
Public Order	92.90	173.41	80.51	80.51	86.66	93.50	122.70	29.20	29.20	31.23	222.39	190.45	-31.94	31.94	14.36
Gen.Pub.Ser.	766.36	798.42	32.06	32.06	4.18	864.32	916.93	52.61	52.61	6.09	1080.40	1155.45	75.05	75.05	6.95
Education	186.83	110.77	-76.06	76.06	40.71	223.78	191.05	-32.73	32.73	14.63	262.00	238.11	-23.89	23.89	9.12
Health	12.00	14.63	2.63	2.63	21.92	10.06	2.05	-8.01	8.01	79.62	0.00	55.74	55.74	55.74	#DIV/0!
Social Wel.	136.40	150.99	14.59	14.59	10.70	259.21	257.86	-1.35	1.35	0.52	237.70	240.23	2.53	2.53	1.06
Cons. & Urb. Dev.	15.60	15.18	-0.42	0.42	2.69	17.03	5.43	-11.60	11.60	68.12	62.38	21.95	-40.43	40.43	64.81
Culture & Sport	298.62	288.53	-10.09	10.09	3.38	281.00	282.00	1.00	1.00	0.36	448.70	542.20	93.50	93.50	20.84
Agri.&Natural Res.	4.10	3.19	-0.91	0.91	22.24	5.63	1.69	-3.94	3.94	69.98	2.60	1.97	-0.63	0.63	24.23
Mining & Energy	18.27	40.31	22.04	22.04	120.63	5.21	14.99	9.78	9.78	187.72	38.72	39.92	1.20	1.20	3.10
Ind. Trade & Tour	3.70	3.86	0.16	0.16	4.32	14.12	0.00	-14.12	14.12	100.00	0.00	2.65	2.65	2.65	#DIV/0!
Trans.& Commun	99.94	92.82	-7.12	7.12	7.12	77.20	21.45	-55.75	55.75	72.22	43.67	72.58	28.91	28.91	66.20
Other	2087.12	2180.51	93.39	93.39	4.47	2228.16	2261.85	33.69	33.69	1.51	2821.16	3071.65	250.49	250.49	8.88
Total Expenditure	2087.12	2180.51	93.39	93.39	4.47	2228.16	2261.85	33.69	33.69	1.51	2821.16	3071.65	250.49	250.49	8.88
Comp. Variance	2087.12	2180.51		283.99	13.61	2228.16	2261.85		363.09	16.30	2821.16	3071.65		444.27	15.75

**Results Matrix**

	for PI-1		for PI-2
year	total exp. deviation	total exp. Variance	Variance in excess of total deviation
2004	4.47%	13.61%	9.13%
2005	1.51%	16.30%	14.78%
2006	8.88%	15.75%	6.87%

Score for indicator PI-1: A

Score for indicator PI-2: D

Region Afar	2004					2005					2006				
	Budget	Actual	Diff.	Absolute	%	Budget	Actual	Diff.	Absolute	%	Budget	Actual	Diff.	Absolute	%
Expenditure	33.90	31.60	-2.30	2.30	6.78	33.80	39.80	6.00	6.00	17.75	55.10	56.40	1.30	1.30	2.36
Org. of St. & Justice	17.70	19.90	2.20	2.20	12.43	13.50	22.00	8.50	8.50	62.96	24.40	26.30	1.90	1.90	7.79
Public Order	24.80	21.70	-3.10	3.10	12.50	20.80	37.20	16.40	16.40	78.85	28.25	43.40	15.15	15.15	53.63
Gen. Pub. Ser.	32.60	30.40	-2.20	2.20	6.75	37.20	37.40	0.20	0.20	0.54	58.19	59.78	1.59	1.59	2.73
Education	19.50	34.90	15.40	15.40	78.97	52.60	27.87	-24.73	24.73	47.02	31.53	33.10	1.57	1.57	4.98
Health	1.15	0.00	-1.15	1.15	100.00	3.50	4.45	0.95	0.95	27.14	5.78	5.86	0.08	0.08	1.38
Social Wel.	24.46	19.80	-4.66	4.66	19.05	25.20	13.20	-12.00	12.00	47.62	33.86	25.32	-8.54	8.54	25.22
Cons. & Urb. Dev.	3.70	3.10	-0.60	0.60	16.22	2.96	7.00	4.04	4.04	136.49	9.06	6.52	-2.54	2.54	28.04
Culture & Sport	32.00	15.70	-16.30	16.30	50.94	38.00	53.20	15.20	15.20	40.00	58.00	64.00	6.00	6.00	10.34
Agri. & Natural Res.	0.00	15.10	15.10	15.10	#DIV/0!	0.10	0.89	0.79	0.79	790.00	0.48	2.95	2.47	2.47	514.58
Mining & Energy	2.31	0.00	-2.31	2.31	100.00	2.54	2.49	-0.05	0.05	1.97	4.57	3.91	-0.66	0.66	14.44
Ind. Trade & Tour	0.10	3.80	3.70	3.70	3700.00	0.10	0.30	0.20	0.20	200.00	0.00	0.00	0.00	0.00	#DIV/0!
Trans. & Commun	20.55	10.00	-10.55	10.55	51.34	10.80	10.20	-0.60	0.60	5.56	24.78	16.02	-8.76	8.76	35.35
Other	212.77	206.00	-6.77	6.77	3.18	241.10	256.00	14.90	14.90	6.18	334.00	343.56	9.56	9.56	2.86
Total Expenditure	212.77	206.00		79.57	37.40	241.10	256.00		89.66	37.19	334.00	343.56		50.56	15.14
Comp. Variance															

**Results Matrix**

	for PI-1		for PI-2	
year	total exp. deviation	total exp. Variance	Variance in excess of total deviation	
2004	3.18%	37.40%	34.22%	
2005	6.18%	37.19%	31.01%	
2006	2.86%	15.14%	12.28%	

Score for indicator PI-1: A

Score for indicator PI-2: D

Region HARARI	2004					2005					2006				
	Budget	Actual	Diff.	Absolute	%	Budget	Actual	Diff.	Absolute	%	Budget	Actual	Diff.	Absolute	%
Expenditure	7.00	6.40	-0.60	0.60	8.57	6.30	6.60	0.30	0.30	4.76	7.70	14.20	6.50	6.50	84.42
Org.of St.& Justice	7.80	7.80	0.00	0.00	0.00	7.70	7.70	0.00	0.00	0.00	8.50	10.90	2.40	2.40	28.24
Public Order	5.62	8.32	2.70	2.70	48.04	8.83	4.15	-4.68	4.68	53.00	9.90	7.67	-2.23	2.23	22.53
Gen.Pub.Ser.	26.26	21.63	-4.63	4.63	17.63	25.34	25.46	0.12	0.12	0.47	37.16	35.29	-1.87	1.87	5.03
Education	13.24	13.19	-0.05	0.05	0.38	16.39	16.15	-0.24	0.24	1.46	31.25	24.78	-6.47	6.47	20.70
Health	1.86	0.79	-1.07	1.07	57.53	0.00	0.33	0.33	0.33	#DIV/0!	1.69	4.20	2.51	2.51	148.52
Social Wel.	7.06	3.53	-3.53	3.53	50.00	15.51	8.78	-6.73	6.73	43.39	7.99	10.35	2.36	2.36	29.54
Cons. & Urb. Dev.	1.60	1.57	-0.03	0.03	1.88	1.74	3.24	1.50	1.50	86.21	2.62	0.00	-2.62	2.62	100.00
Culture & Sport	10.24	5.65	-4.59	4.59	44.82	8.66	9.90	1.24	1.24	14.32	7.40	10.92	3.52	3.52	47.57
Agri.&Natural Res.	0.00	10.53	10.53	10.53	#DIV/0!	0.00	0.00	0.00	0.00	#DIV/0!	0.00	0.00	0.00	0.00	#DIV/0!
Mining & Energy	1.30	3.28	1.98	1.98	152.31	1.45	4.79	3.34	3.34	230.34	0.09	4.62	4.53	4.53	5033.33
Ind. Trade & Tour	0.00	0.00	0.00	0.00	#DIV/0!	0.00	0.00	0.00	0.00	#DIV/0!	0.00	0.00	0.00	0.00	#DIV/0!
Trans.& Commun	5.00	3.49	-1.51	1.51	30.20	1.44	2.95	1.51	1.51	104.86	5.63	0.00	-5.63	5.63	100.00
Other	86.98	86.18	-0.80	0.80	0.92	93.36	90.05	-3.31	3.31	3.55	119.93	122.93	3.00	3.00	2.50
Total Expenditure	86.98	86.18	-0.80	0.80	0.92	93.36	90.05	-3.31	3.31	3.55	119.93	122.93	3.00	3.00	2.50
Comp. Variance	86.98	86.18		31.22	35.89	93.36	90.05		19.99	21.41	119.93	122.93		40.64	33.89

**Results Matrix**

	for PI-1		for PI-2	
year	total exp. deviation	total exp. Variance	Variance in excess of total deviation	
2004	0.92%	35.89%	34.97%	
2005	3.55%	21.41%	17.87%	
2006	2.50%	33.89%	31.38%	

Score for indicator PI-1: A

Score for indicator PI-2: D



Region DIRE DAWA	2004					2005					2006				
	Budget	Actual	Diff.	Absolute	%	Budget	Actual	Diff.	Absolute	%	Budget	Actual	Diff.	Absolute	%
Expenditure	4.90	5.30	0.40	0.40	8.16	2.60	5.50	2.90	2.90	111.54	3.10	6.30	3.20	3.20	103.23
Org.of St.& Justice	8.80	6.70	-2.10	2.10	23.86	8.20	10.30	2.10	2.10	25.61	7.70	14.70	7.00	7.00	90.91
Public Order	4.47	3.50	-0.97	0.97	21.70	9.67	16.90	7.23	7.23	74.77	20.61	19.44	-1.17	1.17	5.68
Gen.Pub.Ser.	18.60	17.35	-1.25	1.25	6.72	20.22	25.82	5.60	5.60	27.70	37.44	33.90	-3.54	3.54	9.46
Education	15.95	11.71	-4.24	4.24	26.58	14.83	16.23	1.40	1.40	9.44	14.93	15.60	0.67	0.67	4.49
Health	0.00	0.00	0.00	0.00	#DIV/0!	2.96	1.54	-1.42	1.42	47.97	0.00	1.85	1.85	1.85	#DIV/0!
Social Wel.	26.25	11.69	-14.56	14.56	55.47	17.33	3.65	-13.68	13.68	78.94	16.43	0.74	-15.69	15.69	95.50
Cons. & Urb. Dev.	1.10	1.00	-0.10	0.10	9.09	0.93	1.14	0.21	0.21	22.58	1.83	3.29	1.46	1.46	79.78
Culture & Sport	9.85	4.23	-5.62	5.62	57.06	11.63	9.23	-2.40	2.40	20.64	14.44	6.42	-8.02	8.02	55.54
Agri.&Natural Res.	0.00	1.78	1.78	1.78	#DIV/0!	0.00	0.22	0.22	0.22	#DIV/0!	0.50	0.67	0.17	0.17	34.00
Mining & Energy	1.85	1.33	-0.52	0.52	28.11	5.80	8.22	2.42	2.42	41.72	4.33	5.58	1.25	1.25	28.87
Ind. Trade & Tour	0.00	0.00	0.00	0.00	#DIV/0!	0.03	0.13	0.10	0.10	333.33	0.90	0.00	-0.90	0.90	100.00
Trans.& Commun	9.95	1.10	-8.85	8.85	88.94	16.16	7.70	-8.46	8.46	52.35	30.20	0.58	-29.62	29.62	98.08
Other	101.72	65.69	-36.03	36.03	35.42	110.36	106.58	-3.78	3.78	3.43	152.41	109.07	-43.34	43.34	28.44
Total Expenditure	101.72	65.69	-36.03	36.03	35.42	110.36	106.58	-3.78	3.78	3.43	152.41	109.07	-43.34	43.34	28.44
Comp. Variance	101.72	65.69		40.39	39.71	110.36	106.58		48.14	43.62	152.41	109.07		74.54	48.91

### Results Matrix

	for PI-1		for PI-2	
year	total exp. deviation	total exp. Variance	Variance in excess of total deviation	
2004	35.42%	39.71%	4.29%	
2005	3.43%	43.62%	40.20%	
2006	28.44%	48.91%	20.47%	

Score for indicator PI-1: A

Score for indicator PI-2: D

**Calculation Sheet for PI-3**

**Regional Aggregate Revenue Out-turn Compared to Original Approved Budget, 2004-2006**

In million Birr

Region	2004			2005			2006		
	Budget	Actual	%	Budget	Actual	%	Budget	Actual	%
Tigray	137.9	151.9	110.2	200.4	178.0	88.8	225.00	195.9	87.1
Afar	20.0	26.2	131.0	27.7	41.1	148.4	40.0	38.0	95.0
Oromia	485.0	549.4	113.3	506.2	643.4	127.1	625.0	624.3	99.9
BSG	20.7	21.4	103.4	30.0	27.1	90.3	34.2	22.1	64.6
Gambella	10.1	9.0	89.1	10.3	10.5	101.9	11.0	12.4	112.7
Hareri	14.2	14.6	102.8	16.0	14.3	89.4	21.5	20.5	95.3
Dire Dawa	23.2	24.4	105.2	23.3	31.5	135.2	32.7	34.6	105.8
<b>TOTAL</b>	<b>711.1</b>	<b>796.9</b>	<b>112.1</b>	<b>813.9</b>	<b>945.9</b>	<b>116.2</b>	<b>1064.0</b>	<b>946.8</b>	<b>89.0</b>

Source: MOFED Accounts Department and Macroeconomic and Policy Department

**Results Matrix**  
**Percentage Aggregate Revenue Deviation**

Region	2004	2005	2006	Score	Remark
Tigray	110.2	88.8	65.1	D	actual rev. collection was below 92% in two of the reported years
Afar	131.0	148.4	95.0	A	actual rev. collection was below 97% in one of the reported years
Oromia	113.3	127.1	99.9	A	actual rev. collection was 100% in all of the reported years
BSG	103.4	90.3	64.6	D	actual rev. collection was below 92% in two of the reported years
Gambella	89.1	101.9	112.7	C	actual rev. collection was below 92% in one of the reported years
Hareri	102.8	89.4	111.3	B	actual rev. collection was below 92% in one of the reported years but was below 97% in one and more than 100% in the other
Dire Dawa	105.2	135.2	105.8	A	actual rev. collection was more than 100% in all of the reported years
<b>TOTAL</b>	<b>112.1</b>	<b>116.2</b>	<b>89.0</b>	<b>C</b>	actual rev. collection was below 92% in one of the reported years

	1993	1994	1995	1996	1997	1998*	Total 1994-1998	Average
Region	1	2	3	4	5	6	7=(2-6)	8=7÷5
Tigray	75.039	81.783	108.681	131.455	174.811	170.560	667.290	133.458
Afar	75.115	69.516	81.052	70.038	89.896	120.280	430.782	86.156
Amhara	201.276	229.738	299.784	370.065	353.538	417.660	1,670.785	334.157
Oromia	296.531	313.405	394.455	480.061	571.151	699.010	2,458.082	491.616
Somale	65.714	89.630	122.332	108.639	145.576	164.870	631.047	126.209
BSG	44.517	41.255	56.459	45.666	51.490	63.260	258.130	51.626
SNNPR	151.483	174.826	217.124	308.090	345.152	378.820	1,424.012	284.802
Gambella	23.178	26.142	34.578	37.502	34.362	50.460	183.044	36.609
Hareri	12.767	14.455	18.790	19.822	18.383	29.620	101.070	20.214
Dire Dawa	14.911	24.889	22.880	17.573	26.942	29.700	121.984	24.397
<b>TOTAL</b>	<b>960.531</b>	<b>1,065.639</b>	<b>1,356.135</b>	<b>1,588.911</b>	<b>1,811.301</b>	<b>2,124.240</b>	<b>7,946.226</b>	<b>1,589.245</b>