



PEFA

Public Expenditure and Financial Accountability

Federal Democratic Republic of Ethiopia (Somali Regional State Government)



Performance Assessment Report

Final Report

March 11, 2020

Funded by



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Public Expenditure and Financial Accountability (PEFA) assessment

Ethiopia (Somali Regional State Government)

Final report

March 11, 2020

The PEFA Secretariat confirms that this report meets the PEFA quality assurance requirements and is hereby awarded the '**PEFA CHECK**'.

PEFA Secretariat

April 23, 2020

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Acronyms and abbreviations

AFROSAI-E	African Organization of English-Speaking Supreme Audit Institutions
BCC	Budget Call Circular
BFSC	Budget and Finance Standing Committee
BI	Budget Institution
BoFED	Bureau of Finance and Economic Development
CBE	Commercial Bank of Ethiopia
CoA	Chart of Accounts
COFOG	Classification of Functions of Government
COPCD	Channel One Projects Coordination Department
DFID	U.K. Department for International Development
DHIS	District Health Information System
DP	Development Partner
EBU	Extra-budgetary Unit
EC	Ethiopian Calendar
EU	European Union
EFY	Ethiopian Fiscal Year
EMCP	Expenditure Management and Control Program
EPSA	Ethiopian Pharmaceuticals Supply Agency
GDP	Gross Domestic Product
GC	Gregorian Calendar
GEQIP	General Education Quality Improvement Program
GFS	Government Finance Statistics
GOFAMM	Government-owned Fixed Assets Management Manual
GTP	Growth and Transformation Plan
HR	Human Resources
IBEX	Integrated Budget and Expenditures System
ICT	Information and Communication Technology
IDC	International Development Corporation
IDA	International Development Association
IFCD	Inspection and Financial Control Directorate
IMF	International Monetary Fund
IPSAS	International Public Sector Accounting Standards
ISSAI	International Standards for Supreme Audit Institutions
IT	Information Technology
JFEDO	Jijjiga Finance and Economic Development Office
MDAs	Ministries, Departments, and Agencies
MEFF	Macroeconomic and Fiscal Framework
MoF	Ministry of Finance
MTEF	Medium-term Expenditure Framework
NA	Not Applicable
OFAD	Office of the Federal Auditor General
ORAG	Office of the Regional Auditor General
OT	Oversight Team
PAC	Public Accounts Committee
PBS	Promotion of Basic Services
PE	Public Enterprises
PEFA	Public Expenditure and Financial Accountability

PFM	Public Financial Management
PHCU	Primary Health Care Unit
PIM	Public Investment Management
PIP	Public Investment Project
PPADD	Public Procurement and Assets Disposal Department
PPPA	Public Procurement and Property Administration Authority
PPP	Public-Private Partnership
PPPDS	Public Procurement and Property Disposal Service
REAC	Regional Ethics and Anticorruption Commission
SAI	Supreme Audit Institution
SDG	Sustainable Development Goal
SIGTAS	Standard Integrated Government Tax Administration System
SIRM	System of Integrated Revenue Management
SNG	Subnational Government
SNRS	Somali National Regional State
SoE	State-owned enterprise
SRG	Somali Regional Government
SRRA	Somali Regional Revenue Authority
TIN	Taxpayer Identification Number
TSA	Treasury Single Account
TTL	Task Team Leader
TVET	Technical and Vocational Education and Training
UNDP	United Nations Development Programme
UNICEF	United Nations Children's Fund
VAT	Value Added Tax
WEE	Women's Economic Empowerment
WoFED	Woreda Finance Economic Development

Fiscal year:

Ethiopian fiscal year (EFY): July 8–July 7

EFY 2008, 2009, 2010 = Gregorian FY2015/2016, 2016/2017, 2017/2018 (July 1–June 30)

In this document, the term FY refers to the Gregorian fiscal year, unless described as EFY.

Currency unit = Ethiopian Birr (ETB)

US\$1 = ETB 29.30 (as of November 22, 2019)

Executive summary

1. The objective of the Public Expenditure and Financial Accountability (PEFA) assessment is to review the current performance of the public financial management (PFM) systems, processes, and institutions of the Somali regional government since the last assessment in 2015. The assessment is aimed at assisting the government in identifying PFM weaknesses that may inhibit effective delivery of services to its citizens and the realization of its development objectives in general. Furthermore, the findings of the PEFA assessment will assist the government in developing a PFM reform strategy and provide the basis for a coherent PFM reform program that can be supported by development partners (DPs), as well as through the government's own initiatives.

2. The Somali assessment covered regional government budgeted units, extra-budgetary units (EBUs), Office of the Regional Auditor General (ORAG), the regional council, public enterprises, and the chamber of commerce. Annexes 3A and 3B provide a comprehensive list of information used and people met (interviewed), respectively, during the assessment. Other reference material used were the 2018 International Monetary Fund (IMF) Debt Sustainability Analysis for Ethiopia Federal Government and Government Finance Statistics (GFS) Manual 2014, Chapter 2—definition of EBUs. The fiscal years for the assessment are Ethiopian Calendar (EC) 2008, 2009, and 2010 (Gregorian Calendar [GC] FY2015/2016, 2016/2017, and 2017/2018, respectively). The last budget submitted to Parliament is the EC 2011 budget or Gregorian FY2018/2019 budget.

3. The assessment shows the state of PFM performance of the region at the time of the fieldwork (November 2019 is the cutoff date). The period covered for each of the 97¹ dimensions (summarized into 32² performance indicators) depends on the dimension and in accordance with the PEFA measurement framework. Some dimensions were assessed at the time of the assessment (November 2019 is the cutoff date). Other dimensions were assessed at the relevant time, which is the last completed fiscal year FY2017/2018 or FY2018/2019 for the last budget submitted to Parliament.

4. The assessment management framework, oversight, and quality assurance are summarized in Box 1.1. The assessment was funded by the World Bank, Irish Aid, the U.K. Department for International Development (DFID), the European Union (EU), the United Nations Children's Fund (UNICEF), and UN Women.³ It was managed by the World Bank. The task team leader (TTL) was Rafika Chaouali (Lead Financial Management Specialist, Governance, World Bank) and Meron Tadesse Techane (Senior Financial Management Specialist, Governance, World Bank) provided overall and continued guidance.

Impact of PFM system performance on the three main fiscal and budgetary outcomes

Aggregate fiscal discipline

5. All proclamations promulgated by the regional government derive their sources from the federal laws; these proclamations are quite robust for strengthening aggregate fiscal discipline, but these laws must be enforced with a strong political will. The reliability of aggregate expenditures (PI-1 'A') coupled with a credible subsidy transfer from the federal government (HLG-1 'B+') strengthens fiscal discipline. The same cannot be said for domestic revenues; these are unreliable (PI-3 'D'). Fiscal discipline is also weakened by the constant and continuous budget reallocations according to administration and/or economic classifications and the excessive use of contingency vote (PI-2 'D+').

¹ 94 regular dimensions plus 3 extra dimensions (HLG-1.1, HLG-1.2, and HLG-1.3) for the subnational government (SNG) PEFA.

² 31 regular indicators plus 1 extra indicator (HLG-1) for the SNG PEFA.

³ United Nations Entity for Gender Equality and the Empowerment of Women.

The rules for in-year budget virements are clear but have no limits to the number and volume of virements; this is a weakness as far as fiscal discipline is concerned. The good news is that revenues and expenditures outside the regional government budgeting and reporting systems are less than 1 percent of total government revenues and expenditures. Also, the stock of expenditure arrears is below 2 percent of total government expenditure. These provide a strengthened approach to fiscal discipline. One particular strength is the fact that there are limits set out for budget spending units which are articulated in advance (PI-21.3 'A'); this is a good practice of fiscal discipline. The government does not spend beyond its approved budget without ex ante parliamentary approval; this is also a good fiscal discipline practice and all three supplementary budgets were approved before executive spending. Budget execution elements such as internal controls (PI-25 'B') and internal audit (PI-26 'C+') are satisfactory for the attainment of fiscal discipline.

Strategic allocation of resources

6. The classification and comprehensiveness of the budget are satisfactory (PI-4 and PI-5 rated 'B' and 'C', respectively), providing a sound basis for the allocation of resources according to strategic priorities and promoting transparency and easy tracking of government resources. These positive elements are however affected by the continuous functional and economic budget reallocations (PI-2 'D+'), thereby overriding government original policy intentions, leading to poor resource allocation, which affects efficient service delivery. The government does not monitor total fiscal risks (both explicit and implicit) of state-owned enterprises (SoEs) and other contingent liabilities; this is a weakness as far as strategic resource allocation is concerned as scarce resources could be used to pay off government contingent liabilities. The good performance of the government referencing policy-based fiscal strategy and budgeting (PI-14 'A'; PI-16 'B'; PI-17 'A'; PI-18 'C+'), except for fiscal strategy preparation (PI-15 'D+'), strengthens strategic resource allocation due to a multiyear perspective in budgeting (Medium-term Expenditure Framework [MTEF]), a sound budget preparation process and costing of sector strategic plans, and alignment of budget estimates to medium-term strategies but for the absence of a fiscal strategy that will ensure proper alignment of fiscal targets to annual budget estimates. The satisfactory performance of both revenue administration and accountability (PI-19 'B' and PI-20 'C+') coupled with the good performance of predictability in resource allocation (PI-21 'A') strengthens strategic resource allocation, but the fact that government continues to miss its aggregate revenue targets (PI-3 'D') raises concerns as to the effectiveness of these revenue administration measures. The absence of standard guidelines for public investment management weakens strategic resource allocation since it encourages selective approach to public investment appraisal, selection, costing, and evaluation.

Efficient use of resources for service delivery

7. The satisfactory performance of actual transfers from the federal government to the regional government (HLG-1 'B+') and the reliability of aggregate expenditures (PI-1 'A'), in addition to the timeliness and reliability of information on resource allocation to budget units (PI-21 'A'), strengthen primary service delivery by making resources available for payment of goods and services on time, thereby reducing the accumulation of expenditure arrears (PI-22.1 'A'). However, the poor performance in expenditure composition outturns by economic and administrative classifications due to the constant reallocation of budgets across votes and the excessive use of contingency budget (PI-2 'D+') weakens the efficiency in service delivery.

8. Efficient service delivery is also strengthened by the relatively strong PFM laws and regulations on procurement, budgeting, and cash management. Revenue administration and accounting show satisfactory performance (PI-19 'B' and PI-20 'C+'), but this has very little impact on the overall (aggregate) domestic revenue performance (PI-3 'D'), a key factor in terms of making resources available for the effective and efficient execution of primary service to the citizens. Another

weakness observed relates to the transparency and public access to fiscal information (PI-9 'D'); most information is not published, and if published at all, it is late. Performance information on service delivery is also weak (PI-8 'D+') mainly due to the nonexistence of a comprehensive and consolidated report on resources received by primary service delivery units as well as the non-publication of monitoring and evaluation reports. Internal audit functions have wide government coverage, and similarly there is wide coverage for external audit as well (PI-30.1 'A'); these provide assurance to the use of government resources for efficient service delivery. Legislative oversight is strong; this has a positive impact on efficient service delivery since it holds the executive accountable.

Performance changes since the last assessment in 2015

9. Table 0.1 provides a summary of performance change since the last assessment in 2015. On the basis of the 2011 methodology, there have been 8 improvements in performance and 2 deteriorations in performance, 19 performances remained unchanged, 1 indicator was not comparable, and 2 indicators were not used as they were deemed irrelevant. Annex 4 provides a detailed analysis of changes in performance since the 2015 assessment according to the 2011 PEFA methodology.

Table 0.1: Changes in the ratings since 2015 using the 2011 framework

Deteriorations in ratings and performance		No change		Improvements in ratings and performance	
Indicators	Number	Indicators	Number	Indicators	Number
PI-2, PI-3	2	PI-5, PI-7, PI-8, PI-9, PI-10, PI-11, PI-14, PI-15, PI-16, PI-18, PI-19, PI-20, PI-21, PI-22, PI-23, PI-24, PI-25, PI-28, D-1	19	PI-1, PI-4, PI-6, PI-12, PI-13, PI-17, PI-26, PI-27	8
Not comparable		Not used			
HLG-1	1	D-2 and D-3	2		

Fiscal discipline

10. Fiscal discipline shows mixed results. While it has been strengthened by the good performance of aggregate expenditure outturn (PI-1 rated 'A' in 2018 compared to 'B' in 2015), it was negatively affected by the poor performance in expenditure composition outturn and the use of contingency vote which was on average a little above 8 percent (PI-2 rated 'D+' in 2018 compared to 'C+' in 2015). Transfers from the federal government to the regional government could not be compared since HLG 1, which relates to earmarked grants, was not applicable in 2015. That said, available evidence suggests that the federal government has consistently maintained its performance in terms of ensuring that all budgeted subsidies are actually transferred on time to the regional government. Fiscal discipline was also negatively affected by the poor performance of aggregate revenue outturns due to its poor performance (PI-3 scored 'D' in 2018 compared to 'B' in 2015). The government has maintained a tight control on expenditure arrears, ensuring that the stock remains below 2 percent of total regional government expenditure, as well as the monitoring and reporting of these arrears (PI-4 rated 'B+' in 2015 and 'A' in 2018). This performance strengthens fiscal discipline by ensuring that only budgeted and approved expenditure is paid. Another element that usually affects fiscal discipline relates to payroll expenditure which has remained the same since 2015 although deterioration has been noted in the internal controls over payroll which raises some doubt.

Strategic allocation of resources

11. The government has maintained its strong performance in the predictability and allocation of its scarce resources coupled with the effective cash management framework through the daily

consolidation of its cash/bank balances (PI-16 rated 'A' in 2015 and 2018; PI-17 improved from 'B' in 2015 to 'A' in 2018), all these having positive impact on strategic resource allocation needed for efficient service delivery. The poor performance in expenditure composition outturn (PI-2.1 'C' in 2015 compared to 'D' in 2018) has however more or less negated the encouraging performance of the effective cash management system, thereby affecting strategic resource allocation negatively though the legislative framework for budget reviews and approval has improved, setting the tone for budget entities to spend within approved estimates on time (PI-27 rated 'B+' in 2018 compared to 'C+' in 2015). The comprehensiveness of the budget has seen improvement (PI-6 rated 'B' in 2018 compared to 'C' in 2015) coupled with improvement in a multiyear perspective in the expenditure framework (that is, MTEF; PI-12 rated 'C+' in 2018 compared with 'D+' in 2015) points to the government's commitment to strengthen strategic allocation of resources.

Efficient service delivery

12. The consistent performance of federal government subsidy transfers to the regional government over the years (HLG-1 rated 'B+' in 2018 and 'A' in 2015 although not directly comparable due to the inapplicability of earmarked grants in 2015) has had a positive impact on efficient service delivery by ensuring that the needed resources are available on time to prosecute government policies and programs. The good performance of predictability of resource allocation (PI-16 rated 'A' in 2018) in addition to the effective cash management system (PI-17 also rated 'A' in 2018) has contributed positively to the efficiency of service delivery. The government has also maintained strict controls on the level of unreported operations (PI-7.1 rated 'A' in 2015 and 2018), except for donor-funded projects that still have a challenge in terms of full reporting and disclosure. The poor performance of domestic revenues (PI-3 rated 'D' in 2018 compared to 'B' in 2015) meant shortfalls in revenues badly needed to improve service delivery despite the good performance of the tax administration system (PI-13 rated 'A' in 2018 compared to 'B+' in 2015 and PI-14 rated B in 2015 and 2018). This situation however raises questions as to the effectiveness of the tax administration system and/or the revenue projection framework as the two are delinked. Improvement in external audit coverage (from 'C+' in 2015 to 'B+' in 2018) provides some assurance to the use of public funds for service delivery. The absence of performance audits however limits the ability to measure efficiency and effectiveness of service delivery

Overview of ongoing and planned PFM reforms and main weaknesses identified

13. The new PFM reform strategy, estimated at a cost of ETB 189.32 million over the five-year period from EC 2010 to EC 2014 (GC 2017/2018 to GC 2021/2022), has nine components:

- Balance government revenues and expenditures over the medium term
- Make cost-effective budget allocations
- Modernize government treasury, cash management, and disbursement systems for efficiency and cost-effectiveness
- Improve the timeliness and accuracy of government accounting and reporting
- Strengthen value for money by improving the internal audit and control systems
- Modernize government procurement and public asset management systems
- Modernize information technology (IT) systems that support government financial administration
- Improve government financial administration that is participatory, transparent, and accountable

- Improve staff technical capacity in government financial administration

14. The new PFM reform strategy fails to address issues relating to external audit (ORAG) and domestic revenue mobilization even though Component 1 mentions ‘balance government revenues and expenditures over the medium term’. The funding arrangements are also not well defined, but the government intends to look for multiple sources of funding including from the federal government and DPs.

15. Though there are no major ongoing PFM reform activities, PFM training and capacity-building programs have been mainstreamed into the day-to-day activities of each sector bureau. Over the past couple of years, the following elements have been achieved:

- Legal reforms on financial administration proclamation, procurement law, and directives.
- Public Revenue and Expenditure Improvement Plan—tax revenue increased at an annual average rate of 48.3 percent during the past five years, which is above the national average of 33 percent.
- Training and capacity building on government budget preparation and management.
- Government cash management and payment systems—Treasury Single Account (TSA) and daily consolidation of government bank accounts on TSA and closure of dormant public bank accounts.
- Revision of government Chart of Accounts (CoA) consistent with international standards (GFS-2001).
- Establishment of procurement complaints board.
- Training of internal auditors to conduct post-audit instead of pre-audit.
- Rollout of Integrated Budget and Expenditures System (IBEX) to all sector bureaus and woredas plus training and capacity building.

Table 0.2: Overall summary of PFM performance scores, 2018

PFM performance indicator		Scoring method	Dimension ratings				Overall rating
			i.	ii.	iii.	iv.	
HLG-1	Transfer from a higher-level government	M1	A	B	A		B+
Pillar I: Budget reliability							
PI-1	Aggregate expenditure outturn	M1	A				A
PI-2	Expenditure composition outturn	M1	D	B	C		D+
PI-3	Revenue outturn	M2	D	D			D
Pillar II. Transparency of public finances							
PI-4	Budget classification	M1	B				B
PI-5	Budget documentation	M1	C				C
PI-6	Central government operations outside fiscal reports	M2	A	A	NA		A
PI-7	Transfers to subnational governments	M2	A	A			A
PI-8	Performance information for service delivery	M2	C	C	D	D	D+
PI-9	Public access to key fiscal information	M1	D				D
Pillar III. Management of assets and liabilities							
PI-10	Fiscal risk reporting	M2	D	D	D		D
PI-11	Public investment management	M2	C	C	C	C	C
PI-12	Public asset management	M2	C	D	B		C

PFM performance indicator		Scoring method	Dimension ratings				Overall rating
			i.	ii.	iii.	iv.	
PI-13	Debt management	M2	NA	D	NA		D
Pillar IV. Policy-based fiscal strategy and budgeting							
PI-14	Macroeconomic and fiscal forecasting	M2	A	A	B		A
PI-15	Fiscal Strategy	M2	C	D	NA		D+
PI-16	Medium-term perspective in expenditure budgeting	M2	C	A	B	C	B
PI-17	Budget preparation process	M2	A	A	A		A
PI-18	Legislative scrutiny of budgets	M1	B	C	A	B	C+
Pillar V. Predictability and control in budget execution							
PI-19	Revenue administration	M2	A	C	D	A	B
PI-20	Accounting for revenues	M1	A	A	C		C+
PI-21	Predictability of in-year resource allocation	M2	A	A	A	A	A
PI-22	Expenditure arrears	M1	A	B			B+
PI-23	Payroll controls	M1	B	A	C	B	C+
PI-24	Procurement	M2	A	A	C	D	B
PI-25	Internal controls on non-salary expenditure	M2	A	C	B		B
PI-26	Internal audit	M1	A	C	A	A	C+
Pillar VI. Accounting and reporting							
PI-27	Financial data integrity	M2	B	C	C	B	C+
PI-28	In-year budget reports	M1	A	B	C		C+
PI-29	Annual financial reports	M1	C	A	C		C+
Pillar VII. External scrutiny and audit							
PI-30	External audit	M1	A	A	B	A	B+
PI-31	Legislative scrutiny of audit reports	M2	A	A	C	D	B

1. Introduction

1.1 Background

1. On August 6, 2018,⁴ development partners (DPs) received an official request from the Ministry of Finance (MoF) to conduct Public Expenditure and Financial Accountability (PEFA) assessments for the federal government and selected regional governments, including the Somali regional government (SRG), to track progress over time. The request was granted by DPs. The regional state of Somali conducted a PEFA assessment in 2015. The current assessment is based on the 2016 PEFA framework and applied the guidance for tracking performance change. Also, the supplementary guidance for subnational government (SNG) assessment issued in December 2016 was used.

1.2 Rationale and purpose

2. **Overall objectives.** The objective of the PEFA assessment is to review the current performance of the public financial management (PFM) systems, processes, and institutions of the SRG since the 2015 assessment and assist the government in identifying PFM weaknesses that may inhibit effective service delivery to its citizens.

3. **Specific objectives.** The findings of the PEFA assessment are aimed at assisting the government in refining the PFM reform strategy that it has already developed and provide the basis for a coherent PFM reform program that can be supported by DPs, as well as through the government's own initiatives.

1.3 Assessment management, oversight, and quality assurance

4. The assessment management framework, oversight, and quality assurance are summarized in Box 1.1. The assessment was funded by the World Bank, Irish Aid, U.K. Department for International Development (DFID), European Union (EU), United Nations Children's Fund (UNICEF), and UN Women.⁵ It was managed by the World Bank. The task team leader (TTL) was Rafika Chaouli (Lead Financial Management Specialist, Governance, World Bank) and Meron Tadesse Techane (Senior Financial Management Specialist, Governance, World Bank) provided overall and continued guidance. Finot Getachew Wondimagegnehu and Abiy Demissie Belay of the World Bank also provided administrative and technical support to the assessment team.

5. A federal government PEFA task force was set up to monitor the assessments and provide guidance throughout the process. The task force is led by the MoF Expenditure Management and Control Program (EMCP), which is responsible for government PFM reforms and strategy, and comprises a focused group of high-level representatives such as the Channel One Projects Coordination Department (COPCD), central accounts of the government, budgeting and gender directorates of the MoF, the Office of Auditor General, Ethiopia Revenue and Customs Authority (ERCA), now the Ministry of Revenue, the Public Accounts Committee (PAC), and selected key line ministries (education and health). Key donors of the task force include the World Bank, DFID, EU, Irish Aid, UNICEF, and UN Women. A focal person, Mahamud Maelin, Channel 1 Coordinator of Somali Bureau of Finance and Economic Development (BoFED), was responsible for arranging and coordinating meetings and data gathering. Also, Abdikader Mohamed, Deputy Head of Somali BoFED, was responsible for overall assessment implementation.

⁴ MoF letter reference number G/E/113/930.

⁵ United Nations Entity for Gender Equality and the Empowerment of Women.

PEFA Check

6. The quality assurance framework was reinforced as of January 1, 2018 (see PEFA Secretariat Note: PEFA Check: Quality Endorsement of PEFA Assessments from January 1, 2018, www.pefa.org). The quality assurance process of this report is shown in Box 1.1. The first draft report was submitted for peer review on January 10, 2020.

Box 1.1: Assessment management and quality assurance arrangements

PEFA Assessment Management Organization

- Oversight Team (OT) - See the table below.
- Assessment Manager: Demissu Lemma Wondemgezahu, Director, MoF EMCP
- Assessment Team Leader: Charles Komla Hegbor
- Assessment Team Members: Elisaveta Teneva and Getnet Haile
- SRG Deputy Head of BoFED
- PEFA Secretariat
- Peer Reviewers (World Bank, EU, DFID, and Irish Aid)

Composition of the OT	Members of the OT
Chairperson	<ul style="list-style-type: none"> • State Minister, MoF
Ministry of Finance and Economic Development	<ul style="list-style-type: none"> • Budget Director • Director, EMCP • Director, Treasury • Director, Budget • Director, Debt Management • Director, Inspectorate Directorate
Somali BoFED	<ul style="list-style-type: none"> • Deputy Head of BoFED • Budget Director • Channel 1 Coordinator • Director, Treasury • Director, Finance and Accounts • Director, Inspectorate Directorate • Director, Public Procurement
Somali Regional Auditor General	<ul style="list-style-type: none"> • Somali Auditor General
Somali Revenue Authority	<ul style="list-style-type: none"> • Deputy Director General
Somali Regional Council	<ul style="list-style-type: none"> • Chairpersons of PAC and Finance Committee
Federal Public Procurement Authority	<ul style="list-style-type: none"> • Director General
DPs	<ul style="list-style-type: none"> • World Bank • EU • DFID • Irish Aid • UN Women • UNICEF

Review of concept note and/or terms of reference

- Date of reviewed draft concept note by the PEFA Secretariat: November 13, 2018

- **Other invited reviewers (names) who submitted written comments:** Eric Brintet (Lead Financial Management Specialist, GGOLF, World Bank); Emmanuel Cuvillier (Sr. Public Sector Specialist, GGOMN, Word Bank); Clara Molera Gui (Governance, Delegation of the EU to Ethiopia); Misrak Tamiru (Women’s Economic Empowerment [WEE] Program Specialist, UN Women); PEFA Secretariat; Federal Government of Ethiopia; and Somali Regional State Government

Review of the assessment report

- Peer reviewers (names and institutions): Holy Tiana Rame (PEFA Secretariat); Jonathan Atkinson (DFID); Clara Molera Gui (Governance, Delegation of the EU to Ethiopia); Meron Gezahegn (Irish Aid); World Bank staff; Federal Government of Ethiopia; Somali Regional State Government
- Dates of the PEFA Secretariat’s review: First draft on February 14, 2020, and second draft on March 11, 2020

1.4 Assessment methodology

7. The 2016 PEFA methodology was applied. There are seven key pillars: (i) budget reliability, (ii) transparency of public finances, (iii) management of assets and liabilities, (iv) policy-based fiscal strategy and budgeting, (v) predictability and control in budget execution, (vi) accounting and reporting, and (vii) external scrutiny and audit. In addition to the 2016 framework, the supplementary guidance for subnational PEFA assessment issued by the PEFA Secretariat in December 2016 was used.

8. Meetings were held with key government officials and agencies as well as DPs (refer to the list of people met in Annex 3B). The assessment reviewed and analyzed official government data (refer to Annex 3A for a full list of documents consulted). As required by the PEFA guidelines on tracking performance changes, the 2011 framework was used to ascertain PFM progress since the last assessment in 2015. The results of this analysis are reported in Annex 4.

1.5 Assessment coverage and timing

9. Annex 3B provides a detailed list of institutions met during the assessment. Annex 3A also provides a detailed list of information used for this assessment. Other reference material used were the 2018 International Monetary Fund (IMF) Debt Sustainability Analysis for Ethiopia Federal Government and Government Finance Statistics (GFS) Manual 2014, Chapter 2—definition of extra-budgetary units (EBUs). The SRG PEFA assessment covered regional bureaus (specifically BoFED, Bureau of Education, Bureau of Health, Bureau of Agriculture, and Bureau of Water, and Bureau of Revenue); woredas (in so far as they affect regional government fiscal risk); public enterprises (in so far as they affect regional government fiscal risk); the regional Auditor General; and the regional council. There were no EBU. Zones are excluded since they are part (branches) of the regional government. The fiscal years for the assessments are Ethiopian Calendar (EC) 2008, 2009, and 2010 (Gregorian Calendar [GC] FY2015/2016, 2016/2017, and 2017/2018, respectively). The last budget submitted to the regional council is the EC 2011 budget (Gregorian FY2018/2019 budget).

1.6 Fieldwork

10. The fieldwork began on November 4, 2019, with a kickoff meeting held at BoFED with the regional government team. An exit meeting was held on November 22, 2019, to brief the regional team on the preliminary findings. The cutoff date for this assessment is the end of November 2019. Before the fieldwork, a PEFA training conference was held in Addis Ababa in December 2018 for two days with a total of 115 participants, of whom 5 from SNNPR Region, 4 from Harari Region, 8 from Oromia Region, 3 from Gambella Region, 7 from Amhara Region, 5 from Tigray Region, 4 from Afar Region, and 3 from Benshangul Gumuz Region. The remaining participants came from Somali Region, the city of Addis Ababa, the federal government, DFID, EU, Irish, UNICEF, UN Women, and the World Bank.

11. On December 6, 2018, a meeting was organized between officials from the PEFA Secretariat, the assessment team, and key stakeholders in the service delivery sector (education and health) and gender-responsive budgeting, to discuss the methodology for the inclusion of some selected indicators as pilots. To this end, additional meetings were held from November 18 to 22, 2019, with Somali BoFED, the Jigjiga City Administration, the Jigjiga City Education and Health Offices to gather more data on service delivery. It was agreed to drop the gender-responsive budgeting pilot due to the cultural settings of Somali Region. The team visited four primary school and three health care centers (two health centers and one health post) within Jigjiga City.

1.7 Pilot: Service delivery

12. The service delivery in the health and education sectors was assessed.

Service delivery

13. The indicators/dimensions selected to assess service delivery in the health and education sectors are listed in Table 1.1. The team has also examined tracking mechanisms for the distribution of textbooks and medical supplies at the primary service delivery level.

Table 1.1: Service delivery indicators/dimensions

Pillars	Included	Not included
HLG		
I. Budget reliability	PI-1 and PI-2	PI-3
II. Transparency of public finances	PI-6, PI-7, PI-8, and PI-9	PI-5
III. Management of assets and liabilities	PI-11 and PI-12.2	PI-10 and PI-13
IV. Policy-based fiscal strategy and budgeting	PI-16.2, PI-16.3, and PI-17	PI-14, PI-15, and PI-18
V. Predictability and control in budget execution	PI-21.3, PI-22, PI-23, PI-24, PI-25, and PI-26	PI-19 and PI-20
VI. Accounting and reporting	PI-29	
VII. External scrutiny and audit	PI-30	PI-31

2. Regional government background Information

2.1 Country economic situation

14. Ethiopia is a rapidly changing country with a total population of 94.351 million, growing at 2.32 percent per year (estimate of FY2017) and the second most populous country in Sub-Saharan Africa. Ethiopia is a landlocked country and has an area of 1.1 million km². The country's democracy has set up a federal structure devolving powers and mandates to regional states.

15. Ethiopia has registered an annual average growth rate of 10.1 percent in the first Growth and Transformation Plan (GTP) I FY2010–2014/2015. The double-digit economic growth averaging 10.5 percent observed for the last 15 years was not only high and sustainable but inclusive with a significant decline in poverty incidence from 44.2 percent in FY2000 to 23.5 percent in FY2016. The trend of the GTP I has continued in the GTP II period (FY2015/2016–2019/2020) even in the midst of slow global financial and economic development resulted in low commodity prices and demand as well as the impact of 'El Niño'-induced drought and political instability slowed down the economy. In this regard, the economy continued to register impressive growth during the first two years of GTP II (FY 2015/2016–2016/2017).

16. The prudent fiscal policy pursued by the government stands out among the critical policy and strategy anchors that contributed to the country's impressive economic growth. Although most of the macroeconomic and sectoral developments accounted for the sustainable and inclusive growth realized over the past decade, some vital economic dynamics such as inflation, domestic revenue mobilization, and export performance were not supportive.

17. The strong economic growth during the past years would hint at a further reduction in poverty. Life expectancy rose from 52 to 65 years during FY2015/2016 and there were sizable improvements in many of the human development indicators. Fertility rates have fallen while the expectancy has continued to rise. The current fertility rate of 4.6 children per woman is down from approximately 7 children per woman, and population growth rates are down from 3.1 percent to 2.5 percent in the current period and are projected to reach 1.3 percent by FY2045–2050 (World Bank 2017, the World Bank Country Partnership Framework for Ethiopia 2018–2022).

18. In FY2016/2017, gross domestic product (GDP) at current prices reached ETB 1,807 trillion, registering an annual growth rate of 17.2 percent. As a result, per capita income reached US\$863 up from US\$801 in FY2015/2016, indicating that Ethiopia's vision of becoming a lower-middle-income country by FY2025 is within reach with per capita income targeted to be US\$1,025.

19. With regard to external debt, to augment available domestic financing options, the government opted to finance its fiscal deficit from external sources on concessional terms. In particular, the Government of Ethiopia finances its budget by assessing external loans on concessional terms. As a rule of thumb, non-concessional loans cannot be used to finance the budgetary activities. On the other hand, external non-concessional loans are used to finance projects that are run by state-owned enterprises (SoEs).

20. Recognizing the impact of the debt burden on future generation and responsibility of each citizen, any single loan is subject to the approval and oversight of the Ethiopian Peoples' Representative Council (Parliament). Each loan is realized through efficient and effective project preparation and implementation and a monitoring and evaluation mechanism.

21. According to the official data, the federal government's fiscal deficit has shown an increasing trend and this is demonstrated by an increase to 3.3 percent of GDP in FY2016/2017 from 2.3 percent of GDP in FY2015/2016. Revenue decreased as a percentage of GDP mainly due to the slow pace of

tax reforms. The federal government fiscal deficit was financed through external—mainly concessional—financing and domestic financing with large repayments of cash balances and residuals. The 2018 IMF Debt Sustainability Analysis maintained that Ethiopia remains at ‘high risk’ of external debt distress, as was the case in the 2017 assessment

2.2 Regional government economic situation

22. Somali, with its capital city Jigjiga, is one of the nine regions and two city administrations making up the Federal Democratic Republic of Ethiopia. It has a total land area of 376,073 km² and an estimated population of 6 million with an annual population growth rate of 2.6 percent. Located in the southeast of the country, Somali is inhabited mostly by pastoralists and agropastoralists. It shares borders with Somalia to the east and southeast, Kenya to the south, and Djibouti to the north. To the northwest and west, it borders with Afar and Oromia Regions, respectively. The region is divided into 11 zones, 93 rural woredas, and 6 city administrations.

23. Four generic livelihood types exist in the region: pastoralist (comprising 60 percent of the rural population), agropastoralist farming (25 percent, livestock rearing and rain-fed crop production), and sedentary and urban sector (15 percent). The average household consists of 6.3 persons. The main source of income for rural population is livestock rearing, which constitutes 40 percent of the total income, while crop production constitutes 26 percent, trade 14 percent, and gift (in-kind) 7 percent. More than 90 percent of Somalis live in the rural area with high poverty levels.

24. The budget is usually allocated for basic services with priority on health, education, water, agriculture, and roads. The economic development of the region is driven by GTP II (2016/2017–2020/2021), which is a subset of the national GTP II, and a continuation of GTP I (2011/2012–2015/2016). The region continued to register strong economic growth that has further increased since Ethiopian fiscal year (EFY) 2008 (2017/2018). The economy grew on average 11.9 percent between EFY 2005 and EFY 2008 (GC 2012/2013 to GC 2015/2016). The agriculture sector grew from 6.4 percent in EC 2004 to 23.5 percent in EC 2007 but dropped suddenly to 6.4 percent in EC 2008 mainly due to drought and poor rainfall patterns. The services sector on the other hand grew from 9.9 percent in EC 2004 to 24.4 percent in EC 2006 and then fell to 16.3 percent in EC 2008. The industry sector showed resilience with a growth of 4.7 percent in EFY 2004 to 20.5 percent in EC 2008. Table 2.1 outlines the real GDP growth rates between EFY 2004 and EFY 2008 (these figures are the most recent). As shown in Table 2.2, the agricultural sector remains the largest contributor to the regional GDP with an average share of 69.6 percent, followed by the services sector averaging 25.9 percent and then industry at an average of 4.5 percent.

Table 2.1: Real GDP growth rate (%)

Sector	EFY 2004	EFY 2005	EFY 2006	EFY 2007	EFY 2008	Average
Agriculture	6.4	6.6	9.8	23.5	6.4	10.5
Industry	4.7	2.0	7.1	11.5	20.5	9.2
Services	9.9	12.0	24.4	18.9	16.3	16.3
Total (regional GDP)	7.1	7.6	13.3	21.7	9.6	11.9

Source: Somali Planning and Budget Department.

Table 2.2: Share of sectors to Real GDP (%)

Sector	EFY 2003	EFY 2004	EFY 2005	EFY 2006	EFY 2007	EFY 2008	Average
Agriculture	72.0	71.5	70.8	68.6	69.6	67.6	69.6
Industry	5.0	5.0	4.6	4.4	4.0	4.4	4.5
Services	23.0	23.6	24.6	27.0	26.4	28.0	25.9
Total	100.0	100.0	100.0	100.0	100.0	100.00	100.0

Source: Somali Planning and Budget Department.

25. Investment is made across 22 sectors, with the greatest concentration in agriculture, real estate, and education. The typical diaspora-funded investments are between US\$5,000 and US\$100,000, with the majority being between US\$5,000 and US\$50,000. The regional government's particular focus is on investment in providing access to safe drinking water.

2.3 Fiscal and budgetary trends

26. The economy grew on average 11.9 percent between 2011/2012 and 2015/2016. Table 2.3 outlines aggregate fiscal trends. Growth in domestic revenue has been encouraging, increasing from ETB 1.88 billion in 2015/2016 to ETB 2.59 billion in 2017/2018, indicating an increase of 37.7 percent from the 2015/2016 figure. General purpose grants from the federal government also increased, from ETB 6.94 billion in 2015/2016 to ETB 12.2 billion in 2017/2018, an increase of 75.8 percent from 2015/2016. The increase in revenues (domestic and grants from the federal government) has contributed to improvement in primary service delivery, though still below expectation. Government expenditures also increased from ETB 8.54 billion in 2015/2016 to ETB 14.8 billion in 2017/2018, an increase of 73 percent. Continuous drought is a major concern in the region; this significantly affects food security. It is estimated that 67 percent of the Somali population lives below the poverty line.

Table 2.3: Aggregate fiscal data (ETB, millions)

Indicator	2015/2016	2016/2017	2017/2018
Total revenue	8,854	11,166	14,849
Subsidy from the federal government	6,935	8,845	12,232
Tax and other domestic revenue	1,880	2,294	2,588
External assistance (grants)	39	27	29
Total expenditure	8,538	11,124	14,775
Aggregate surplus (deficit)	316	42	74

Source: Somali BoFED.

27. The sectors consistently having more allocations are water and education. General functions such as security and general services also constitute a large part of the budget, indicating that administrative costs are high. Allocations to construction fell sharply to 1 percent in 2017/2018 from 11 percent in 2015/2016. Budget allocation to the agricultural sector also fell from 14 percent in 2015/2016 to 0 percent in 2017/2018. The allocation of the expenditure for the past three years is shown in Table 2.4.

Table 2.4: Budget allocation by function as a percentage of total expenditure

Functions	2015/2016	2016/2017	2017/2018
Organ of State	6	6	5
Justice and Security	6	4	4
Defense	0	0	0
Security Affairs Coordination	14	13	13
General Service	6	8	8
Agriculture and Natural Resources	14	18	0
Water Resources	12	12	21
Trade and Industry	1	1	14
Construction	11	9	1
Education	16	16	14
Culture and Sport	1	3	10
Health	8	8	1
Labour and Social Affairs	0	0	6
Prevention and Rehabilitation	0	1	0
City Service	2	1	1
Other	3	0	2

Functions	2015/2016	2016/2017	2017/2018
Total	100	100	100

Source: Somali BoFED.

28. Table 2.5 shows budget allocation by economic classification. Fixed assets and construction constitute a large part of the budget with allocations of between 41 percent and 47 percent. This is followed by expenditure on compensation of between 27 percent and 29 percent. Goods and services account for between 20 percent and 22 percent, followed by grants to woredas between 4 percent and 8 percent.

Table 2.5: Budget allocation by economic classification (%)

Economic classification	2015/2016	2016/2017	2017/2018
Compensation of employees	29	29	27
Use of goods and services	22	20	21
Consumption of fixed capital	41	47	44
Interest	0	0	0
Subsidies and grants	8	4	8
Total	100	100	100

Source: Somali BoFED.

2.4 Legal and regulatory arrangements for PFM

Legal and regulatory arrangements for decentralization

29. The SRG is one of the nine autonomous regions in Ethiopia established by the Constitution in 1994. As per the federal government Constitution, regional governments have legislative, executive, and judicial powers, and laws that fall into the jurisdiction of the region are enacted by the regional council. Members of the regional council are directly elected by the people and the highest executive organ is the regional cabinet (council of ministers) headed by the Regional President. All proclamations are approved by the regional council and regulations by the regional cabinet. The respective bureaus also issue internal directives.

30. The regional legal framework is largely based on the federal government legal framework for PFM. The main legal and regulatory documents available in the region are the (a) Annual Budget Proclamations including Supplementary Budget Proclamations; (b) budget preparation guideline; (c) financial calendar; and (d) financial administration proclamation, its accompanying regulation, and 13 directives. Additionally, the Public Procurement and Property Administration Proclamation and its accompanying directives and manuals are customized to the local context. There are fixed asset, internal audit, and stock management manuals that are applied all levels.

31. The Financial Administration Proclamation No. 110/2012 and Regulations 11/2012 govern the regional government financial administration. The proclamation defines the following:

- The responsibilities of BoFED and regional sector bureaus with respect to collection of public money
- Forecasting and budget preparation process and documentation
- Disbursement of public money
- Cash management
- Debt management

- Financial reporting
- Internal audit

32. The main legal and regulatory frameworks that regulate public procurement and property administration in Somali Region is the Somali Regional State Public Procurement and Property Administration Proclamation No. 82/2002 EC and Public Procurement Directive No. 01/2002 EC. They define the powers and functions of different organs involved in procurement and property administration, the basic procurement methods and procedures, types of procurements and conditions and procedures for each type, disposal procedures, public property administration procedures, and appeal procedures.

33. Proclamation No. 979/2016 governs the regional government's revenue collection functions. It sets out the powers and duties of the Somali Bureau of Revenue. There are additional proclamations, regulations, and directives adopted by the region with respect to the different taxes enacted by the region such as income tax, value added tax (VAT), turnover tax, excise tax, and so on.

34. The Office of the Regional Auditor General (ORAG) derives its powers from Article 107 of the 1994 Constitution. Additionally, its functions are outlined in Proclamation No 182/2019, a proclamation for the reestablishment of ORAG. This proclamation defines the power and duties of the auditor general, the procedures for appointment and removal of the auditor general, budget approval procedures of the office, duty to provide information, and so on.

35. The powers and duties of the executive organs of Somali are defined in the Financial Administration Cabinet Council Regulation dated 2004. This regulation is issued by the Somali Regional State Cabinet Council pursuant to Article 59(7) of the revised Constitution of Somali.

Table 2.6: Overview of Somali Region governance structure

Government level	Corporate body (Yes/No)	Own political leadership (Yes/No)	Approves own budget (Yes/No)	Number of jurisdictions	Average population	Percentage of public expenditure	Percentage of public revenue	Percentage funded by transfers
Regional	Yes	Yes	Yes	1	6 million	13.5	17.5	80
Woreda	No	Yes	Yes	99	No data	No data	No data	No data

36. The following sections also describe the legal and regulatory arrangements for decentralization.

- All federal government financial management and tax proclamations define the regional government's PFM structure; these are
 - (a) Proclamation on the definition of power and duties of the executive organs (04/1995);
 - (b) Proclamation establishing the Office of the Federal Auditor General No. 68/1997;
 - (c) Proclamation on the establishment of Ethics and Anti-corruption Commission (235-2001);
 - (d) Financial Administration Proclamation No. 648/2009, August 6, 2009;
 - (e) Procurement and Property Administration Proclamation No. 649/2009, September 9, 2009;
 - (f) Proclamation No. 883/2015 Revised Federal Ethics and Anti-Corruption;

(g) Proclamation No. 970/2016 Federal Government of Ethiopia Financial Administration (Amendment) Proclamation; and

(h) Proclamation No. 979/2016 Federal Income Tax Proclamation.

- There are two tiers of government under the regional government: (a) zones and (b) woredas/city administration. There are 99 woredas (93 rural woredas and 6 urban or city administrations). Zones are part of the regional government while woredas and cities are SNGs. Together, they serve approximately 6 million Ethiopians.
- The Somali National Regional State (SNRS) was established by the Constitution of EFY 1994 (GC 2001)
- Somali Region is the second biggest in km² in Ethiopia with a total population of approximately 6 million. The region receives 9.98 percent of total federal grants to regional governments.

37. The main functional responsibilities of the SRG are as follows:

- Zones are branches of the regional government and only supervise woredas/city administration; woredas and city administration are important in terms of primary service delivery. The SRG delegates its primary service delivery responsibilities to city administration and woredas.
- The functions and responsibilities of zones and woredas/city administration are defined in Article 6 of the Financial Management Proclamation No. 110/2012; these responsibilities are delegated.

Legal and regulatory arrangements for PFM

Somali budgetary systems

- To a large extent, federal government laws guide Somali budget processes; for instance, actual subsidies to zones and woredas are heavily dependent on actual transfers from the federal government.
- The SRG has two main treasury accounts; these are maintained at the National Bank of Ethiopia. With the approval of the regional Finance Bureau, most budget entities maintain own revenue accounts with the Commercial Bank of Ethiopia (CBE).
- The SRG prepares its own budget. The budget is approved by the regional council without federal government interference.
- The regional government has a separate (and independent) public procurement authority; it is governed by Proclamation No. 82/2010 GC (or 82/2002 EC).
- The SRG can borrow directly; all borrowings must be approved by the federal government. In most cases, loans are onlent from the federal government.

Somali institutional (political and administrative) structures

- The SRG has a regional government independent of the federal government legislature; it approves its budgets and enacts laws and regulations for the region, but these laws must be in tandem with federal government laws.

- The regional government has the power to appoint its own executives, budget officers, accounts, and treasury officers. The hiring and appointments are in accordance with regional civil service rules and salary structure, which is independent from federal government administration.
- The budget and financial management processes are adopted from federal government systems.

PFM functions

- **Payment.** The regional government commits and pays for its expenditure without federal government interference.
- **Revenue administration.** It raises its own revenues in line with regional government revenue laws.
- **Performance arrangements for service delivery involving the SNG.** BoFED transfers funds to woredas for service delivery in accordance with regional government policy.
- **Monitoring of public corporations.** The regional government has a duty to monitor public corporations.
- **Monitoring of lower tiers of SNGs.** The regional government monitors woredas/city administration through zones;⁶ it receives timely annual financial reports, but these are not published.
- **Public investment.** Public investment management (PIM) is managed by the regional government BoFED. It uses internal guidelines for public investment projects (PIPs)
- **The management, monitoring, and recording of fixed assets** are decentralized, with each budget unit and EBU responsible for managing and safeguarding its assets. Disposal of fixed assets is done mostly centrally, through the Public Procurement and Property Disposal Service (PPPDS).
- **Debt management.** The regional government has borrowing powers, but all borrowings must be approved by the federal government.
- **Macroeconomic forecasting.** The regional government prepares macroeconomic forecasts with its GDP assumptions; other assumptions such as interest and inflation rates, are determined by the federal government.
- **Internal control.** The internal control processes for the various functions are included in the different manuals such as Financial Manual, Procurement Manual, Government-owned Fixed Assets Management Manual (GOFAMM), and directives.
- **Cash monitoring and forecasting.** Cash forecasting is done annually and updated quarterly.
- **Payroll** is decentralized, with each budget unit managing its own payroll.
- **Procurement.** Public procurement is government by Public Procurement Proclamation No. 82/2010. Each unit prepares procurement plans, but these are not published. Data on procurement are available and generally complete and accurate.

⁶ Zones are branches of the regional government.

- **Internal audit.** Each budget unit has an internal audit unit; it prepares annual internal audit plan. It also prepares quarterly internal audit reports, but conformity to international standards is low.
- **Financial reporting.** Annual financial reports are prepared and submitted to ORAG for audit.

2.5 Institutional arrangements for PFM

Structure of the public sector

38. Tables 2.5, 2.6, and 2.7 outline the structure of the public sector and regional government operations. The regional government has 11 zones and 99 woredas (93 rural woredas and 6 city administrations). There are 4 public corporations but no EBUs. An EBU is defined in accordance with the IMF GFS 2014 definition, which is also reported in the Field Guide page 46, clarifications 6.1, 6.2, and 6.3. According to the IMF GFS definition, EBUs are separate units that operate under the authority or control of the central government (or in the case of an SNG assessment, the state or local government). They may have their own revenue sources, which may be supplemented by grants (transfers) from the general budget or from other sources. Even though their budgets may be subject to approval by the legislature, EBUs have discretion over the volume and composition of their spending. Such entities may be established to carry out specific government functions, such as road construction, or the nonmarket production of health or education services. Budgetary arrangements vary widely across countries, and various terms are used to describe these entities, but they are often referred to as 'extra-budgetary funds' or 'decentralized agencies' (GFS Manual 2014, Chapter 2, Section 2.82).

Table 2.7: Structure of the public sector (number of entities and financial turnover)

2017/2018	Public sector				
	Government subsector			Public corporation subsector	
	Budgetary Units	EBUs	Social security funds	Nonfinancial public corporations	Financial public corporation
SNG (Somali)	53 ⁷	NA	NA	4	None
1st tier subnational (woreda)	99	NA	NA	NA	NA
3rd tier subnational (kebele)	NA	NA	NA	NA	NA

Table 2.8: Financial structure of regional government - budget estimates (ETB, millions)

2017/2018	Central government			
	Budgetary unit	EBUs	Social security funds	Total aggregated
Revenue	15,265	NA	NA	15,265
Expenditure	15,306	NA	NA	15,306

Source: BoFED 2017/2018 budget.

Table 2.9: Financial structure of central government - actual expenditure (ETB, millions)

2017/2018	Regional government			
	Budgetary unit	EBUs	Social security funds	Total aggregated
Revenue	14,849	17 ⁸	NA	14,866
Expenditure	14,775	17	NA	14,792

⁷ These are regional government sector bureaus.

⁸ This is revenue (and expenditure) received by the regional roads authority from the federal government road fund.

2017/2018	Regional government			
	Budgetary unit	EBUs	Social security funds	Total aggregated
Transfers to (-) and from (+) other units of general government	1,424 ⁹	No data	NA	1,424
Liabilities	0.79	No data	NA	0.79
Financial assets (cash + cash equivalent)	59	No data	NA	59
Nonfinancial assets	No data	No data	NA	No data

Source: BoFED 2017/2018 budget and consolidated annual accounts.

Institutional responsibilities for PFM

39. The regional government's organs of power are (a) Regional President, (b) regional council, (c) regional cabinet, (d) judiciary organ, and (e) ORAG. Members of the council are elected by the public for a five-year term. The council has the power to levy taxes and duties as well as set service charges referencing financial matters falling under the jurisdiction of the regional government in accordance with the Constitution and approve the budget of the region and long-term and short-term economic and social development plans of the region. It also has the power to allocate budgetary subsidy to woredas and city administrations according to the adopted formula.

40. The President is the chief executive officer of the region and is accountable to the regional council. The President is elected by the regional council from among the members for the same term as the council. The cabinet is accountable to the President and is responsible for ensuring that proclamations, regulations, resolutions, and standards adopted by the council and by the federal government are implemented.

41. The judiciary of the regional state is organized such that it comprises the regional Supreme Court, high courts, and first instance courts. The woreda court is the lowest subordinate first-instance judicial organ of the regional state.

42. As per the Regional Financial Administration Proclamation No. 110/2012, BoFED has the power to supervise and monitor the financial administration of the region and oversee the internal audit functions of public bodies. The public bodies are responsible for managing the budgets allocated to their sectors. There is an internal audit function at each public body reporting administratively to BoFED. Taxes and duties are collected by the regional Revenue Bureau and all collections flow to the consolidated fund account managed by BoFED. Organizational structures, manning, and pay schemes are centralized and supervised by the Bureau of Public Service. Payroll and procurement are decentralized to the budget institutions (BIs). Independent external audit is provided by ORAG, which reports to the council.

Requirements for internal control

43. The concept of internal control involves the entire government legal framework, the procurement rules, and formalized acts that control the various kinds of risks relevant to an organization. The internal control objectives relate to the reliability of financial data and reporting, timely feedback on the achievement of planned operational activities and strategic goals, and compliance with laws and regulations at the organization level. The usual internal control procedures in the area of PFM in the region are related to the budget and treasury operations and the accounting procedures, which are designed to prevent fraud and identify weaknesses and errors. These procedures are formalized in the financial proclamation of the region, which is the key PFM legal

⁹ This represents transfer from regional government to woredas.

framework, as well as in various internal provisions, manuals, and rules. These cover the following requirements broken down into the five elements of internal control:

- (a) **Control environment.** It is guided by regulatory frameworks including the Constitution and the various PFM proclamations, regulations, and directives. Roles and responsibilities of the various government organs have been clearly stipulated. Internal audit is functional in all sector bureaus, and ORAG has been operating independently. Though it is yet to be strengthened, the Regional Ethics and Anticorruption Commission (REAC) is also functional. The legal framework clearly indicates separation of roles between the executive government, judiciary, and regional council. However, it has been reported that the check and balance system has been compromised during the previous administration which was replaced a year ago.
- (b) **Risk assessment.** A certain level of risk assessment is embedded in the internal audit, external audit, and tax audit. Nonetheless, comprehensive entity-a level risk assessment, risk-based auditing, and systemic audit practices are yet to be fully developed.
- (c) **Control activities.** There is a clear segregation of duties in payroll, disbursement, procurement, asset management, and other PFM activities. Internal control procedures are supported by various PFM manuals and directives. Bank accounts are reconciled and nonfinancial assets are counted once in a year. Disbursements are effected following a budget clearance procedure and financial transactions are subject to auditing.
- (d) **Information and communication.** The integrated budget and expenditure management software called Integrated Budget and Expenditures System (IBEX) is the main system used for processing financial transaction and producing financial reports. Each public body is required to submit a monthly financial report to BoFED for quarterly consolidation and submission to the regional cabinet. ORAG and internal audit units submit periodic reports. The PAC also receives reports from ORAG. The extent of usage of financial reports by the head of public bodies is yet to be developed.
- (e) **Monitoring.** The external and internal auditors are supposed to prepare and submit reports on compliance and regularity. The audit reports are to be submitted to the regional council for discussion and further actions. Public participation at hearings is limited as well as publication of the annual audit and PAC reports.

2.6 Other important features of PFM and its operating environment

44. The regional government has 53 sector bureaus, 11 zones, and 99 woredas (93 rural and 6 urban woredas/city administrations). Zones are part of the regional government and their role is coordination between the regional sector bureaus and woredas. There is no council at the zonal level. Woredas/city administrations have their own council. The financial management function at the woreda/city administration level is centralized at woreda finance and economic development offices. That means all woreda-level sector offices receive procurement, disbursement, payroll, and other PFM services from the woreda finance and economic development offices. Each BI operates a zero-balance bank account ('Z' account), a budget bank account ('B' account), and aid account ('A' account). The 'Z' account has a Treasury Single Account (TSA) structure which allows outstanding balances to be swept into the main treasury bank account held at the National Bank of Ethiopia.

45. The accounting system of the region is in line with the Federal Government Financial manual which is not in line with International Public Sector Accounting Standards (IPSAS). Modified cash basis of accounting is in use where revenues are recognized when received. The financial reporting system

provides information on budget execution and some financial assets, but not information on nonfinancial assets and contingent liabilities. IBEX has only two modules, budgeting and general ledger accounting. At the regional sector bureau level, most of the public bodies use a payroll software which has some features of attendance management. Disbursement, procurement, asset management, bank reconciliation, and inventory management functions are nonautomated.

3. Assessment of PFM Performance

HGL-1 Transfers from a higher-level government

Summary scoring table

Indicator/Dimension	Score	Brief justification for score
HGL-1 Transfers from a higher-level government	B+	Scoring method M1
HGL-1.1 Outturn of transfer from higher-level government	A	Actual transfers of federal government subsidies were 100.5%, 100.3%, and 100.2% in 2015/2016, 2016/2017, and 2017/2018, respectively; these reflect deviations of -0.5% in 2015/2016, -0.3% in 2016/2017, and -0.2% in 2017/2018.
HGL-1.2 Earmarked grants outturn	B	Transfers of earmarked grants deviated by more than 10% in one out of the three years under review. Actual deviations were 0.0% in 2015/2016, 12.7% in 2016/2017, and 0.0% in 2017/2018.
HGL-1.3 Timeliness of transfer from higher-level government	A	Actual disbursements of both recurrent and capital grants have been evenly spread within each of the last three years under review. These disbursements were done monthly.

HGL-1.1 Outturn of transfer from higher-level government

46. The federal government has shown significant commitment referencing, fulfilling its financial obligations to the SRG. As shown in Table 3.1, the federal government marginally exceeded its budget allocations in all three years under review by less than 1 percent. Actual transfers of federal government subsidies were 100.5 percent, 100.3 percent, and 100.2 percent in 2015/2016, 2016/2017, and 2017/2018, respectively; these reflect deviations of -0.5 percent in 2015/2016, -0.3 percent in 2016/2017, and -0.2 percent in 2017/2018.

Table 3.1: Outturn of transfer from federal government

	2015/2016	2016/2017	2017/2018
Original budget	6,901,075,153	8,818,489,127	12,203,680,019
Actual transfer	6,934,544,627	8,845,456,727	12,232,960,020
% outturn	100.5	100.3	100.2
% deviation	-0.5	-0.3	-0.2

Dimension score: A

HGL-1.2 Earmarked grants outturn

47. As shown in Table 3.2, deviations in two out of the three years were 0 percent (2015/2016 and 2017/2018) and 12.7 percent in 2016/2017. This performance indicates that the federal government transfer of earmarked grants was much more reliable. This reflects a positive sign in terms of making resources available for primary service delivery.

Table 3.2: Outturn of transfer from earmarked grants

	2015/2016	2016/2017	2017/2018
Original budget	974,400,000	974,400,000	698,600,000
Actual transfer	974,400,000	850,376,000	698,600,000
% outturn	100.0	87.3	100.0
% deviation	0.0	12.7	0.0

Dimension score: B

HLG-1.3 Timeliness of transfer from higher-level government

48. Evidence from BoFED shows an even disbursement of actual transfers from the federal government over the last three completed fiscal years 2015/2016, 2016/2017, and 2017/2018. The disbursements are categorized into recurrent (account code 1601) and capital (account code 1602). For 2015/2016, actual recurrent disbursements were between ETB 343 million and ETB 345 million over the 12 months period; capital disbursements were between ETB 225 million and ETB 230 million. For 2016/2017, recurrent disbursements were between ETB 420 million and ETB 424 million for recurrent and between ETB 309 million and ETB 311 million for capital budget. Actual transfers for 2017/2018 were exactly ETB 523 million for recurrent and between ETB 675 million and ETB 678 million for capital budget. These disbursements were done monthly.

Dimension score: A

PILLAR I. Budget reliability

PI-1 Aggregate expenditure outturn

49. This indicator measures the extent to which aggregate budget expenditure outturn reflects the amount originally approved, as defined in government budget documentation and fiscal reports. There is one dimension for this indicator.

Summary scoring table

Indicator/Dimension	Score	Brief justification for score
PI-1 Aggregate expenditure outturn	A	Scoring method M1
PI-1.1 Aggregate expenditure outturn	A	Aggregate expenditure outturn was between 95% and 105% in two of the last three years; actual outturns were 100.4% in 2015/2016, 108.9% in 2016/2017, and 96.5% in 2017/2018).

PI-1.1 Aggregate expenditure outturn

50. Aggregate expenditure outturn for the last three completed fiscal years is generally reliable with outturns between 95 percent and 105 percent in two of the last three completed fiscal years. As shown in Table 3.3, actual outturns were 100.4 percent in 2015/2016 (EFY 2008), 108.9 percent in 2016/2017 (EFY 2009), and 96.5 percent in 2017/2018 (EFY 2010). The calculations upon which the table is based are reported in Annex 5.

Table 3.3: Comparison of budgeted expenditure against actual outturn (ETB, thousands)

	2015/2016	2016/2017	2017/2018
Original budget	8,503,441	10,218,987	15,305,430
Actual outturn	8,537,913	11,124,649	14,775,032
Actual outturn (%)	100.4	108.9	96.5

Source: BoFED's 2015/2016 and 2016/2017 audited accounts and 2017/2018 draft account.

Dimension score: A

PI-2 Expenditure composition outturn

51. This indicator measures the extent to which reallocations between the main budget categories during execution have contributed to variance in expenditure composition. Variations in

expenditure composition may indicate an inability to spend resources in accordance with the government's plans, as expressed in the originally approved budget.

Summary scoring table

Indicator/Dimension	Score	Brief justification for score
PI-2 Expenditure composition outturn	D+	Scoring method M1
PI-2.1 Expenditure composition outturn by function	D	Variance in expenditure composition by functional classification was less than 15% in only one of the last three years; actual variances were 12.2% in 2015/2016 (EFY 2008), 16.5% in 2016/2017 (EFY 2009), and 20.8% in 2017/2018 (EFY 2010).
PI-2.2 Expenditure composition outturn by economic type	B	Variance in expenditure composition by economic classification was less than 10% in at least two of the last three years; actual variances were 9% in EFY 2008, 9.5% in EFY 2009, and 10.3% in EFY 2010.
PI-2.2 Expenditure from contingency reserves	C	Expenditure charged to contingency reserves for the last three years averaged 7.4% of the total expenditure.

PI-2.1 Expenditure composition outturn by function

52. The detailed calculations upon which Table 3.4 is based are reported in Annex 5. As shown in the table, variance in expenditure composition by administrative classification was 12.2 percent, 16.5 percent, and 20.8 percent in 2015/2016 (EFY 2008), 2016/2017 (EFY 2009), and 2017/2018 (EFY 2010), respectively. These results indicate an unreliable functional resource allocation, pointing to weaknesses in budget planning and formulation. Two supplementary budgets (in 2015/2016 and 2016/2017) also contributed to these significant outturns in expenditure composition by function.

Dimension score: D

PI-2.2 Expenditure composition outturn by economic type

53. As shown in Table 3.5, variance in expenditure composition by economic classification was 9.0 percent, 9.5 percent, and 10.3 percent in 2015/2016 (EFY 2008), 2016/2017 (EFY 2009), and 2017/2018 (EFY 2010), respectively. The calculations upon which Table 3.5 is based are reported in Annex 5. The economic classification is compliant with the GFS standard (up to the 3 digits classification). The financial administration proclamation of the region stipulates that budget transfers from capital to recurrent budget are not allowed and BoFED is empowered to approve all transfers. Transfers between public bodies are made mostly in the fourth quarter and upon approval of the cabinet.

Dimension score: B

PI-2.3 Expenditure from contingency reserves

54. Actual expenditure charged to the contingency vote averaged 7.4 percent (refer to Table 3.5). The calculations upon which the table is based are reported in Annex 5. The practice of the region is that contingency budget is proclaimed at the BoFED level only and transfer is made to public bodies on request. Contingency reserves are used to meet unforeseen expenditures. By law, there is no limit on contingency vote as a percentage of total expenditure. Available evidence shows that the regional government does not consistently adhere to the practice of not spending beyond the approved contingency vote. For the fiscal year 2016/2017 (EFY 2009) the government spent ETB 1,129,500,000 as against approved contingency budget of ETB 501,000,000 resulting from increases in teachers' remunerations.

Dimension score: C

Table 3.4: Result matrix PI-2 composition variance by economic classification (%)

Year	Total expenditure deviation (less contingency)	Composition variance by economic classification
2015/2016	100.4	12.2
2016/2017	108.9	16.5
2017/2018	96.5	20.8

Table 3.5: Result matrix PI-2.1 and PI-2.3 composition variance by functional classification and contingency (%)

Year	For PI-2	For PI-2.1	For PI-2.3
	Total expenditure deviation	Composition variance by function	Contingency share
2015/2016	100.4	9.0	7.4
2016/2017	108.9	9.5	
2017/2018	96.5	10.3	

PI-3 Revenue outturn

55. This indicator measures the change in revenue between the originally approved budget and end-of-year outturn. Accurate revenue forecasts are a key input to the preparation of a credible budget.

Summary scoring table

Indicator/Dimension	Score	Brief justification for score
PI-3 Revenue outturn	D	Scoring method M2
PI-3.1 Aggregate revenue outturn	D	Actual revenue outturns were 117% in 2015/2016 (EC 2008), 110% in 2016/2017 (EC 2009), and 85% in 2017/2018 (EC 2010).
PI-3.2 Revenue composition outturn	D	Variance in revenue composition was more than 15% in all the last three years; actual outturns were 53% in 2015/2016 (EFY 2008), 55% in 2016/2017 (EFY 2009), and 56% in 2017/2018 (EFY 2010).

PI-3.1 Aggregate revenue outturn

56. The regional government revenue budget is not reliable as evidenced in Table 3.6. It was 117 percent in 2015/2016 (EC 2008), 110 percent in 2016/2017 (EC 2009), and 85 percent in 2017/2018 (EC 2010). The calculations upon which the table is based are reported in Annex 5. Transfers (subsidies) from the federal government, which account for nearly 80 percent of the total revenue of the region, are excluded from the calculation as required by the Supplementary Guidance for Subnational PEFA Assessment. Apart from transfers, the major revenues that are collected by the region are domestic taxes, external assistance (grants), and nontax and other revenues. The performance of tax revenues against the budget was generally good in all three years. However, the nontax revenue such as administrative fees and charges, government investment income, and sale of public goods and services turned to be up to three times higher than planned, whereas the other revenues, mostly municipality and capital revenues and customs on imported goods, were much below target in all the three years. These deviations were not compensated by any other group of revenues. The external assistance was disbursed exactly per plan in all the three years.

Dimension score: D

Table 3.6: Comparison of budgeted revenue against actual outturn (ETB)

	2015/2016	2016/2017	2017/2018
Original budget	1,609,485,191	2,076,967,600	3,061,481,788
Actual outturn	1,879,877,057	2,294,089,132	2,587,856,860
Actual outturn (%)	117	110	85

Source: BoFED's 2015/2016 and 2016/2017 audited accounts and 2017/2018 draft accounts.

PI-3.2 Revenue composition outturn

57. The variances in revenue composition outturns were huge, more than 15 percent of the approved original budget in all three years under review. Actual variances were 52.8 percent in 2015/2016 (EFY 2008), 55.1 percent in 2016/2017 (EFY 2009), and 56.4 percent in 2017/2018 (EFY 2010) (refer to Annex 5 for detailed calculations). The huge variances occurred because of low budget performance of other revenues such as municipality revenue, sale of goods and services, administrative fees, and investment income, among others.

Dimension score: D

PILLAR II. Transparency of public finances

PI-4 Budget classification

58. This indicator assesses the extent to which the government budget and accounts classification is consistent with international standards. There is one dimension for this indicator.

Summary scoring table

Indicator/Dimension	Score	Brief justification for score
PI-4 Budget classification	B	Scoring method M1
PI-4.1 Budget classification	B	Budget formulation, execution, and reporting are based on administrative, economic, and functional classification using GFS/Classification of Functions of Government (COFOG) standards. This classification is the same as that of the federal government except for some functions such as defense that are not applicable at the regional government level.

PI-4.1 Budget classification

59. Budget classification is consistent with COFOG and follows GFS 2001; this classification is the same as that of the federal government except for some functions such as defense that are not applicable at the regional government level. The Chart of Accounts (CoA) for both revenue and expenditure includes administrative, economic, and functional classifications. The revenue is classified according to type (tax revenue, nontax revenue, and capital revenue). The expenditure component is divided into recurrent expenditure, capital expenditure finance by the regional government, capital expenditure financed by DPs (grants), and capital expenditure from loans onlent from the federal government. There are subfunctions and subagency (sector/regional bureaus, zonal, and woreda) classifications at the budget formulation stage. IBEX is used for budget execution, with the same classification used for budget formulation and preparation, with at least 3 digits of GFS 2001 standard for economic classification. At present, program budget is yet to be introduced at the regional government level.

Dimension score: B

PI-5 Budget documentation

60. This indicator has one dimension to assess the comprehensiveness of the information provided in the annual budget documentation presented by the executive to the regional council and is measured using a list of ‘basic’ and ‘additional’ elements included in the last budget submitted to Parliament, that is, the FY2018/2019 (2011 EC) budget.

Summary scoring table

Indicator/Dimension	Score	Brief justification for score
PI-5 Budget documentation	C	Scoring method M1
PI-5.1 Budget documentation	C	As shown in Table 3.7, the regional government budget meets at least three basic elements of the PEFA requirements. It also meets two additional elements.

Table 3.7: Budget documentation benchmarks

No.	Budget documentation benchmarks		Evidence used/Comment
Basic elements			
1.	Forecast of the fiscal deficit or surplus (or accrual operating result)	No	No, but any difference between its own revenues and projected expenditure is financed by the federal government as subsidies (transfers/grants).
2.	Previous year’s budget outturn, presented in the same format as the budget proposal	Yes	Yes, budget document is submitted to the regional council present.
3.	Current year’s budget (either the revised budget or the estimated outturn), presented in the same format as the budget proposal	Yes	Yes, budget document is submitted to the regional council.
4.	Aggregated budget data for both revenue and expenditure according to the main heads of the classifications used (see PI-4), including data for the current and previous year, in addition to the detailed breakdown of revenue and expenditure estimates	Yes	Yes, budget document is submitted to the regional council.
Additional elements			
5.	Deficit financing, describing anticipated composition	No	No, budget document does not describe anticipated composition of deficit financing. The financial administration proclamation does not make mention of deficit financing.
6.	Macroeconomic assumptions, including at least estimates of GDP growth, inflation, interest rates, and the exchange rate	Partial	Partially, only GDP growth rate is applied, as all other assumptions are done by federal government.
7.	Debt stock, including details at least for the beginning of the current year presented in accordance with GFS or other comparable standard	No	No, budget document provides no information on debt stock.
8.	Financial assets, including details at least for the beginning of the current year presented in accordance with GFS or other comparable standard	No	No, but only cash is disclosed. There are other financial assets (investments in public enterprises) which are not disclosed.
9.	Summary information of fiscal risks including contingent liabilities such as guarantees and contingent obligations embedded in structure financing instruments such as public-private partnership (PPP) contracts and so on	No	No, this is not made available in any official government document to the legislature.

No.	Budget documentation benchmarks		Evidence used/Comment
10.	Explanation of budget implications of new policy initiatives and major new public investments, with estimates of the budgetary impact of all major revenue policy changes and/or major changes to expenditure programs	Yes	Yes, budget speech, annual budget document, and Macroeconomic and Fiscal Framework (MEFF) submitted to the regional council.
11.	Documentation on the medium-term framework	Yes	Yes, this is submitted to the legislature at the time of budget submission.
12.	Quantification of tax expenditures	NA	Not applicable at the regional government level; tax exemption is the remit of the federal government.

Source: Budget documents for EC 2011 (2018/2019 GC).

PI-5.1 Budget documentation

61. As shown in Table 3.7, the regional government meets five elements of the PEFA requirements (three basic elements and two additional elements). The regional government usually prepares a balanced budget where the expenditure is capped to the revenue. However, if estimates of expenditure are more than revenues, any difference between its own revenues and projected expenditure is financed by the federal government as subsidies (transfers/grants). Estimation of macroeconomic assumptions such as inflation, interest rate, and exchange rate, except for GDP growth, are the mandate of the federal government; however, the regional government applies these when preparing the five-year revenue and spending forecast.

Dimension score: C

PI-6 Subnational government operations outside financial reports

62. This indicator measures the extent to which government revenue and expenditure are reported outside government financial reports.

Summary scoring table

Indicator/Dimension	Score	Brief justification for score
PI-6 Central government operations outside financial reports	A	Scoring method M2
PI-6.1 Expenditure outside financial reports	A	There are no known EBUs at the SRG level except an inflow from the federal government road fund directly to the regional Bureau of Transport (BoT) for road maintenance. All expenditures from this fund are not reported in the annual financial statements of the regional government, but they are less than 1% of total regional government expenditures.
6.2 Revenue outside financial reports	A	The revenue from the federal government road fund transferred to BoT is not included in the financial report of the SRG, but the amount of the fund received is less than 1% of the total SNG revenues.
6.3 Financial reports of extra-budgetary units	NA	There are no EBUs at the SRG level; therefore, this dimension is not applicable.

Background on sources of funds

63. There are three sources of funds: Channel 1, Channel 2, and Channel 3.

- **Channel 1:** Channel funds are mainly from the International Development Association (IDA) and multi-donor trust funds. Most of these funds are proclaimed in the name of

the respective sector ministries. A dedicated department called Channel One Programmes Coordinating Directorate at the MoF is in charge of cash management, accounting and reporting. The MoF is responsible for transferring of the budget to regions and implementing federal ministries. Regions also send to implementing sector bureaus and woredas. Reports are pooled from woreda to regions and consolidated at the national level. Financial reports are submitted to the entity, which is responsible for providing the funding and managing the trust funds, usually the World Bank. Report submission is often a mandatory requirement for the release of the next tranche.

- **Channel 2:** These funds are directly received from the donor agencies by the relevant sector bureaus. These are project-oriented funds where ministries are responsible to allocate the fund to implementing entities including regional sector bureaus. Regional sector bureaus then channel the funds to woredas. The sector ministry is responsible for the compilation and submission of the report to the donor. The MoF and Regional BoFED do not have a role in receiving and transferring of Channel 2 funds.
- **Channel 3:** These are donor-funded projects where the donors are fully responsible for the spending. No cash goes to government entities.

PI-6.1 Expenditure outside financial reports

64. There are no known EBUs at the SRG level except an inflow from the federal government road fund directly to the regional BoT for road maintenance. All expenditures from this fund are not reported in the annual financial statements of the regional government, but they are less than 1 percent of total regional government expenditures.

Dimension score: A

PI-6.2 Revenue outside financial reports

65. The BoT received funds from road fund, a federal government EBU. The BoT submits monthly and annual reports to the federal government road fund. Both the revenue and expenditure from this fund is not included in the financial report of the SRG, but the amount of the fund received is less than 1 percent of the total SNG revenues.¹⁰

Dimension score: A

PI-6.3 Financial reports of extra-budgetary units

66. There are no EBUs at the SRG level; therefore, this dimension is not applicable.

Dimension score: NA

PI-7 Transfers to subnational governments

67. This indicator assesses the transparency and timeliness of transfers from the regional government to the first-tier SNGs along with fiscal relations with the regional government. It reviews the basis for the transfers, including whether they receive timely information about their allocations to facilitate fiscal planning.

¹⁰ Road fund supports regions for the maintenance of roads. The BoT of the SRG received ETB 25 million in FY2017/2018, ETB 17 million in 2016/2017, and ETB 12 million in 2015/2016. These amounts are less than 1 percent of total government expenditure.

Summary scoring table

Indicator/Dimension	Score	Brief justification for score
PI-7 Transfers to subnational governments	A	Scoring method M2
PI-7.1 System for allocating transfers	A	The horizontal allocation and actual transfer of all funds to woredas and city administrations from the regional government are determined by a transparent and rule-based system. All transfers are 100% compliant with the approved grant distribution formula.
PI-7.2 Timeliness of information on the transfers	A	BoFED notifies woredas/city administrations and sector bureaus on the initial ceiling in March (as per its budget calendar), which allows them at least 8 weeks to prepare their budget estimates.

7.1 System for allocating transfers

68. The horizontal allocation formula is revised annually and approved by the regional council after review by the Budget and Finance Standing Committee (BFSC). The horizontal allocation and actual transfer of funds to woredas and city administrations are transparent and rule based. A unit cost approach which was introduced in GC 2012 is operational. The unit cost approach is based on a relationship of operating costs for service delivery inputs (for example, primary education and health centers) with the objective of estimating the total recurrent expenditure by type of services. Hence, projections involve estimation of the number of service beneficiaries (such as the number of pupils/students) and cost of providing the services. The capital budget component of the block grant is based on the estimated sectoral infrastructure deficit of the strategic sectors using various indices in the education, agriculture, health, water, road, and revenue generation. As indicated in Table 3.8, 100 percent of general purpose grants and actual allocations to woredas/city administrations are compliant with the approved grant distribution formula.

Table 3.8: Grants to woredas/city administration EFY 2010 (Gregorian 2017/2018)

Subsidies to woredas/city administration (ETB)	% in line with approved distribution formula
5,829,232,008	100

Source: BoFED treasury.

Dimension score: A

PI-7.2 Timeliness of information on the transfers

69. The SRG receives an indicative ceiling on the regional subsidy from the federal government in March.¹¹ Based on this initial ceiling which provides clear and sufficient details, woredas/city administrations are notified through the regular budget calendar framework, to prepare their budget estimates in April, allowing about eight weeks to finalize their budget estimates. The woredas/city administrations use the initial indicative ceilings to prepare their budgets. The final ceilings are communicated to woredas/city administrations after the House of Representatives approves the federal government annual budget in early July, providing actual grant allocation to the region. This necessitates minor adjustments to woreda/city administration budgets around mid-July but does not exceed 9 percent of the woreda's initial budget estimates.

Dimension score: A

¹¹ Budget ceiling was issued on March 28, 2011 for the EFY 2012 (2018/2019) budget preparation.

PI-8 Performance information for service delivery

This indicator examines the service delivery performance information in the executive's budget proposal or its supporting documentation in year-end reports. It determines whether performance audits or evaluations are carried out. It also assesses the extent to which information about resources received by service delivery units is collected and recorded.

Summary scoring table

Indicator/Dimension	Score	Brief justification for score
PI-8 Performance information for service delivery	D+	Scoring method M2
PI-8.1 Performance information for service delivery	C	Information is published on the activities performed under the programs for the majority (61%) of regional sector bureaus. Performance indicators for outcome and outputs are incorporated in the annual action/performance plans.
PI-8.2 Performance achieved for service delivery	C	Information on performance achieved on service delivery is published annually on the activities performed for the majority (61% by value) of public bodies.
PI-8.3 Resources received by service delivery	D	IBEX tracks the financial resources transferred to the service delivery units. Though there is no consolidated report available on nonfinancial (in kind) resources received by service delivery units, individual primary service delivery units track and prepare their own reports on resources received in kind.
PI-8.4 Performance evaluation for service delivery	D	The Bureau of Health, representing 6% by value of the SRG expenditure, conducted a midterm evaluation in 2018 to assess the efficiency and effectiveness of programs of its five-year strategy known as the 'Health Sector Growth and Transformation Plan II'. The evaluation report is not published.

PI-8.1 Performance plans for service delivery

70. The Bureau of Health, Bureau of Water, Bureau of Education, Bureau of Agriculture, and BoT, which jointly constitute about 61 percent of the SRG budget, prepared sector strategies covering five years from EFY 2008 to EFY 2012. The sector strategies are linked to the national (federal) GTP as well as the SRG five-year growth and strategy plan. Based on the strategy document, sector bureaus prepare annual plans. Both the strategy and the annual plans contain the policy, program objectives, key performance indicators (KPIs), and outputs to be produced and outcomes. Some of the KPIs are as follows:

- **Bureau of Health.** Contraceptive acceptance rate, immunization rate, prevalence rate of trachomatous, per capita outpatient utilization rate, and so on (published on the website <https://www.srshb.com>)
- **Bureau of Water.** Number of boreholes, irrigations coverage, potable water supply coverage, and so on (published on www.srswb.gov.et)
- **Bureau of Education.** Student-classroom ratio, teacher-student ratio, textbook-student ratios, student enrolment rates, and so on (published on www.reb.gov.et)
- **Bureau of Agriculture.** Land rehabilitation in km, number of canal constructions, pesticide utilization rate, crop yield loss percentage reduction, increase in the rate of agricultural mechanization use, and so on (published on www.srslivestock.gov.et)

- **BoT.** Road length average travel time, road density, road per capita per 1,000 people, and so on (published on www.srsroadauthority.gov.et)

71. The strategy plans and the annual work plans are posted on the website of the respective sector bureaus.

Dimension score: C

PI-8.2 Performance achieved for service delivery

72. The Bureau of Health, Bureau of Water, Bureau of Education, Bureau of Agriculture, and BoT produced annual performance reports for EFY 2009, EFY 2010, and EFY 2011 which show information on output produced and outcome achieved. Actual results are consistent with the planned output and outcomes indicated in the annual performance plans with explanations on any deviations. The reports are published on the website of the respective sector bureaus. These performance reports cover about 61 percent of the SRG expenditure.

Dimension score: C

PI-8.3 Resources received by service delivery

73. IBEX tracks the financial resources transferred to the service delivery units from treasury sources. Funds transfer from donor-funded projects (Channel 1 and Channel 2) are reported monthly and annually by the recipient service delivery units and consolidated at the BoFED level. For example, primary schools report the actual fund they received from General Education Quality Improvement Program (GEQIP) school grants to their respective education offices, which consolidate and submit the reports to their respective woreda finance offices, and they are finally consolidated at the BoFED level.

74. Books and medical supplies transferred to schools and health centers are registered in goods received notes by the woreda finance. Also, primary schools and health centers maintain records of in-kind resources distributed. Though there is no consolidated report available on nonfinancial (in-kind) resources received by service delivery units, individual primary service delivery units track and prepare their own reports on resources received in kind. The Health Management Information System indicates the health services provided by health centers. The information system is web based and accessible from the regional Health Bureau but has no consolidated information on medical supplies received by the health facilities. The EFY 2010 educational statistic report provides basic statistics on KPIs and performance accomplished but does not provide information on in-kind resources distributed to schools.

Dimension score: D

PI-8.4 Performance evaluation for service delivery

75. The Bureau of Health, representing 6 percent by value of SRG expenditure, conducted a midterm evaluation in 2018 to assess the efficiency and effectiveness of programs of its five-year strategy known as the 'Health Sector Growth and Transformation Plan II'. The evaluation report indicated achievements by KPIs, challenges, gaps, and recommendations. This report is however not published. All the visited sector bureaus (Agriculture, Education, Water, and Roads) also conduct quarterly monitoring and evaluation through physical field visits in collaboration with the BoFED; they also prepare quarterly monitoring and evaluation reports, but there is no evidence to suggest comprehensive evaluation of the efficiency and effectiveness of their programs.

Dimension score: D

PI-9 Public access to key fiscal information*Summary scoring table*

Indicator/Dimension	Score	Brief justification for score
PI-9 Public access to key fiscal information	D	Scoring method M1
PI-9.1 Public access to fiscal information	D	As indicated in Table 3.9, the regional government only makes available 2 out of 4 basic elements; also, 3 of the additional elements are made public within the specified time frame.

Table 3.9: Public access to key fiscal information

No.	Fiscal information benchmarks	Availability (Yes/No)	Notes (Means of Availability)
Basic elements			
1.	Annual executive budget proposal documentation: A complete set of executive budget proposal documents (as assessed in PI-5) is available to the public within one week of the executive submitting them to the legislature.	No	Budget proposals are not made public.
2.	Enacted budget: The annual budget law approved by the legislature is publicized within two weeks of passage of the law.	Yes	The enacted budget is published in the regional gazette and posted on the website of BoFED: www.srbofed.gov.et and available within a week.
3.	In-year budget execution reports: The reports are routinely made available to the public within one month of their issuance, as assessed in PI-28.	No	BoFED prepares consolidated quarterly and six-monthly in-year budget execution reports. It only published on its website the six-monthly budget execution report within 8 weeks.
4.	Annual budget execution report: The report is made available to the public within six months of the fiscal year's end.	Yes	BoFED prepares consolidated annual financial statements. The financial statement is posted on the website of BoFED within three months after the end of the fiscal year.
5.	Audited annual financial report, incorporating or accompanied by the external auditor's report: The reports are made available to the public within twelve months of the fiscal year's end.	No	The website of ORAG contains audit reports of various audited entities but does not contain the audit report on the consolidated financial statement.
Additional elements			
6.	Pre-budget statement: The broad parameters for the executive budget proposal regarding expenditure, planned revenue, and debt are made available to the public at least four months before the start of the fiscal year.	No	There is no pre-budget statement.
7.	Other external audit reports: All non-confidential reports on central government-consolidated operations are made available to the public within six months of submission.	Yes	The website of ORAG contains other audit reports of audited entities within six months of its receipt by ORAG.
8.	Summary of the budget proposal: A clear, simple summary of the executive's budget proposal or the enacted budget accessible to the non-budget experts, often referred to as a 'citizens' budget',	Yes	A citizens' budget is posted on the website of BoFED within two weeks of budget approval.

No.	Fiscal information benchmarks	Availability (Yes/No)	Notes (Means of Availability)
	and where appropriate translated into the most commonly spoken local language, is publicly available within two weeks of the executive budget proposal's submission to the legislature and within one month of the budget's approval.		
9.	Macroeconomic forecasts: The forecasts as assessed in PI-14.1 are available within a week of its endorsement.	Yes	Macroeconomic forecast is posted on the website within a week of budget approval.

PI-9.1 Public access to fiscal information

76. As indicated in Table 3.9, the regional government only makes available two out of four basic elements. Also, three additional elements are made public within the specified time frame.

Dimension score: D

PILLAR III. Management of assets and liabilities

PI-10 Fiscal risk reporting

77. This indicator has three dimensions. Dimension 10.1 assesses the level of monitoring of fiscal risk implications of public corporations on central government operations, dimension 10.2 examines fiscal risk posed by SNGs, and dimension 10.3 measures the level of central government contingent liabilities and other fiscal risks

Summary scoring table

Indicator/Dimension	Score	Brief justification for score
PI-10 Fiscal risk reporting	D	Scoring method M2
PI-10.1 Monitoring of public corporations	D	The analysis in Table 3.10 indicates that 40.3% by value of public enterprises submitted their annual financial statements to the regional government (BoFED) within nine months after the end of the previous fiscal year EC 2010 (GC FY2017/2018 ending June 30, 2018).
PI-10.2 Monitoring of subnational governments	D	For FY2017/2018, all 99 woredas/city administrations submitted their annual financial statements to BoFED within three months after the end of the fiscal year ending GC June 30, 2018 (or EC July 7, 2010). The annual financial reports are however not published; the reports are also not consolidated.
PI-10.3 Contingent liabilities and other fiscal risk	D	There are no known PPP arrangements. That said, the regional government does not maintain records of explicit contingent liabilities and other fiscal risks arising out of its programs and projects.

PI-10.1 Monitoring of public corporations

78. Four public enterprises were functional as of June 2018 (end of FY2017/2018): (a) Somali Study Design and Supervision Works Enterprise, (b) Somali Roads Construction Enterprise, (c) Water Works Construction Enterprise, and (d) Heavy Machinery Administration Renting Garage Services and Procurement Enterprises. The analysis in Table 3.10 indicates that 40.3 percent by value of public enterprises submitted their annual financial statements to the regional government (BoFED) within nine months after the end of the previous fiscal year EC 2010 (GC FY2017/2018 ending June 30, 2018). By implication, the annual financial statements of most of these public enterprises were audited late and could not have been published within six months after the end of the fiscal year.

Table 3.10: Status of public enterprises FY2017/2018 ending June 2018 GC

No.	Name of public enterprise	Total expenditure (ETB)	Date of submission of annual financial statements (GC calendar)	% of total expenditure
1	Somali Study Design and Supervision Works Enterprise	44,396,426	July 7, 2018	34.6
2	Somali Roads Construction Enterprise	3,539,019	July 14, 2018	2.8
3	Water Works Construction Enterprise	76,591,202	August 1, 2019	59.7
4	Heavy Machinery Administration Renting Garage Services and Procurement Enterprises	3,726,714	February 7, 2019	2.9
	Total expenditure	128,253,361		

Dimension score: D

PI-10.2 Monitoring of subnational governments

79. There are 6 city administrations and 93 rural woredas (total of 99 city and rural woredas). City administrations and woredas have no borrowing powers and therefore do not generate fiscal risk for the SRG. Article 50 (3) of the Somali Financial Administration Proclamation No. 11/2004 requires all city administrations and woredas to prepare and submit annual financial reports to the regional government (BoFED) within three months after the end of the preceding year. For FY2017/2018, all 99 woredas/city administrations submitted their annual financial statements to BoFED within three months after the end of the fiscal year ending GC June 30, 2018 (or EC July 7, 2010). The annual financial reports are however not published and the reports are also not consolidated.

Dimension score: D

PI-10.3 Contingent liabilities and other fiscal risks

80. There are no known PPP arrangements. That said, the regional government does not maintain records of explicit contingent liabilities and other fiscal risks arising out of its programs and projects including financial implications of court litigations.

Dimension score: D

PI-11 Public investment management

81. This indicator assesses the process of economic appraisal, selection, costing, and monitoring of most significant PIPs by the government. This is a new indicator and has four dimensions.

Summary scoring table

Indicator/Dimension	Score	Brief justification for score
PI-11 Public investment management	C	Scoring method M2
PI-11.1 Economic analysis of investment projects	C	There are no established guidelines for analyzing capital investment projects. That said, the Planning and Budgeting Directorate of BoFED uses various project management tools such as environmental impact analysis to assess capital investment projects. Implementing entities also use rudimentary methods to conduct economic analysis of capital investment projects. That said, political considerations take higher precedence for the majority of these projects.

Indicator/Dimension	Score	Brief justification for score
PI-11.2 Investment project selection	C	Project selection for inclusion into the annual budget is largely based on the regional government's priorities (which include water and irrigation, health, education, agriculture and livestock, and rural roads), even though some of these projects are selected purely based on the results of feasibility studies conducted.
PI-11.3 Investment project costing	C	The annual budget document includes projections of the total capital cost of investment projects as well as the capital cost for the ensuing fiscal year. The annual budget also shows projected recurrent expenditure but only for the subsequent fiscal year.
PI-11.4 Investment project monitoring	C	Both BoFED and the regional sector implementing unit monitor investment projects through physical inspection and periodic (quarterly) financial progress reports; these reports are submitted to the regional cabinet for review and evaluation. The annual financial statements also report on actual expenditure of the projects; annual physical inspection progress reports are also prepared. There is no publication of either financial or physical progress reports.

Table 3.11: List of major capital investment projects, FY2017/2018

Project	Cost (ETB)	Somali budget (ETB)	% of budget	Economic analysis
Industrial development program	88,000,000	15,305,430,020	0.6	Yes
Construction of Hadawe irrigation dam	79,000,000	15,305,430,020	0.5	Yes
Construction of Dawa bridge	68,000,000	15,305,430,020	0.4	Yes
Procurement of water tankers/trucks	187,000,000	15,305,430,020	1.2	Yes
Construction of 21 water reservoirs	73,000,000	15,305,430,020	0.5	Yes
Drilling of bore holes	96,000,000	15,305,430,020	0.6	Yes
Construction of Korahay asphalt road	126,000,000	15,305,430,020	0.8	Yes
Construction of Jigjiga-Samakab road	65,000,000	15,305,430,020	0.4	Yes
Construction of K/Dahar referral hospital	51,700,000	15,305,430,020	0.3	Yes
Construction of Gaashamo hospital	75,300,000	15,305,430,020	0.5	Yes
Total	909,000,000	15,305,430,020		

PI-11.1 Economic analysis of investment projects

82. There is no specific definition referencing a 'major investment project' as far as the SRG is concerned. Pages 37 and 84 of the PEFA Framework 2016 and the PEFA Field Guide 2018, respectively, define major investment projects as "total investment cost of project amounting to 1 percent or more of total annual budget expenditure" and these investment projects are "among the 10 largest projects (by total investment cost) for each of the 5 largest central government units, measured by the units' investment project expenditure." Table 3.11 shows a list of 10 largest capital investment projects; only one meets the PEFA definition.

83. There are no established standard guidelines for analyzing capital investment projects. That said, for all the 10 projects listed in Table 3.11, the Planning and Budgeting Directorate of BoFED uses various project management tools such as environmental impact analysis to conduct economic analysis of these capital investment projects. In addition to this, central government entities use rudimentary and nonsystematic practices to analyze investment projects. These methods include (a) a predefined system of siting a school or hospital within a community considering the number of residents and (b) a needs assessment. Before funding these projects, feasibility studies are carried out by each of these central government institutions and reviewed by both BoFED and the regional cabinet. That said, political considerations take much precedence for the majority of these projects.

Dimension score: C

PI-11.2 Investment project selection

84. The regional cabinet selects capital investment projects for inclusion into the annual budget; this is largely based on the regional government's priorities, as set and adopted by the regional cabinet (which include water and irrigation, health, education, agriculture and livestock, and rural roads), even though some of these projects are selected purely based on the results of feasibility studies conducted.

85. Good practice suggests a number of project selection criteria, and key among them include, but are not limited to, the following:

- **Desirability.** Project(s) ought to be in line with the overall government medium-term strategic plan.
- **Achievability.** Whether the project can be delivered according to the plan considering funding mechanisms and other environmental constraints and challenges.
- **Viability.** To consider the cost implications and potential revenue-generating streams, management implications, financial sustainability, and project economic impact.

86. Currently, the selection of projects for inclusion into the budget does not systematically follow the abovementioned criteria.

Dimension score: C

PI-11.3 Investment project costing

87. The annual budget document includes projections of the total capital cost of investment projects as well as the capital cost for the ensuing fiscal year. The annual budget also shows projected recurrent expenditure but only for the subsequent fiscal year. In addition to this, Project Appraisal Documents provide information on total capital cost together with associated recurrent cost.

88. Good practice requires project costing to include both total investment cost and forward-linked recurrent expenditure over the project life cycle. As fiscal space is usually limited, a comprehensive costing framework contributes to effective decision making for new projects, especially in cases where there are ongoing capital investment projects. This significantly reduces the tendency of uncompleted government projects.

Dimension score: C

PI-11.4 Investment project monitoring

89. Both the regional sector implementing unit and BoFED Monitoring and Evaluation Directorate monitor capital investment projects through physical inspection and periodic (quarterly) financial progress reports. These periodic reports are submitted to the regional cabinet for review and evaluation. The annual financial statements also report on actual expenditure of the projects. In addition to the annual financial progress reports, annual physical inspection progress reports are prepared. The regional sector bureaus (implementing units) do not publish or post project evaluation reports either on the website or noticeboards.

Dimension score: C

PI-12 Public asset management

90. This indicator has three dimensions. Dimension 12.1 assesses the level at which financial assets (government investments in public or private companies) are monitored and reported; dimension 12.2 examines the extent to which nonfinancial assets (fixed assets) are monitored and reported; and dimension 12.3 measures the level of transparency of asset disposal.

91. The assessment of this indicator covers SNG budget entities and EBUs.

Summary scoring table

Indicator/Dimension	Score	Brief justification for score
PI-12 Public asset management	C	Scoring method M2
PI-12.1 Financial asset monitoring	C	BoFED does not keep records of investments in public or private entities. The annual financial statements disclose both cash and bank balances.
PI-12.2 Non-financial asset monitoring	D	Management of fixed assets is decentralized at the budget unit level. The asset registers maintained by these budget units provide information on the age and usage of assets. There are no records of government land, buildings, and natural resources.
PI-12.3 Transparency of asset disposal	B	Article 59 of the Somali Regional State Government Procurement and Property Administration Proclamation No. 82/2010 and Directive No. 1/2010 outline the legal and regulatory framework for fixed assets disposal; furthermore, fixed asset transfer is governed by Article 61 of the same proclamation. There are no legal provisions for the disposal and transfer of financial assets. For the period under review, no fixed assets were sold and/or transferred.

PI-12.1 Financial asset monitoring

92. The regional government represented by BoFED owns 100 percent of 4 public enterprises but the number of shares and their corresponding values are not recorded and reported in the annual financial statements. However, the consolidated annual financial statement discloses end-of-year cash and bank balances, which stood at ETB 0.85 billion (unaudited) for FY2017/2018.

Dimension score: C

PI-12.2 Non-financial asset monitoring

93. Fixed asset management is decentralized; each budget entity maintains a fixed asset register for vehicles, fixtures and fittings, computers, and office equipment, but the asset register does not show the historical cost of asset, depreciation, and net book value. According to Article 57 (2) of the Somali Procurement and Property Administration Proclamation No. 82/2010, all heads of BIs shall record the date, description, quantity, and cost of acquisition and indicate the custody and usage of fixed assets. In addition to the legal framework, a manual on fixed asset management, the GOFAMM, stipulates control and safeguarding of public assets. There are however no records of buildings. The asset registers at each budgetary unit provide information on their usage and age as well as the custodian of the asset; the asset user card provides this useful information. There are also no records of land and natural resources owned by the regional government.

Dimension score: D

PI-12.3 Transparency of asset disposal

94. Article 59 of the Somali Regional State Government Procurement and Property Administration Proclamation No. 82/2010 and Directive No. 1/2010 outline the legal and regulatory framework for fixed assets disposal; furthermore, fixed asset transfer is governed by Article 61 of the same proclamation. The law stipulated that each fixed asset valued at ETB 10,000 or above and/or cumulatively valued at ETB 100,000 or above shall be referred to the regional PPPDS for disposal. Below this threshold, the budget unit shall dispose (sell or transfer) assets through public auction. The PPPDS advertises in the national newspapers and conducts public auction, with the highest bidder assuming the right of ownership. Article 59 (3) of the same law mandates all central government institutions to deposit disposal proceeds directly into the main treasury (BoFED) account. For the period (2017/2018) under review, there were no disposal and transfer of fixed assets. There are no legal provisions on the disposal of financial assets.

Dimension score: B

PI-13 Debt management

95. There are three dimensions under this indicator. Dimension 13.1 assesses the integrity and comprehensiveness of reporting federal government debt (both domestic and foreign debts as well as guarantees); dimension 13.2 measures the legal and regulatory framework governing approval of loans and guarantees; and dimension 13.3 assesses whether the government prepares a medium-term debt strategy.

Summary scoring table

Indicator/Dimension	Score	Brief justification for score
PI-13 Debt management	D	Scoring method M2
PI-13.1 Recording and reporting of debt and guarantees	NA	Article 43 of Financial Administration Proclamation No. 11/2004 allows the regional government to borrow domestically with the approval of the regional council. At the time of assessment, the regional government has not borrowed directly from the domestic market; it has also not issued any guarantees to any central government institution or cooperative farmers associations. Therefore, this dimension is not applicable.
PI-13.2 Approval of debt and guarantees	D	BoFED is solely responsible for authorizing and approving debts and guarantees for all central government entities. Nonetheless, there are no guidelines, policies, and procedures that guide the issuance of debts and guarantees.
PI-13.3 Debt management strategy	NA	Even though the regional government has borrowing powers according to Article 43 of Financial Administration Proclamation No. 11/2004, it possesses no debt and therefore does not prepare a debt management strategy. Therefore, this dimension is not applicable.

PI-13.1 Recording and reporting of debt and guarantees

96. Article 43 of Financial Administration Proclamation No. 11/2004 allows the regional government to borrow domestically with the approval of the regional council. At the time of assessment, the regional government has not borrowed directly from the domestic market; it has also not issued any guarantees to any central government institution or cooperative farmers' associations. Therefore, this dimension is not applicable.

Dimension score: NA

PI-13.2 Approval of debt and guarantees

97. As stated under PI-13.1 above, the regional government has borrowing powers (according to Article 43 of Financial Administration Proclamation No. 11/2004) but has since not exercised these privileges. Article 44 of Financial Administration Proclamation No. 11/2004 mandates BoFED as solely responsible for authorizing and approving debts and guarantees to all central government entities. Nonetheless, there are no guidelines, policies, and procedures that guide the issuance of debts and guarantees.

Dimension score: D

PI-13.3 Debt management strategy

98. Article 43 of Financial Administration Proclamation No. 11/2004 allows the regional government to borrow. Furthermore, Article 42 of the same proclamation mandates BoFED to prepare a debt management strategy. The regional government possesses no debt and therefore does not prepare a debt management strategy. Therefore, this dimension is not applicable.

Dimension score: NA

PILLAR IV. Policy-based fiscal strategy and budgeting*PI-14 Macroeconomic and fiscal forecasting*

99. This indicator measures the ability of the government to develop robust macroeconomic and fiscal forecasts, which are crucial to developing a sustainable fiscal strategy and ensuring greater predictability of budget allocations.

Summary scoring table

Indicator/Dimension	Score	Brief justification for score
PI-14 Macroeconomic and fiscal forecasting	A	Scoring method M2
PI-14.1 Macroeconomic forecasts	A	Over the last three completed fiscal years, the regional government prepared forecasts of GDP and savings and investment rates; it has no capacity to forecast exchange rate, interest rate, and inflation. The forecasts are reviewed and approved by the regional cabinet, with an annual update, and sent to the regional council with the underlying assumptions as part of budget documentation. The regional council also reviews these forecasts.
PI-14.2 Fiscal forecasts	A	The Planning and Budget Directorate, over the last three completed fiscal years, prepared the MEFF with forecasts of GDP and savings and investments. The forecast includes aggregate revenues and expenditures and the budget balance. There are also explanations of differences between forecasts (and the underlying assumptions) and the current year's budget as part of budget documentation submitted to the regional council.
PI-14.3 Macro-fiscal sensitivity analysis	B	There is a qualitative evaluation of impact of various scenarios of macro-fiscal forecast; these are included in the annual budget document submitted to the regional council. This has been the case over the last three completed fiscal years. The analyses for EFY 2010 and 2011 were published but not for EFY 2008 and EFY 2009.

PI-14.1 Macroeconomic forecasts

100. BoFED's Planning and Budget Directorate is responsible for the preparation of an MEFF. Over the last three completed fiscal years 2015/2016, 2016/2017, and 2017/2018, the directorate prepared the MEFF which is part of the medium-term regional strategic plan. Chapter II of the medium-term regional strategic plan (GTP II 2015/2016–2019/2020) dated December 2015 contains the MEFF. Also, Section 2 of the budget document contains the macro forecast. The framework projects an average growth rate of 11.0 percent and 13.2 percent on a base-case and a high-case scenario, respectively, over the five-year period. It should however be noted that the region has the capacity to only forecast GDP and investment rates; other macroeconomic indicators such as inflation, exchange rate, global market price, and interest rate are projected by the federal government. The projections cover the budget year and at least the two outer years; they are updated annually. These projections (both GDP and investment rates) together with the underlying assumptions are part of the budget documentation submitted to the regional council. Both the regional cabinet and the regional council review these projections (MEFF and annual updates) plus the underlying assumptions.

Dimension score: A

PI-14.2 Fiscal forecasts

101. The Planning and Budget Directorate prepared, over the last three completed fiscal years 2015/2016, 2016/2017, and 2017/2018, a macro-fiscal forecast, with assumptions on GDP and savings and investment rates. The forecast includes aggregate revenues and expenditures and the budget balance; the regional government prepares a balanced budget, and even though it has borrowing powers, it has yet to exercise this mandate. Any difference between its own revenues and projected expenditure is financed by the federal government as subsidies (transfers/grants). It is projected that while the regional government's own revenue will hit ETB 4.6 billion by 2020/2021 from ETB 3.0 billion in 2017/2018, total expenditure (capital and recurrent) will increase to ETB 21.5 billion during the same period from ETB 15.02 billion; the difference will be financed by federal government subsidies. The fiscal forecasts plus the underlying assumptions, which are part of the budget documentation submitted to the regional council, provide an explanation of the differences of the main category of revenues and expenditures from the current year's budget estimates against the fiscal forecast of the previous year.

Dimension score: A

PI-14.3 Macro-fiscal sensitivity analysis

102. Over the last three completed fiscal years, 2015/2016, 2016/2017, and 2017/2018, the macro-fiscal forecast described an assessment of the impact of various scenarios (high-case and base-case scenarios) and the implication on the budget and the regional economy. Also, the qualitative evaluations or reviews were contained in the budget document submitted to the regional council. This affords legislators the opportunity to critically ascertain the impact of government policies on each sector of the economy, especially the impact on poverty reduction and service delivery sectors. These sensitivity analyses were published for EC 2010 but not for EC 2008 and 2009; those for EC 2011 were also published.

Dimension score: B

PI-15 Fiscal strategy

103. This indicator provides an analysis of the capacity to develop and implement a clear fiscal strategy. It also measures the ability to develop and assess the fiscal impact of revenue and

expenditure policy proposals that support the achievement of the government's fiscal goals. No fiscal strategy is developed for the regional government.

Summary scoring table

Indicator/Dimension	Score	Brief justification for score
PI-15 Fiscal strategy	D+	Scoring method M2
PI-15.1 Fiscal impact of policy proposals	C	The regional government prepares full explanation of budget implications on new policy initiatives and major new public investments. It also prepares estimates of the budgetary impact of all major revenue policy changes and major changes to expenditure programs but for the budget year only.
PI-15.2 Fiscal strategy adoption	D	The SRG does not produce a fiscal strategy.
PI-15.3 Reporting on fiscal outcomes	NA	The development of a fiscal strategy is the responsibility of the federal government; therefore, this dimension is not applicable.

PI-15.1 Fiscal impact of policy proposals

104. As indicated under element 10 of PI-5 (see Table 3.7), the regional government prepares and provides the regional council full explanation of budget implications on new policy initiatives and major new public investments; these are included in the budget speech. It also prepares estimates of the budgetary impact of all major revenue policy changes and major changes to expenditure programs but for the budget year only.

Dimension score: C

PI-15.2 Fiscal strategy adoption

105. The SRG does not produce and adopt a fiscal strategy document. A fiscal strategy document outlines broad (aggregate) government parameters on both revenues and expenditures and any fiscal balances that could arise out of net spending.

Dimension score: D

PI-15.3 Reporting on fiscal outcomes

106. The development of a fiscal strategy is the responsibility of the federal government; therefore, this dimension is not applicable.

Dimension score: NA

PI-16 Medium-term perspective in expenditure budgeting

107. This indicator examines the extent to which expenditure budgets are developed for the medium term within explicit medium-term budget expenditure ceilings. It also examines the extent to which annual budgets are derived from medium-term estimates and the degree of alignment between medium-term budget estimates and strategic plans.

Summary scoring table

Indicator/Dimension	Score	Brief justification for score
PI-16 Medium-term perspective in expenditure budgeting	B	Scoring method M2
PI-16.1 Medium-term expenditure estimates	C	The SRG prepares a Medium-term Expenditure Framework (MTEF), that is, estimates of expenditure for the budget year and the two following years according to administrative classification only.
PI-16.2 Medium-term expenditure ceilings	A	BoFED issued the first budget call circular (BCC) to all sector bureaus and woredas/city administrations on February 15, 2019. Aggregate and sector bureau expenditure ceilings for the budget year and the two outer years were approved by the regional cabinet on December 27, 2018, before the first BCC was issued to budgetary units.
PI-16.3 Alignment of strategic plans and budgets	B	The expenditure policies of 71% by value of sectors align with both the regional GTP II and the individual five-year sector strategies of the six sectors indicated in Table 3.12.
PI-16.4 Consistency of budgets with previous year estimates	C	The budget document submitted to the regional council provides some explanation to changes to expenditure estimates (at the aggregate level only) between the current year's budget and the second year of the last MTEF.

PI-16.1 Medium-term expenditure estimates

108. The SRG prepares an MTEF, that is, estimates of expenditure for the budget year and the two following years according to administrative classification only. Program budget has not yet been introduced.

Dimension score: C

PI-16.2 Medium-term expenditure ceilings

109. For FY2018/2019 (EC 2011 - last budget submitted to the regional council), BoFED issued the first BCC to all sector bureaus and woredas/city administrations on February 15, 2019, which was in line with the budget calendar. The MEFF and the aggregate expenditure estimates were submitted to the regional cabinet for approval, including budgetary units (sector bureaus) ceilings and woreda/city administration ceilings; for 2018/2019, these were approved on December 27, 2018, before the issuance of the first BCC.

Dimension score: A

PI-16.3 Alignment of strategic plans and budgets

Table 3.12: Sectors with costed medium-term strategies (EC 2010 figures)

Basic service sectors	Capital (ETB, thousands)	Recurrent (ETB, thousands)	Total (ETB, thousands)	% share from capital	% share from recurrent	% share from total
Total expenditure	6,533,892	2,739,729	9,273,621	90	27	71
Agriculture sector	589,459	90,876	680,335	9	3	7
Water and Irrigation	2,687,739	30,404	2,718,144	41	1	29
Education sector	322,758	246,520	569,279	5	9	6
Health sector	192,776	333,979	526,755	3	12	6
Rural roads	723,594	9,367	732,961	11	0	8

Basic service sectors	Capital (ETB, thousands)	Recurrent (ETB, thousands)	Total (ETB, thousands)	% share from capital	% share from recurrent	% share from total
Construction and urban development	1,332,121	18,605	1,350,726	20	1	15

110. Table 3.12 outlines regional sectors with fully costed (both capital and recurrent) medium-term strategies. Each of these sectors prepares five-year plans (which are approved by the regional cabinet) for EC 2008–2012 (GC FY2015/2016–FY2019/2020). The expenditure policies of 71 percent by value of sectors align with both the regional GTP II and the individual five-year sector strategies of the six sectors indicated in Table 3.12.

Dimension score: B

PI-16.4 Consistency of budgets with previous year estimates

111. BoFED prepares an MTEF each year. The annual budget document submitted to the regional council compares estimates of the budget year and the second year of the last MTEF, outlining both the absolute and percentage changes in each expenditure estimate; it also outlines the aggregate variance. For instance, there was an aggregate absolute difference of ETB 542.56 million between the EC 2011 budget and the previous year's MTEF, representing 29 percent higher than anticipated in the MTEF. Nonetheless, the budget document only explains the reason for the aggregate change and not the reasons for changes in the main (administrative) expenditure categories.

Dimension score: C

PI-17 Budget preparation process

112. This indicator assesses the budget formulation process that allows for an effective top-down and bottom-up participation of the public bodies, including their political leadership represented by cabinet. It also assesses the extent to which the annual budget preparation process supports the linking of the draft budget to public policy objectives. Dimensions 17.1 and 17.2 are assessed using the last budget submission, for FY2018/2019. Dimension 17.3 is assessed on the basis of the last three approved budgets, that is, FY2016/2017, 2017/2018, and 2018/2019.

Summary scoring table

Indicator/Dimension	Score	Brief justification for score
PI-17 Budget preparation process	A	Scoring method M2
PI-17.1 Budget calendar	A	A clear annual budget calendar exists; it allows eight weeks for budgetary units, from the receipt of the budget circular, to complete their budget estimates. About 93% by value of the budgetary units comply with it and meet the deadlines.
PI-17.2 Guidance on budget preparation	A	BCC is issued to budgetary units with guidelines on preparation of recurrent and capital budgets for the full budget year. It includes cabinet-approved annual ceilings for administrative expenditure categories. The budget estimates are reviewed and approved by the cabinet after they have been completed in every detail by the budgetary units.
PI-17.3 Budget submission to the legislature	A	The executive has submitted the annual budget proposal to the legislature two months before the start of the fiscal year in all of the last three assessed years.

PI-17.1 Budget calendar

113. A clear budget calendar exists, which is included in the BCC. According to the dates in the calendar (see Table 3.13), the budgetary units should have eight weeks to complete their budget estimates. As shown in Table 3.14, 93 percent by value of budgetary units were able to complete their detailed estimates on time for the preparation of the EC 2011 (2017/2018) budget.

Table 3.13: Budget calendar (SRG)

Activity		Responsible body	Timing
Executive preparation			
1	Reviewing past performances and conducting MEFF	Regional sector bureaus and BoFED	November–December
2	MEFF approval by the regional cabinet	Cabinet	December
3	Issue budget call to sector bureaus	BoFED	January 31–February 15
4	Notify initial block grant budget to woredas and city administrations	BoFED	March 30–April 15
5	Submit budget requests to BoFED	Regional sector bureaus	March 21–April 15
6	Review and recommend RSBs' budget requests	BoFED	April 16–30
7	Submit recommended budget to the budget and finance committee of the council	BoFED	May 01–15
Legislative adoption			
8	Appropriation of approved budget	Council	July 7
Executive implementation			
9	Notify approved budget to RSBs	BoFED	July 7–15
10	Notify approved block grant budget to woredas and city administrations	BoFED	July 7–15
11	Allocate proclaimed budget	BoFED and RSBs	July 8–15
12	Prepare annual implementation action plan and cash flow forecast	BoFED and RSBs	July 8–15
13	Consolidate budget using IBEX and submit JBAR to the Ministry of Finance	BoFED	July 16–August 30
14	Budget adjustments	BoFED and RSBs	Ongoing

Source: Budget Department.

Note: JBAR = Joint Budget and Aid Review ; RSBs = Regional sector bureaus.

Table 3.14: Dates of submissions to the BCC for the preparation of the EC 2011 budget

No.	Code	Public body	Budget proposal submission date (EC)	Actual Expenditure for FY2010 EC (2017/2018) ETB	Submitted on time (Yes/No)
1	111	Regional Council	7/9/2009	30,803,475	Yes
2	113	Office of the Auditor General	7/1/2009	10,673,309	Yes
3	115	Office of Regional Administration	17/7/2009	241,506,267	No
4	117	Diaspora Agency	7/5/2009	17,215,547	Yes
5	119	Women and Children affairs Bureau	7/10/2009	11,921,337	Yes
6	121	Bureau of Justice	7/9/2009	36,674,401	Yes
7	122	Supreme Court	7/4/2009	43,683,888	Yes
8	123	Sharia Court	7/1/2009	27,658,782	Yes
9	124	Organs of Justice Professionals Training Centre	7/3/2009	3,911,834	Yes
10	126	Grievance and Compliance Handling Commission	7/4/2009	5,020,759	Yes
11	127	Police Commission	7/2/2009	199,899,984	Yes
12	128	Anti-Corruption and Ethics Commission	7/3/2009	8,347,520	Yes

No.	Code	Public body	Budget proposal submission date (EC)	Actual Expenditure for FY2010 EC (2017/2018) ETB	Submitted on time (Yes/No)
13	129	Prison Administration	7/7/2009	59,801,934	Yes
14	133	Admin., Justice, and Security Affairs Coordination Office	7/5/2009	1,290,247,492	Yes
15	135	Somali-Oromia Region Bilateral	18/7/2009	992,359	No
16	144	Border Affairs	7/9/2009	4,096,018	Yes
17	152	Bureau of Finance and Economic Development	7/4/2009	289,663,086	Yes
18	153	Government Communication Affairs Bureau	7/3/2009	34,373,669	Yes
19	154	Mass Media Agency	16/7/2009	88,592,868	No
20	155	Civil Service Bureau	7/4/2009	45,687,663	Yes
21	156	Revenue Authority	7/5/2009	37,762,830	Yes
22	157	Bureau of Culture and Tourism	7/6/2009	10,568,689	Yes
23	158	Vital Registration Agency	7/8/2009	5,802,972	Yes
24	211	Bureau of Agriculture and Rural Development	7/3/2009	251,570,849	Yes
25	212	Livestock Resources and Pastoralists Development Bureau	7/4/2009	378,579,512	Yes
26	213	Pastoral and Agro-Pastoral Research Institute	7/2/2009	34,440,625	Yes
27	214	Environmental Protection, Mines, Energy, and Forestry Agency	7/7/2009	6,587,485	Yes
28	215	Irrigation and Basin Development Bureau	7/2/2009	958,422,987	Yes
29	216	Cooperatives Promotion Agency	7/1/2009	9,156,479	Yes
30	221	Water Resource Development Bureau	7/5/2009	1,759,720,659	Yes
31	231	Bureau of Trade, Transport, Industry, and Communication	26/7/2009	64,536,300	No
32	232	Micro and Small Enterprise Development Agency	19/7/2009	7,238,466	No
33	235	Investment Agency	7/10/2009	5,537,578	Yes
34	272	Bureau of Works and Urban Development	7/9/2009	1,350,725,650	Yes
35	273	Rural Roads Authority	7/4/2009	732,961,193	Yes
36	311	Education Bureau	7/10/2009	300,405,120	Yes
37	312	Technical and Vocational Education and Training Agency	17/7/2009	200,720,210	No
38	313	Centre of Competence Agency	7/4/2009	7,613,795	Yes
39	319	Regional Management Institute	7/10/2009	60,539,550	Yes
40	331	Youth and Sport Bureau	7/10/2009	32,525,579	Yes
41	341	Health Bureau	7/8/2009	514,711,682	Yes
42	342	Food, Medicine, and Health Care management Agency	7/4/2009	4,984,968	Yes
43	345	HIV/AIDS Prevention and Protection Bureau	16/7/2009	7,058,373	No
44	351	Labor and Social Affairs Bureau	7/11/2009	21,868,476	Yes
45	361	Disaster Prevention and Preparedness Bureau	7/8/2009	57,354,890	Yes
Total expenditure for the year			9,272,167,109		
Total expenditure for public bodies that answered late to the BCC (after Megabit 15, EC 2009)			610,644,804		7%
Total expenditure of public bodies that answered on time to the BCC (before Megabit 11, EC 2009, March 21/ GC 2018)			8,661,522,270		93%

Source: Budget Department.

114. The evidence provided in Tables 3.13 and 3.14 shows that a fixed budget calendar exists and is adhered to by most of the budgetary units. They are given sufficient time (at least eight weeks) to prepare their detailed budget estimates in compliance with the guidance issued by BoFED.

Dimension score: A

17.2 Guidance on budget preparation

115. A comprehensive and clear budget circular letter is issued to the budgetary units with guidelines on preparation of capital and recurrent expenditure for the full fiscal year. The budget circular includes annual budget ceilings (with prior approval in December 2018 by the regional cabinet and issued in February 2019) by administrative (or ministry) expenditure category. The bureaus visited by the assessment team (Health Bureau, Education Bureau, Road Authority, Water Bureau, and Agriculture Bureau) confirmed that the guidelines in the circular were clear and complete. The budget estimates are reviewed and approved by the cabinet after they have been completed in every detail by the budgetary units.

Dimension score: A

17.3 Budget submission to the legislature

116. The executive has submitted the annual draft budget proposal to the regional council exactly two months before the start of the fiscal year in all of the last three years assessed. Table 3.15 shows the dates of budget submission to the legislature.

Table 3.15: Dates of submission of the budget to the regional council

EC	GC	GC dates of submission
2011	2018/2019	08/05/2018
2010	2017/2018	06/05/2017
2009	2016/2017	04/05/2016

Source: BoFED; confirmed by the regional council.

Dimension score: A

PI-18 Legislative scrutiny of budgets

117. This indicator assesses the legislative scrutiny and debate of the annual budget law as described by the scope of the scrutiny, the internal procedures for scrutiny and debate, and the time allocated to that process, in terms of the ability to approve the budget before the commencement of a new fiscal year. The indicator also assesses the existence of rules for in-year amendments to the budget without ex ante approval by the legislature.

Summary scoring table

Indicator/Dimension	Score	Brief justification for score
PI-18 Legislative scrutiny of budgets	C+	Scoring method M1
PI-18.1 Scope of budget scrutiny	B	The regional council's budget scrutiny covers fiscal policy and aggregate for the coming year as well as details of expenditure and revenue, even though it receives the MTEF.
PI-18.2 Legislative procedures for budget scrutiny	C	The regional council's procedures to review budget proposals are approved by the legislature in advance of budget hearings and are adhered to. There are no arrangements for technical support and negotiation procedures.
PI-18.3 Timing of budget approval	A	The regional council has approved the annual budget within one month of the start of the fiscal year in all last three fiscal years.

Indicator/Dimension	Score	Brief justification for score
PI-18.4 Rules for budget adjustments by the executive	B	Clear rules exist for in-year budget adjustments by the executive and are adhered to in all cases, but the rules allow extensive administrative reallocations as there are no limits. That said, the budget cannot be expanded without the approval of the regional council.

PI-18.1 Scope of budget scrutiny

118. The package of budget documentation sent to the regional council consists of (a) the draft budget estimates, (b) the budget speech, (c) subsidy allocation to woredas, (d) MTEF, and (e) MEFF. For the EC 2011 budget, the regional council received the MEFF with GDP forecasts, and the underlying assumptions for revenue and expenditure. The legislature's budget scrutiny covers fiscal policies and aggregates for the coming year only as well as details of expenditure and revenue. Even though the regional council receives the MTEF, its review covers only the forthcoming budget year.

Dimension score: B

PI-18.2 Legislative procedures for budget scrutiny

119. The legislative budget review procedures are formalized. They are known as Directives on Determination and Approval of the Budget of Somali Regional State, amended in EC 2010 (Order Number 18/2010). Once the draft budget is received from BoFED, it is referred to the BFSC. It is a specialized committee responsible for budget scrutiny and the review of public bodies' performance reports. It has five members including the chairperson, who is the only full-time member. Usually, it takes 10 working days to carry out preliminary review of budget documentation for completeness before the actual review of estimates and fiscal policies.

120. The committee prepares budget summaries and schedule for the budget hearing. The proposed budget is discussed with specialists from all government sectors. There are public consultations organized as a forum with the community. There is a procedure, still being formalized, for consultation with civil societies. The regional council's procedures to review budget proposal are approved in advance of budget hearings and are adhered to as per Order No. 18/2010. The existing processes for budget review do not include arrangements for negotiations and no procedures for technical support.

Dimension score: C

PI-18.3 Timing of budget approval

121. The time of the budget scrutiny process indicates the ability of the legislature to approve the budget well in advance of the budget year. The earlier the budget is approved, the better it is for the budgetary units to know their resource allocation for the fiscal year. The budget proposal is usually submitted to the regional council early May and the approval in early July. The fiscal year in Ethiopia begins on July 8. Table 3.16 shows that the regional council approved the annual budget before the start of the fiscal year in all last three fiscal years.

Table 3.16: Budget submission to the regional council and adoption (2016/2017–2018/2019)

Budget year	Draft budget submitted to the regional council (GC dates)	Budget approved by the regional council (GC dates)
FY2009 EC (2016/2017 GC)	04/05/2016	06/07/2016
FY2010 EC (2017/2018 GC)	06/05/2017	06/07/2017

Budget year	Draft budget submitted to the regional council (GC dates)	Budget approved by the regional council (GC dates)
FY2011 EC (2018/2019 GC)	08/05/2018	07/07/2018

Source: Budget Department and confirmed by the regional council.

Dimension score: A

PI-18.4 Rules for budget adjustments by the executive

122. The financial administration proclamation and the annual budget proclamations specify the rules for in-year amendments to the budget. Reallocations between BIs can be made without approval from the regional council. The financial administration proclamation stipulates that the executive cannot increase total expenditure during the year without the regional council's approval. Transfers are not allowed from the capital to the recurrent budget. This provision gives BoFED the flexibility to transfer budget allocations between sectors, programs, and economic items. Therefore, clear rules exist for all in-year budget adjustments by the executive; however, they allow extensive administrative reallocations as there are no limits for virements. Also, the budget cannot be increased without ex ante legislative approval. Annual supplementary estimates may be requested and approved any time except for the last month of the budget year in June. Any reallocations to be made in June are to be exclusively approved by BoFED. The types of in-year adjustment stipulated in the legislation are as follows:

- Adjustments within the budgetary units' own budget ceilings that do not require prior BoFED approval—the sector bureaus (line ministries) can reallocate only within the economic classification category, for example, within operating expenditure and salaries and wages
- Adjustments that require prior approval from BoFED but no legislative approval—adjustment from one category of economic classification to another or from one sector bureau to another
- Adjustments that require legislative approval—those made from one woreda to another and the supplementary budget

Dimension score: B

PILLAR V: Predictability and control in budget execution

PI-19 Revenue administration

123. The indicator assesses the procedures used to collect and monitor central government revenues. A government's ability to collect revenue is an essential component of any PFM system.

Summary scoring table

Indicator/Dimension	Score	Brief justification for score
PI-Revenue administration	B	Scoring method M2
19.1 Rights and obligations for revenue measures	A	All of the regional revenue (tax and nontax) is collected by the Somali Regional State Revenue Bureau. It provides information through various channels on main obligations to taxpayers and provides for complaints resolution.
19.2 Revenue risk management	C	The Somali Regional State Revenue Bureau administers all revenue of the region. The risk assessment and management function is undertaken by

Indicator/Dimension	Score	Brief justification for score
		the Tax Audit and Intelligence Department, which registers and monitors the usual risks in tax registration, declaration, and payment. There is a partly structured and systematic approach for assessing and prioritizing risk covering category A and B taxpayers. There is no risk management framework.
19.3 Revenue audit and investigation	D	Revenue audit function is well established and is performed and managed in accordance with an annual audit plan with 56% implementation of planned audits and investigations in FY2010. A compliance improvement action plan is being developed.
19.4 Revenue arrears monitoring	A	The actual stock of revenue arrears for the year-end 2010 EC is 0.04% out of total revenue and 0.22% out of the domestically collected revenue (less than 10%). Previous year arrears are carried forward and collected during the next fiscal year. The age of revenue arrears is not specifically monitored, even if the data exist. The revenue arrears older than 12 months is 8%.

124. The Somali Regional State Revenue Bureau (established in GC 2002 as Somali Revenue Authority) was a section of BoFED in 2012 and later upgraded into full-fledged authority with more powers. There are 2,881 staff. Revenue collection centers are located in all administrations. The head office structure is decentralized in all six city administrations. The same department and organizational structures are mirrored down to all administrative structures of the city of Jigjiga and the woreda. Article 92 of Proclamation No. 979/2016 governs the functions of the revenue bureau. The regional revenue consists of (a) a block subsidy transferred by the Federal Government of Ethiopia and (b) revenue collected by the Revenue Bureau—ETB 2.6 billion in EC 2010. The revenue collected for the last completed fiscal year (EC 2010) is presented in Table 3.17. The total collection of Somali Region represents 17 percent of the total revenue, which also represents 100 percent of all domestic revenue, as the Revenue Bureau is solely responsible for collecting both tax and nontax revenues.

Table 3.17: Summary of total revenues for EC 2010 (2017/2018)

	ETB	Share (%)
Total revenue	14,791,536,880	100
Subsidy from the federal government	12,203,680,020	83
Total collection in Somali Region	2,587,856,860	17

PI-19.1 Rights and obligations for revenue measures

125. The Somali Regional State Revenue Bureau collects all revenues (tax and nontax). It has full control over revenues and how the overall management is carried out including providing information through various channels on obligations of taxpayers, assessment of tax compliance risk, tax audit and investigation, complaints resolution, and revenue arrears monitoring. The taxpayers are grouped into three categories: (a) category E (more than ETB 1 million); (b) category B (between ETB 0.5 and ETB 1 million); and (c) category C (below ETB 0.5 million).

126. The bureau has a functional website www.ddds.gov.et where it publishes tax proclamation and regulations as well as comprehensive and current information on taxation. The Public Relations and the Customer Handling and Training Departments deal with providing information to the taxpayers about their tax obligations. There are leaflets circulated in public places and panel discussions organized with the business community. There are tax-oriented videos and even street plays on tax issues organized at marketplaces. Somali Region is populated by pastoralists who mostly are informed by listening to news and going to market centers. There is also an annual conference on tax visited by all woredas. There is a Tax Mobilization Committee with tax ambassadors who are active on tax payment and awareness creation. Community religious leaders are also involved as well as the

Chamber of Commerce. There are tax education programs broadcasted on TV and radio, as well as other topics focused on auditing, bookkeeping, and the use of VAT machine. There is a call center operating at the Revenue Bureau, but this is not toll-free.

127. There is a redress mechanism with procedures and processes allowing tax claims filing and complaint resolution. It is outside the general tax system and consists of the following structure: (a) Internal Administrative Review Committee within the structure of the Revenue Bureau, (b) Tax Appeal Committee operational since 2016, and (c) Legal Court of Appeal. The Tax Appeal Committee consists of five independent members: one from the Chamber of Commerce, a private business lady, a law and regulation expert, a certified accountant, and a tax expert. Over the last three years, there were 310 appeal cases of which 105 were rejected for lack of evidence and 165 were resolved.

128. Improvements in the political environment since 2018 has resulted in more business-friendly atmosphere, thereby allowing all taxpayers to freely file their tax complaints. Again, due to awareness creation by the Chamber of Commerce, more taxpayers and the general business community have become active in demanding their rights to tax issues. According to the Chamber of Commerce, in spite of the positive stride in tax education, more needs to be done in terms of taxpayer obligations and the need to properly maintain good financial records for easy tax computation.

Dimension score: A

PI-19.2 Revenue risk management

129. The Somali Regional State Revenue Bureau is the only revenue administration entity in the region that collects all regional government tax and nontax revenues. Currently, there is no revenue risk management framework, which is being developed at the time of assessment. The risk analysis function at the Somali Revenue Bureau is undertaken by the Tax Audit and Intelligence Department. Risk assessment is carried out with some rudimentary guidelines developed by the department; this is partly structured and systematic. It registers and monitors risks in the area of tax registration, declaration, and payment, categorizing the taxpayers into four groups according to taxpayer risk profile. Risk is identified as high, medium, and low depending on tax type and business type. There are also questionnaires completed by taxpayers which are leveraged for taxpayer risk profiling.

130. The usual cases of high risks are business wholesalers' presentation of fake documentation for the export of livestock and green leaf (Khat). There are also many cases of tax and customs evasion. The risk assessment is mostly focused on identifying taxpayers with the largest and medium risk of noncompliance. There is an internal practice of assessing and prioritizing risk covering all groups of taxpayers, but this is not fully structured and systematic; it is a partial system. Another way of reducing tax leakages is the practice of taxpayers paying directly into the Revenue Bank Account held by the treasury (BoFED). The tax registration system requires every taxpayer to have a Taxpayer Identification Number (TIN) and this is incorporated in the tax administration software Standard Integrated Government Tax Administration System (SIGTAS). The regional Revenue Bureau is now migrating to the use of the System of Integrated Revenue Management (SIRM) to reduce tax evasion and improve revenue collection.

Dimension score: C

PI-19.3 Revenue audit and investigation

131. The Tax Audit and Intelligence Department is responsible for tax audit and fraud investigations. There are 195 auditors of whom 10 are in the head office. Only category 'A' and 'B' taxpayers are audited based on their annual financial reports but mainly focusing on category 'A'

taxpayers. The tax audit findings are discussed with the taxpayer before they are made formal. The head of the department reviews each audit report. There are 84,390 registered taxpayers as of end October 2019 in 24 tax registration and administration centers. In EFY 2010, 100 tax audits were planned of which 56 were completed, representing a completion rate of 56 percent. In EFY 2011, 69 were completed as against a plan of 150, representing a completion rate of 46 percent. Currently, a documented approach on tax assessment is being developed. The idea is to have a comprehensive assessment of the tax potential of the region. Based on this assessment, a compliance improvement action plan will be developed.

Dimension score: D

PI-19.4 Revenue arrears monitoring

132. The end of the financial year in the EC is July 7. All taxes and nontax revenue due after this date is recorded as revenue arrears by the Somali Regional State Revenue Bureau. There is a record of annual plan and performance, as well as revenue arrears by main sources such as direct tax, indirect tax, municipal, penalties, and so on. The arrears are classified into current period and those older than 12 months as per the ageing report.

Table 3.18: Tax arrears for EFY 2010 (2017/2018) (ETB)

Year	Assessed arrears	Paid arrears	Current arrears	% collected	% outstanding
EFY 2010	70,400,410	64,844,496	5,555,914	92	8

Source: Somali Revenue Bureau.

133. As depicted in Table 3.18, the stock of revenue arrears at the end of EFY 2010 was ETB 5,555,914. The total revenue collections for the same year was ETB 14,791,536,880. Stock of revenue arrears at the end of EFY 2010 stood at 0.04 percent (less than 1 percent). The arrears collected in EFY 2010 were ETB 64,844,496, representing 92 percent, and the revenue arrears older than 12 months for the same period were ETB 5,555,914, representing 8 percent.

Dimension score: A

PI-20 Accounting for revenue

134. This indicator assesses procedures for recording and reporting revenue collections, consolidating revenues collected, and reconciling tax revenue accounts. Accurate recording and reporting of tax and nontax revenue collections is important to ensure that all revenue is collected in accordance with relevant laws.

Summary scoring table

Indicator/Dimension	Score	Brief justification for score
PI-20 Accounting for revenue	C+	Scoring method M1
PI-20.1 Information on revenue collections	A	The BoFED treasury obtains revenue data every week from the Somali regional Revenue Bureau. The data are complete, indicating the type of revenue and source. The data are consolidated into a weekly revenue report.
PI-20.2 Transfer of revenue collections	A	The Revenue Bureau collecting all government revenue transfers 100% of the collections directly into TSA controlled by the treasury within one working day. The tax is paid directly to an account of the Somali Regional Revenue Authority (SRRA) which is transferred to the treasury daily.

Indicator/Dimension	Score	Brief justification for score
PI-20.3 Revenue accounts collections	C	Complete accounts reconciliation between revenue collections and transfers to the treasury is performed quarterly within a time frame of two months. Presently, there is no reconciliation between assessment, collections, transfers, and arrears.

20.1 Information on revenue collections

135. The BoFED treasury obtains revenue data from Somali Regional State Revenue Bureau weekly, which is uploaded onto IBEX via SIGTAS. The revenue collection account is part of the TSA. Table 3.19 shows the amount of budgeted and actual revenue for EFY 2011. The collection is presented by revenue type as it appears in the IBEX system. The data are complete and consolidated into a weekly report, indicating the type and source of revenue. The evidence provided is a report compiled in Excel (not generated from the SIGTAS database system) showing the consolidated revenue collections as received by the treasury.

Table 3.19: Revenue collection by type for EC 2011 (GC 2018/2019) in ETB

Group (Description)	Budget	Actual revenue	%
A. Tax revenue	2,401,214,168	1,470,072,558	61
1. Tax on income, profit, and capital gains	1,672,689,414	912,657,733	55
2. VAT	539,141,463	494,805,594	92
3. Excise Tax	1,640,538	169,360	10
4. Sales Turnover Tax	59,209,056	42,626,525	72
5. Turnover Tax on Services	102,338,190	18,478,085	18
6. Stamp sales and duty	26,195,507	1,334,261	5
7. Foreign trade tax	—	1,000	—
B. Nontax revenue	242,726,347	758,167,566	312
1. Administrative fees and charges	71,785,532	14,569,612	20
2. Sales of public goods and services	42,257,240	5,406,284	13
3. Government investment income	80,382,365	599,632	1
4. Miscellaneous nontax	48,300,209	737,592,037	1,527
C. Capital revenues	66,451,974	351,094	1
D. Municipality revenue	451,089,294	237,749,163	53
Total (A + B + C + D)	3,161,481,783	2,466,340,381	78

Source: BoFED treasury.

Dimension score: A

PI-20.2 Transfer of revenue collections

136. The Revenue Bureau collecting all (100 percent) government revenue transfers 100 percent of collections directly into TSA controlled by the treasury within one working day. The tax and duties are paid either directly to a treasury-controlled account or to a CBE account, which are both reconciled and transferred to the treasury daily.

Dimension score: A

PI-20.3 Revenue accounts collections

137. The Somali Regional State Revenue Bureau collecting all (100 percent) of SNG revenue undertakes complete reconciliation of revenue collected and transferred to the BoFED treasury. The complete reconciliation of revenue collections and transfers with the treasury is performed quarterly within two months. The reconciliation process is facilitated by SIGTAX, which contains the arrears-

recording module. Presently, there is no reconciliation between assessment, collections, transfers, and arrears.

Dimension score: C

PI-21 Predictability of in-year resource allocation

138. This indicator assesses the extent to which BoFED is able to forecast cash commitments and requirements and to provide reliable information on the availability of funds to budgetary units for service delivery. It contains four dimensions. Dimension 21.1 assesses the consolidation of cash balances, dimension 21.2 examines cash forecasting and monitoring, dimension 21.3 assesses existence of information on commitment charges, and dimension 21.4 assesses significance of in-year budget adjustments.

Summary scoring table

Indicator/Dimension	Score	Brief justification for score
PI-21 Predictability of in-year resource allocation	A	Scoring method M2
PI-21.1 Consolidation of cash balances	A	Table 3.20 presents the cash position as of November 22, 2019, and only the TSA (Z account) which represents 95.3% by value is consolidated daily.
PI-21.2 Cash forecasting and monitoring	A	Available evidence (five sector bureaus visited were Agriculture Bureau, Health Bureau, Education Bureau, Water Bureau, and Road Authority) indicates that BIs prepare and submit to BoFED annual cashflow plans once the annual budget is approved by the regional council; BoFED consolidates the respective cashflow forecasts. The annual cashflow plans are updated monthly based on actual cash inflows and outflows.
PI-21.3 Information on commitment charges	A	The Budget Department at BoFED provides a budget notification letter (expenditure commitment ceiling) to all budget entities once the budget is approved by the regional council. The budget notification letter allows BIs to commit for expenditure within a six-month horizon.
PI-21.4 Significance of in-year budget adjustments	A	The largest in-year adjustment during EFY 2010, the last completed fiscal year, was 0.8% of total expenditure. In-year adjustment to budget allocation took place only once a year and in a transparent and predictable way, through vote of supplementary budget.

PI-21.1 Consolidation of cash balances

139. All bank accounts are kept only in local currency and in compliance with the financial management regulations. They are opened only in the CBE. The financial proclamation stipulates that both government and donor fund accounts must be reconciled monthly within one month after the preceding month.

140. BoFED and BIs maintain the following types of accounts:

- (a) **Z account** is a TSA account for disbursement of budget allocations allowing monthly cash withdrawal to a limit set by BoFED on the basis of the monthly cash requirements of the respective BIs. These cash requirements are made quarterly. These accounts are reconciled daily with the CBE. BoFED monitors and consolidates the balances on the TSA each day.
- (b) **B accounts** are own revenue deposit accounts generated by the BIs and woredas, and they are swept to the treasury monthly.

- (c) **Aid account** (donor partner) is the Channel 1 donor fund account, and the number of these accounts varies across all BIs depending on the type and nature of projects supported in the respective sector. It is designated to fund capital expenditure and is not part of the TSA. Disbursements are made based on performance and results into the designated BI's CBE account. The balance in these accounts is consolidated monthly but is not part of the monthly regional government cash and bank balances.
- (d) **C account** (Channel 2 or direct grant) is not part of the TSA or regional government cash consolidation framework.

141. Table 3.20 presents the cash position as of November 22, 2019, and only the TSA (Z account) which represents 95.3 percent by value is consolidated daily. The data (see Table 3.20) show that 95.4 percent of cash resources are in the TSA, 4.3 percent are outside the TSA, and 0.3 percent of cash is in hand. The cash balances are consolidated at different intervals and frequencies. Whereas the Z account is consolidated daily, the B and Aid accounts are consolidated monthly within five days after the end of the month. The aid accounts differ in number from one BI to another.

Table 3.20: Volume of cash in and outside TSA in ETB as of end of October 2019 (EC 2012)

	November 22, 2019, balances	%
Total cash	969,733,031.59	100
Total cash balance in TSA (4105) - daily consolidation	924,664,643.07	95.4
Cash in other accounts not part of TSA (4103)	41,797,137.64	4.3
Cash in hand (4101)	3,271,250.88	0.3

Source: BoFED treasury.

Dimension score: A

PI-21.2 Cash forecasting and monitoring

142. The legal framework in relation to cashflow forecasting is Article 31 of the financial management proclamation. According to this article and the subsidiary legislation No. 178/2011, no disbursements shall be made out of the approved budget unless the head of the public body or his/her authorized representative submits to the Bureau of Finance a cashflow plan. It also mandates all BIs to prepare annual cashflow forecast based on their cash needs and respective procurement plans and submit the same to BoFED. Available evidence (five sector bureaus visited were Agriculture Bureau Health Bureau, Education Bureau, Water Bureau, and Road Authority) indicates that BIs prepare and submit to BoFED annual cashflow plans once the annual budget is approved by the regional council; BoFED consolidates the respective cashflow forecasts. The annual cashflow plans are updated monthly based on actual cash inflows and outflows.

Dimension score: A

PI-21.3 Information on commitment ceilings

143. The Budget Department at BoFED provides a budget notification letter (expenditure commitment ceiling) to all budget entities once the budget is approved by the regional council. The budget notification letter allows BIs to commit for expenditure within a six-month horizon, that is, from July to December and then January to June. The expenditure commitment ceilings are fixed into IBEX through which BIs commit for their expenditures. For the last completed fiscal year EC 2010, the budget notification letters (expenditure commitment ceilings) were issued on July 12, 2017, for the 2017/2018 budget.

Dimension score: A

PI-21.4 Significance of in-year budget adjustments

144. The financial management proclamation allows budget adjustments within one sector bureau not exceeding 5 percent of original budget. The adjustments are made mostly close to the year-end in the fourth quarter. There are no reallocations in the first six months of the fiscal year. The largest in-year adjustment during EFY 2010, the last completed fiscal year, was 0.8 percent of total expenditure. This is not significant even if there is no threshold of adjustment. Supplementary budget was voted by the regional council during EFY 2010, allowing for an increase in total expenditure by ETB 209 million for road construction and industrial development, among others. Therefore, in-year adjustment to budget allocation took place only once a year and in a transparent and predictable way, through vote of supplementary budget.

145. As indicated in PI-18.4, there are clear rules for in-year budget adjustments, but they allow for extensive administrative reallocations. Generally, they stipulate that (a) the executive cannot increase total expenditure during the year without the regional council's approval and (b) reallocations are not allowed from the capital to the recurrent budget. The rules are clearly defined in Article 23 of the financial administration proclamation of the SRG; the regional government adheres to these rules. The budgetary units were informed about the budget amendment.

Dimension score: A

PI-22 Expenditure arrears

146. This indicator has two dimensions. Dimension 22.1 assesses the level of stock of expenditure arrears and dimension 22.2 examines the framework for monitoring expenditure payments arrears.

Summary scoring table

Indicator/Dimension	Score	Brief justification for score
PI-22 Expenditure arrears	B+	Scoring method M1
PI-22.1 Stock of expenditure arrears	A	As shown in Table 3.21, the stock of expenditure arrears is less than 2% of total expenditure in all three years of assessment.
PI-22.2 Expenditure arrears monitoring	B	BoFED consolidates the stock and composition of expenditure arrears quarterly within four weeks. The ageing analysis is however done annually.

PI-22.1. Stock of expenditure arrears

147. There is no legal definition of expenditure arrears but rather a local concept which acknowledges any outstanding payment more than 30 days as arrears. The system of budget execution in Somali Region is decentralized. The accounts payable and the respective accumulation of arrears are recorded by each budget entity. This information is consolidated and monitored by BoFED quarterly. The expenditure arrears incurred relate to services rendered and goods purchased. The expenditure arrears over the three years of assessment relate to procurement contract on capital projects that have been completed. There are no arrears on salaries or pension payments. As shown in Table 3.21, the stock of expenditure arrears is less than 2 percent of total expenditure in all three years of assessment.

148. Generally, the timely payment of obligations is well respected and current expenditures are paid from the current approved budget. Nevertheless, a grace period payables' practice exists and is applied mostly for unpaid procurement expenditure for capital Sustainable Development Goal (SDG)

projects (account 5001 in the CoA). Thus, unpaid payment certificates/claims (usually received close to the year-end) mostly related to procurement of capital projects are accrued as grace period payables. This practice has been sustained for a long time.

Table 3.21: Analysis of stock of expenditure arrears

	EFY 2008 (2015/2016)	EFY 2009 (2016/2017)	EFY 2010 (2017/2018)
Total expenditure (ETB, thousands)	8,537,913	11,124,649	14,775,032
Stock of arrears: Expenditure not paid at the end of the budget year EFY June 30 (fiscal year ends on 7th July 7) excluding retentions (ETB, thousands)	133,415	150,213	170,148
% of stock of arrears to total expenditure	1.56	1.35	1.15

Source: BoFED Accounts Directorate.

Dimension score: A

PI-22.2. Expenditure arrears monitoring

149. Every quarter within a month, BIs generate and report their stock and composition of expenditure arrears to BoFED. The BIs register expenditure arrears on a form known as 'Current Liabilities Analysis Form'. The quarterly report, however, does not include an ageing analysis. BoFED consolidates the stock and composition of expenditure arrears quarterly within four weeks. Ageing analysis is done annually at the end of the fiscal year.

Dimension score: B

PI-23 Payroll controls

150. The indicator of payroll control is concerned with how the payroll is managed, how changes to the payroll are controlled with responsibility, and how the personnel records are aligned to the payroll to promote predictability of the available resources when requested. The indicator contains four dimensions. Dimension 23.1 assesses the effectiveness of payroll control, dimension 23.2 examines the integration of payroll and personnel records, dimension 23.3 assesses the management of payroll changes, and dimension 23.4 assesses the extent of payroll audits.

Summary scoring table

Indicator/Dimension	Score	Brief justification for score
PI-23 Payroll controls	C+	Scoring method M1
PI-23.1 Integration of payroll and personnel records	B	The majority of the regional government institutions use payroll software, with others using Microsoft Excel to process payroll. There is no direct link between the personnel (human resources [HR]) records and the payroll database. The payroll is fully supported by personnel files and timesheets, checked against the previous month's payroll data.
PI-23.2 Management of payroll changes	A	All staff changes such as hiring, termination, and promotion are managed by the HR Directorate and the database is immediately updated with copies of correspondences to the Finance Directorate for payroll updates. Changes are captured within the month they occurred and retroactive adjustments are rare; adjustments represent 0.34% of total payroll expenditure.
PI-23.3 Internal control of payroll	C	Sufficient controls are in place to support the integrity of payroll data. However, with reference to PI-23.4, the incidence of 'ghost' workers identified during the payroll audit raises doubts about the adequacy of payroll controls.

Indicator/Dimension	Score	Brief justification for score
PI-23.4 Payroll audit	B	A comprehensive payroll audit was conducted for the period July 2016 to June 2018 with the final report issued in July 2019 by the Inspection Directorate of BoFED. This was the first comprehensive payroll audit.

Background

151. The SRG Civil Service Bureau is responsible for setting and developing organizational structures of the regional government institutions. It sets job standards, positions, compensation, and pay schemes. Only approved organizational structures and positions are filled by personnel. The SRG Civil Service Bureau is also responsible for the recruitment of administration staff for public bodies. That said, public bodies recruit technical staff based on approved job positions. Each public body has a human resource and finance unit. Human resource units are responsible for maintenance of personnel records and issuing of basic employment documents including employment letter, transfer, promotion, termination, change in salary, and attendance sheets. The finance unit is copied in writing on changes in personnel records. Staff recruitment requests should get a prior approval of budget clearance. Hence, there is no payroll prepared for personnel not supported by an approved budget. Payroll procedures are generally similar between public bodies with few exceptions in the use of payroll software. Hence, information on personnel and payroll control was collected from sample public bodies which includes Bureau of Education, Bureau of Health, Bureau of Agriculture, BoT, BoFED, Bureau of Water, ORAG, and the SRRA.

PI-23.1 Integration of payroll and personnel records

152. The majority of the regional government institutions use a bespoke payroll software, with others using Microsoft Excel to process payroll. The region uses a decentralized personnel and payroll system in which each SNG institution is responsible for managing its own personnel and payroll. The staff structure, grading, and salary scale are approved by the Somali Civil Service Bureau; however, hiring of staff based on the approved posts is the responsibility of each entity. There is no direct link between the personnel (HR) records and the payroll database. Personnel database is maintained by the HR Directorate of each entity. The Finance Directorate of each entity prepares monthly payrolls based on monthly updated personnel data received from the HR Directorate; this is also checked against the previous month's data. Each employee signs daily attendance sheet (for those institutions using manual staff attendance sheets) or biometric attendance checked by the head of the department and submitted to the HR Directorate for vetting and approval before the payroll is prepared. Based on this information, the Finance Directorate prepares the payroll and processes the payments through direct bank transfers. Therefore, the personnel records provide full supporting evidence for all changes to the payroll.

Dimension score: B

PI-23.2 Management of payroll changes

153. All payroll changes (new recruitment and promotion) are updated within the same month provided those changes are triggered and approved before the 15th of the month. Terminations are updated the same day that the termination letter is issued. New employees recruited after the 15th of the month will be included in the payroll database of the following month. As indicated under PI-23.1, the HR Directorate is responsible for updating the personnel software. The government institutions using Excel update the record within a week from the date they receive the letters from HR, which is often issued on the same day. Some of the government institutions use manual staff attendance sheet, and others use biometric attendance system. There is no practice of cutting salary for absenteeism. Instead, the HR Directorate issues a written reprimand to employees for

absenteeism. Staff appointments are terminated following the issuance of the third warning letter for absenteeism. Retroactive adjustments are rare. Based on the audit report of the Inspection Directorate, retroactive adjustment was ETB 13.4 million, representing about 0.34 percent of the total personnel expenditure in October 2019.

Dimension score: A

PI-23.3 Internal control of payroll

154. There is segregation of duties between request for vacant position for employment, review of employment request for budget clearance, approval of employment, issuing of letters for employment, payroll preparation, review of payroll, approval of monthly payroll, and transferring of salary to the employees account based on approved payroll. As part of the routine financial audit, the internal audit unit reviews all payroll for correctness against HR documents. The payroll software is password protected, with only authorized personnel having access to it. The payroll software does not have audit trail feature. Sufficient controls are in place to support the integrity of payroll data. However, with reference to PI-23.4, the incidence of ‘ghost’ workers identified during the payroll audit raises doubts about the adequacy of payroll controls.

Dimension score: C

PI-23.4 Payroll audit

155. A comprehensive payroll audit was conducted for the period from July 2016 to June 2018 with the final report issued in July 2019 by the Inspection Directorate of BoFED. This was the first comprehensive payroll audit. A total of 59 government entities were audited. The audit report indicated that ETB 13,420,170 has been paid to 242 ‘ghost’ employees. In addition to the comprehensive payroll audit, each internal audit unit of government institution conducts payroll audit as part of regular financial audit; ORAG also conducts annual payroll audits as part of financial audit.

Dimension score: B

PI-24 Procurement

156. This indicator focuses on the management of procurement expenditure and promotes predictably of resource availability. The indicator has four dimensions that focus on procurement monitoring; transparency, openness, and competitiveness of procurement methods applied; public access to procurement information; and the management of procurement complaints and redress arrangements.

Summary scoring table

Indicator/Dimension	Score	Brief justification for score
PI-24 Procurement	B	Scoring method M2
PI-24.1 Procurement monitoring	A	The procurement function is decentralized at sector bureaus and public body levels. The Public Procurement and Assets Disposal Department (PPADD) of BoFED collects, monitors, and audits annually the procurement data provided by all regional bureaus. Procurement record is maintained at all government institutions for all procurement methods. Data are reported to BoFED and consolidated in an annual report. Data are accurate and complete.
PI-24.2 Procurement methods	A	The value of contracts awarded through competitive procurement method is at least 87% for all regional government institutions.

Indicator/Dimension	Score	Brief justification for score
PI-24.3 Public access to procurement information	C	Three of the key procurement information elements are complete and made available to the public.
PI-24.4 Procurement complaints management	D	The procurement complaint system does not meet elements (i) and (v) but meets four others.

PI-24.1 Procurement monitoring

157. The main legal framework that regulates public procurement in Somali Region is the Somali Regional State Public Procurement and Property Administration Proclamation No. 82/2002 EC. In addition to this, there is a subsidiary legislation known as the Public Procurement Directive No. 01/2002 EC. Additionally, the Federal Procurement Manual, as well as the GOFAMM, is applicable.

158. The procurement function is largely decentralized at sector bureau and public body levels. The PPADD within BoFED is responsible for monitoring and regulating public procurement, in addition to providing technical support. It conducts annual audit of all procurement data provided by the regional bureaus and public bodies.

159. For assessing the procurement practice, five sector bureaus were visited: (a) Education Bureau, (b) Agriculture Bureau, (c) Water Bureau, (d) Road Authority, and (e) Health Bureau. They represent the key industry sectors in Somali with 70.6 percent share. They all keep a regular Excel sheet registers covering the following information items: (a) category (goods, services, works); (b) contract number; (c) contract description; (d) procurement method; (e) supplier name; (f) contract amount in ETB; (g) data of contract signing; (h) contract duration; and (i) status of completion.

160. The register is a standard form prepared by the PPADD at BoFED and it is maintained by all visited sector bureaus. Based on the annual sector bureau procurement register, the PPADD compiles an annual procurement register covering 14 central government budgetary institutions. In addition to the sector bureaus, the annual 2010 register covers also the Parliament and the Revenue Authority. The PPADD collects annually from all sector bureaus: the procurement plans and the contract registers for monitoring and consolidation.

161. In summary, each SNG entity maintains a contract register and submits the contract register containing procurement information on method of procurement, supplier, and contract sum and other procurement details to the PPADD every year for consolidation into an Annual Procurement Activity Report. The data used for the Annual Procurement Activity Report are accurate and complete for all procurement methods as verified by the PPADD.

Dimension score: A

PI-24.2 Procurement methods

162. The default method of procurement of the regional government is open competitive bidding. Other procurement methods are (a) restricted tendering, (b) two-stage bidding, (c) request for proposal, (d) request for quotation, and (e) direct contracting. The procurement operation is decentralized at the public body level. The reports prepared by the PPADD provide procurement information of all regional government institutions. According to the report prepared by PPADD, the share of competitive bidding in EFY 2010 (2017/2018) by all government institutions was 87.36 percent, as shown in Table 3.22.

163. The Chamber of Commerce however expressed its disappointment over the increase and continuous use of the direct contracting procurement method mainly to favor quasigovernment institutions as well as for cases of emergency, specialization, and/or for absence of multiple suppliers.

Table 3.22: Procurement methods for EFY 2010 (2017/2018)

Type of procurement	Amount (ETB)	%
1. Open bidding (competitive)	2,039,760,348	87.36
2. Two-stage bidding (competitive)	0	0.00
3. Restricted tendering	4,731,200	0.20
4. Request for proposal (competitive)	0	0.00
5. Request for quotation	825,500	0.04
6. Direct procurement	289,698,879	12.41
Total procurement	2,335,015,927	100.00

Dimension score: A

PI-24.3 Public access to procurement information

164. This dimension reviews the level of public access to complete, reliable, and timely procurement information. Table 3.23 shows the requirements or elements for public access and whether these are met. Three key procurement information elements are made available to the public. Annual procurement plans are prepared by the public bodies but are not accessible to the public.

165. The assessment of this dimension has been made considering the specific local cultural environment. Somali Region is a pastoral society where information is mostly transmitted by auditory means (from person to person, more by radio than TV even though TV is also used) and rarely in writing and on the Internet. The latter is not widely used and connectivity is generally very limited.

Table 3.23: Public access to procurement information

No.	Element/Requirements	Met (Yes/No)	Evidence used/Comments
1.	Legal and regulatory framework for procurement	Yes	The Public Procurement and Property Administration Proclamation No. 179/2011 and the regulation, the manuals, and guidance are available on the BoFED website: https://srbofed.gov.et/ .
2.	Government procurement plan	No	All visited public bodies prepared annual procurement plans. They are neither consolidated at BoFED nor shared with the public.
3.	Bidding opportunities	Yes	The open tender bidding opportunities are posted on the noticeboards of the respective regional bureau and all bidding opportunities are advertised in the national newspaper called 'Ethiopian Herald' which has a wider national coverage and on the regional TV channel. However, the Chamber of Commerce claims that this newspaper can be found only in the capital Addis Ababa and not in Jigjiga, the capital of Somali Region.
4.	Contract awards (purpose, contractor, and value)	Yes	Contract awards are posted at the respective government entities' noticeboards as well as public noticeboards placed at vantage points. In addition, the award is communicated in writing to the participating bidders.
5.	Data on resolution of procurement complaints	No	Data on resolution of procurement complaints are not published. Only the entity that filed the complaint would receive the resolution in writing. There is no practice of sharing the complaints resolutions with the public.
6.	Annual procurement statistics	No	An Annual Public Procurement Activity Report is prepared by BoFED, but it is not accessible to the public.

Dimension score: C

PI-24.4 Procurement complaints management

166. According to Article 66 of the Public Procurement Proclamation No. 82/2002 EC (2010), bidders must file their complaint to the head of the procuring entity within five days from the notification of bid evaluation results. By law, the head of the procuring entity shall respond within 10 days. If the bidders did not receive a response or are not satisfied with the decision, they can lodge their complaint to the Public Procurement Complaints Board. If the decision is not issued within 15 days or is not found to be satisfactory by the bidder, the next and last resort is the general court system. The procuring entity shall suspend the procurement process until the complaint is resolved. The number of complaints received in 2017/2018 is eight; four were resolved and four were rejected.

167. The Public Procurement Complaints Board consists of five members with a three-year two-term mandate; the members are as follows: two from BoFED, one from Chamber of Commerce, one from public enterprise, one from a sector bureau. As illustrated in Table 3.24, elements (i) and 9) are not met.

Table 3.24: Elements of procurement complaints framework

Elements/Requirements	Met (Yes/No)	Evidence used/ Comments
Complaints are reviewed by a body which		
(i) Is not involved in any capacity in procurement transactions or in the process leading to contract award decisions	No	The complaints body is not independent as majority of its members are directly or indirectly involved in procurement. Three out of five members are directly involved in the process leading to contract award. The membership of the body includes <ul style="list-style-type: none"> • BoFED (Chairperson); • Chamber of Commerce (member); • Budgeted entity (member); • BoFED Public Procurement and Asset Disposal Department (member); and • Public enterprise or public body (member).
(ii) Does not charge fees that prohibit access by concerned parties.	Yes	Bidders are not required to pay service fee to lodge their complaints.
(iii) Follows processes for submission and resolution of complaints that are clearly defined and publicly available	Yes	The process is clearly defined in the procurement proclamation (Article 66).
(iv) Exercises the authority to suspend the procurement process	Yes	The proclamation indicates that the procurement process shall be suspended until a resolution is reached.
(v) Issues decisions within the time frame specified in the rules/regulations and publicly available	No	Most of the visited procuring entities indicated that decisions are made within the time frame. However, the decisions are communicated only to the complaining bidder and are not publicly available.
(vi) Issues decisions that are binding on every party (without) precluding subsequent access to an external higher authority	Yes	The decisions are binding to every party. Parties also have the right to proceed to the legal courts.

Dimension score: D

PI-25 Internal controls on non-salary expenditure

168. This indicator measures the effectiveness of general internal controls for non-salary expenditures. Specific expenditure controls on public service salaries are considered in PI-23. The indicator assesses segregation of duties, the effectiveness of expenditure commitment controls, and compliance with payment rules and procedures. The assessment of this indicator covers SNG institutions.

Summary scoring table

Indicator/Dimension	Score	Brief justification for score
PI-25 Internal controls on non-salary expenditure	B	Scoring method M2
PI-25.1 Segregation of duties	A	Each public body of the regional government has a clear organizational structure and the functions of each employees are clearly segregated. The various PFM directives provide clear segregation of duties for disbursement, acquisition, use, and disposal of other resources, recording, reconciliation, review and authorization on resources, and payment of expenditure.
PI-25.2 Effectiveness of expenditure commitment controls	C	IBEX has a commitment control feature, but this is not used; instead, public bodies use Microsoft Excel to control commitment, which is partially effective.
PI-25.3 Compliance with payment rules and procedures	B	Internal control rules and procedures on payment are generally respected for majority of the payments. Most of the exceptions are properly authorized and justified. According to ORAG, findings (noncompliance) represent 4.4% of total government expenditure.

PI-25.1 Segregation of duties

169. The internal control procedures of the SRG are guided by the Financial Administration Proclamation (110/2012) and Regulations (11/2012). The procurement and property administration proclamation and the corresponding manuals guide the internal control procedures in procurement and property administration (82/2010). The following directives also guide the detailed procedures on cash management, inventory, property, accounting and reporting, internal control, financial accountability, and transfers. The directives are adapted and translated into Somali language from the Federal Government of Ethiopia directives issued by the MoF.

- Procurement Manual (2011)
- Procurement Directive (2010)
- The following were compiled in one booklet in July 2011:
 - Prices for Goods and Services (2/2004)
 - Property Administration Manual (9/2004)
 - Government Fixed Asset Manual (2011)
 - Stock Management Manual (2011)
 - Financial Administration Directive (2/2004)
 - Cash Disbursement Manual (3/2004)
 - Accounting Procedure (5/2004)
 - Financial Accountability (6/2004)

- Internal Audit Guidelines (7/2004) and Internal Audit Manual
- Guideline for Guarantor for Employment (11/2004)
- Transfer between public bodies directive (10/2004)

170. The financial administration proclamation has been revised and is awaiting the approval of the regional council. The new changes shall provide a mandate to BoFED to oversee internal audit functions. Each public body of the regional government has a clear organizational structure and the functions of each employees are clearly segregated. The various PFM directives described above provide clear guidance on the segregation of duties for disbursement, acquisition, use, and disposal of other resources, recording, reconciliation, review, and authorization on resources and payment of expenditure.

Dimension score: A

PI-25.2 Effectiveness of expenditure commitment controls

171. Following the submission of the annual cash flow plan, public bodies are allowed to commit for six months based on their approved budget. Public bodies also submit a revised (updated) cash flow forecast to BoFED based on actual cash inflows and outflows. BoFED makes monthly cash releases for payment of expenditure. IBEX has a commitment control feature, but this is not used; instead, public bodies use Microsoft Excel to control commitment, which is partially effective. The half-year budget (based on the cash flow) is entered into IBEX at the beginning of the fiscal year and at the beginning of the second half of the fiscal year.

Dimension score: C

PI-25.3 Compliance with payment rules and procedures

172. Based on assessment of internal audit reports and discussions held with internal auditors, common internal control irregularities in connection with payment are (a) incorrectly completed travel advance request forms, (b) payments which are not supported by signature of authorizing person, (c) improper use of petty cash and payment in cash instead of cheque, (d) not settling/acquitting receivables timely, and (e) some payments which may not be supported by appropriate invoices and payments made to people who are not on duty or left the organization. Despite these limitations, internal control rules and procedures on payment are generally respected for majority of the payments. Most of the exceptions are properly authorized and justified. According to the audit reports of ORAG, major audit findings represent about 4.4 percent of the total expenditure (EFY 2017/2018) as shown in Table 3.25.

Table 3.25: Major audit findings by ORAG

Audit Findings	Amount (ETB, millions)
Cash shortages	0.16
Difference between records and cash count	0.03
Long outstanding receivables	107.00
uncollected tax revenue	13.00
Uncollected tax arrears	60.00
Unreported revenue	47.00
Disbursement without sufficient supporting documents	39.00
Spending overriding rules and procedures	0.82
Over payment	0.01
Procurement without competitive bidding while it should have been as per rules and regulations	24.60

Audit Findings	Amount (ETB, millions)
Purchases not evidenced by goods receiving reports	36.00
Advance payments recorded as expenditure	89.00
Expenditure recorded as expense without supporting evidence	13.00
Construction expenditures paid with approval of 'consultants' without a consulting license	22.00
Unrecorded expenditures	0.75
Long outstanding payables	196.00
Overspending from the approved budget limit without prior approval for budget transfer in accordance with the rules and regulations	0.38
Total findings by value	648.75
Total government expenditure EFY 2017/2018	14,775.03
% findings	4.40

Dimension score: B

PI-26 Internal audit

173. International good practice in PFM looks for the operation of internal audit as a service to management, with the function to identify ways of correcting and improving systems, to improve the efficiency, economy, and effectiveness of the delivery of public services. This indicator assesses the standards and procedures applied in internal audit and contains four dimensions dealing with the coverage of internal audit, the nature of audits and standards applied, implementation of internal audit plans, and the response to internal audit reports.

174. The assessment of this indicator covers SNG BIs and EBUs.

Summary scoring table

Indicator/Dimension	Score	Brief justification for score
PI-26 Internal audit	C+	Scoring method M1
PI-26.1 Coverage of internal audit	A	Except the Somali Bilateral Office and the Grievance Handling Commission (two public bodies of the regional government) that do not have internal audit units, all the remaining public bodies have functional internal audit units. The two public bodies which do not have internal audit units constitute 0.06% of the total revenue and expenditure of the regional government.
PI-26.2 Nature of audits and standards applied	C	The internal audit largely focuses on financial compliance audit with limited coverage on systemic audit.
PI-26.3 Implementation of internal audits and reporting	A	Out of a total of 582 audits planned by 48 regional government public bodies, 574 (98.6%) were implemented in 2017/2018 (EFY 2010). The accomplishment in terms of annual budget stood at 96.7%.
PI-26.4 Response to internal audits	A	According to the consolidated report of the Inspection Directorate of BoFED, all the internal audit units reported a total of 479 audit findings and the management of the audited entities responded to all of them within three to six months of the issuance of the quarterly audit reports.

PI-26.1 Coverage of internal audit

175. According to Article 5 of the SRG's Financial Administration Proclamation of 2009, BoFED is mandated to oversee the internal audit functions of public bodies, develop appropriate standards of work, develop internal control standards, and assist in building the capacity of internal auditors. The Inspection and Financial Control Directorate (IFCD) is responsible for discharging these duties. SRG has

201 internal auditors working in 48 public bodies and 93 woredas. Internal audit unit heads are accountable to the head of their respective bureaus and to the IFCD.

176. Except the Somali Bilateral Office and the Grievance Handling Commission (two public bodies of the regional government) that do not have internal audit units, all the remaining public bodies have functional internal audit units. The two public bodies which do not have internal audit units constitute 0.06 percent of the total revenue and expenditure of the regional government. Each internal audit unit has one to three internal auditors depending on its budget size.

Dimension score: A

PI-26.2 Nature of audits and standards applied

177. The internal audit function is guided by the internal audit manual issued by the MoF in GC 2004. An internal audit training module which was issued by the MoF in GC 2005 is also used by internal audit units. The training module was translated into Somali language by the IFCD of BoFED in January GC 2012. The internal audit unit prepares an annual audit plan, audit programs, and reports and conducts exit interview with the management before issuing audit reports. Internal audit units also follow up the implementation of internal audit recommendations. Annual internal audit plans and actual audit works are not supported by a comprehensive risk assessment. The internal audit largely focuses on financial compliance audit with limited coverage on systemic audit. The IFCD conducted a comprehensive payroll audit (PI-23) and issued a report dated July 2019. It provides training to internal auditors, and in GC 2018, it trained 110 internal auditors in two sessions across regional government entities.

Dimension score: C

PI-26.3 Implementation of internal audit and reporting

178. Internal audit units prepare annual audit programs. All internal audit units are required to submit four quarterly audit reports. Internal audit units submit their quarterly reports between 40 and 45 days from the end of each quarter. All of the internal audit units submitted four reports for EFY 2010 (2017/2018). Each quarterly report contains the programmed audits accomplished for the quarter. Of a total of 582 audits planned by 48 regional government public bodies, 574 (98.6 percent) were implemented in 2017/2018 (EFY 2010). The accomplishment in terms of annual budget stood at 96.7 percent. Except the Bureau of Health (70 percent), Road Authority (87 percent), and the Agency for Drug Administration and Control (93 percent), all other audit units accomplished 100 percent.

Dimension score: A

PI-26.4 Response to internal audits.

179. According to the consolidated report of the IFCD of BoFED, all the internal audit units reported a total of 479 audit findings and the management of the audited entities responded to all of them within three to six months of the issuance of the quarterly audit reports. The PEFA team visited and reviewed audit reports findings plus recommendations and management responses of the Bureaus of Water, Education, Health, Agriculture, Revenue, and Transport; it was evidenced that management provided official responses to all audit recommendations.

Dimension score: A

PILLAR VI. Accounting and reporting

PI-27 Financial data integrity

180. This indicator assesses the extent to which treasury bank accounts, suspense accounts, and advance accounts are regularly reconciled and how the processes in place support the integrity of financial data. It contains four dimensions. Dimension 27.1 assesses the extent and frequency of bank reconciliations for the central government accounts, dimension 27.2 examines reconciliation of suspense accounts, dimension 27.3 measures the frequency of reconciling advance accounts, and dimension 27.4 measures the financial data integrity processes.

Summary scoring table

Indicator/Dimension	Score	Brief justification for score
PI-27 Financial data integrity	C+	Scoring method M2
PI-27.1 Bank account reconciliations	B	All regional government public bodies reconcile bank accounts monthly within 10 days from the end of each month. Public bodies submit monthly bank reconciliation reports to the BoFED treasury within 14 days from the end of each month together with monthly financial reports.
PI-27.2 Suspense accounts	C	Suspense account balances are reconciled annually within two months from the end of the year with no addition to the existing balance of ETB 54 million—a long-standing balance duly justified.
PI-27.3 Advance accounts	C	Advance accounts are reconciled annually, within two months from the end of each year, but there are still significant outstanding balances.
PI-27.4 Financial data integrity process	B	Each user has a password and can change it as required, but not through an automatic system prompt. Users have limited access to their area of usage of the software. IBEX logs off if the user's computer is idle for more than 10 minutes. IBEX also results in audit trails, but there is no operational body responsible for verifying financial data integrity.

PI-27.1 Bank account reconciliations

181. Bank accounts are classified as zero balance account (Z accounts), revenue accounts (referred as B accounts), treasury accounts (C accounts), and donor-funded projects accounts. There are 187 (Z and C) bank accounts and 55 donor accounts in the region. Each public body has at least two bank accounts including Z and B accounts. All regional government public bodies reconcile bank accounts monthly within 10 days from the end of each month. Public bodies submit monthly bank reconciliation reports to the BoFED treasury within 14 days from the end of each month together with monthly financial reports.

Dimension score: B

PI-27.2 Suspense accounts

182. Suspense account (CoA code 4201) has a balance of ETB 63 million, ETB 60 million, and ETB 54 million as of the end of FY2015/2016, FY2016/2017, and FY2017/2018, respectively. The suspense balances are attributed to long outstanding balances. The use of this account has been discontinued since EC 2008 (2015/2016). From EC 2008, suspense account balances are reconciled annually within two months from the end of the year with no additions to the existing outstanding balances. BoFED submitted a request to the cabinet and the regional council for write-off of the long outstanding balances in the suspense account (duly justified) as they are unlikely to be collected; the request is yet to be granted.

Dimension score: C

PI-27.3 Advance accounts

183. Advance accounts include staff salary advances, staff purchase advances, advances to contractors and suppliers, and advances within government institutions. Public bodies prepare a summary of receivable balances by the end of each fiscal year over the assessment period, but there is no ageing report on receivables. Advance accounts are reconciled annually, within two months from the end of each year, but there are still significant outstanding balances. For instance, the Bureau of Education had an outstanding balance of ETB 49 million at the end of FY2017/2018, and the Bureau of Health had an outstanding balance of ETB 29 million at the end of FY2017/2018.

Dimension score: C

PI-27.4 Financial data integrity process

184. IBEX is used to produce finance reports. All regional government budgeted public bodies are connected to the BoFED IBEX database through a network platform called Woredanet. Of the 93 woredas, 23 are also connected to the BoFED database. Other woredas are using a stand-alone IBEX. Those using a stand-alone IBEX send their monthly transaction generated from IBEX by email to BoFED where the data are appended to BoFED database. Each user has a password and can change it as required but not through an automatic system prompt. Users have access to the software as per their area of responsibility. . IBEX logs off if the user's computer is idle for more than 10 minutes. IBEX also results in audit trails, but there is no operational body responsible for verifying financial data integrity.

Dimension score: B

PI-28 In-year budget reports

185. This indicator assesses the comprehensiveness, accuracy, and timeliness of information on budget execution. In-year budget reports must be consistent with the budget coverage and classification to allow monitoring of budget performance and, if necessary, timely use of corrective measures. It contains three dimensions. Dimension 28.1 assesses coverage and compatibility of reports, dimension 28.2 timing of in-year budget reports, and 28.3 accuracy of in-year budget reports.

Summary scoring table

Indicator/Dimension	Score	Brief justification for score
PI-28 In-year budget reports	C+	Scoring method M1
PI-28.1 Coverage and compatibility of reports	A	The in-year budget execution reports include revenue and expenditure according to type; they allow direct comparison between approved budget estimates and actual expenditure by detailed economic and administrative classification (for both recurrent and capital expenditure) and source of funds; the reports also show transfers to zones and woredas.
PI-28.2 Timing of in-year budget reports	B	Quarterly budget execution reports are prepared and issued to the executives within four weeks from the end of each quarter.
PI-28.3 Accuracy of in-year budget reports	C	Despite the concerns on data accuracy, the in-year financial reports provide useful analysis on budget execution. Expenditure is captured at the payment stage only though IBEX has the functionality of capturing and reporting expenditure at both payment and commitment stages.

PI-28.1 Coverage and compatibility of reports

186. Each budgeted public body of the regional government and woredas generate financial reports from IBEX on a monthly basis. The budget execution reports allow direct comparison to the original budget. The monthly report includes details of budget and actual revenue and expenditures by public bodies in accordance with original budget classifications as well as transfer made to deconcentrated units (zones¹²) within the regional government. The in-year financial report also contains trial balances, bank reconciliation report (PI-27.1), and ageing reports for payables and receivables. The quarterly consolidated reports (prepared by BoFED) also show the same classifications (by detailed economic and administrative classifications for both recurrent and capital expenditure and source of funds) as the monthly reports prepared and submitted by budgeted institutions and are directly comparable with the original approved budget.

187. Donor-funded projects are reported by implementing sector bureaus to BoFED and are then consolidated quarterly. The content and format of donor-funded project financial reports are as agreed with donors. Donor reports also contain comparison of budgeted expenditure and transfer against actual.

Dimension score: A

PI-28.2 Timing of in-year budget reports

188. As all regional government budgeted sector bureaus are interconnected with IBEX, budget execution reports are available as processed at each public body. BoFED, after checking of the accounts for completeness, reconciliation of transfers, and clearing of odd balances, prepares quarterly reports. These quarterly budget execution reports are prepared and issued to the executives within four weeks from the end of each quarter.

Dimension score: B

¹² Zones are branches of the regional government; therefore, the zone education office is a branch office (deconcentrated unit) of the regional Education Bureau.

PI-28.3 Accuracy of in-year budget reports

189. BoFED often does the reconciliation with public bodies to ensure data consistency including clearing of odd balances, cash transfers to woredas, bank balance, and cash balance before issuing quarterly reports. ORAG indicated that unreconciled differences between consolidated report and public bodies' report, the delay in settlement of advances and payables, and insufficient information on ageing of receivables are concerns regarding the quality of in-year financial reports.¹³ The delay in submission of reports by a few public bodies may also affect the completeness of consolidated in-year reports. Despite the concerns on data accuracy, the in-year financial reports provide useful analysis on budget execution. Expenditure is captured at the payment stage only though IBEX has the functionality of capturing and reporting expenditure both at payment and commitment stages.

Dimension score: C

PI-29 Annual financial reports

190. This indicator assesses the extent to which annual financial statements are complete, timely, and consistent with generally accepted accounting principles and standards. This is critical for accountability and transparency in the PFM system. It contains three dimensions. Dimension 29.1 discusses completeness of annual financial reports, dimension 29.2 examines submissions of reports for external audit, and dimension 29.3 assesses the accounting standards used to prepare financial statements.

Summary scoring table

Indicator/Dimension	Score	Brief justification for score
PI-29 Annual financial reports	C+	Scoring method M1
PI-29.1 Completeness of annual financial reports	C	The reports contain the budgeted amounts compared with actual outturns for both revenues and expenditures. They also contain some financial assets such as cash and bank balances, advances, and receivables. However, the reports do not include tangible assets (fixed assets), guarantees, contingent liabilities, and other financial assets such as shares and investments in SoEs.
PI-29.2 Submissions of reports for external audit	A	As indicated in Table 3.27, the consolidated annual statements were submitted to ORAG within three months of the end of the fiscal years in all three years of assessment.
PI-29.3 Accounting standards	C	The financial reports are prepared based on the modified cash basis of accounting and on a historical cost convention. These are in line with the Ethiopian Federal Government Accounting Standards and the regional government financial administration proclamation and were consistently used in all three fiscal years of assessment.

PI-29.1 Completeness of annual financial reports

191. Financial reports (over the last three years 2015/2016 to 2017/2018) of the budgetary SNG are prepared annually and are comparable with approved budget. As shown in Table 3.26, the reports contain information on revenue, expenditure, receivables (including advances), some liabilities, and assets. The reports also contain reconciled cash flow statement. However, the reports do not contain information on tangible assets, other financial instruments such as investment in public enterprises, contingent liabilities, and any long-term obligations.

¹³ ORAG report on the Audit of Consolidated Fund -EFY 2010, 2009 and 2008

Table 3.26: Information contained in annual financial statement

Financial Report	Content of annual financial report (Yes/No)			Reconciled cash flow statement (Yes/No)
	Expenditures and revenues by economic classification	Financial and nonfinancial assets and liabilities	Guarantees and long-term obligations	
EFY 2008 (2015/2016)	Yes	Financial assets (only cash) are available. Nonfinancial assets are not available.	No	Yes
EFY 2009 (2016/2017)	Yes	Financial assets (only cash) are available. Nonfinancial assets are not available.	No	Yes
EFY 2010 (2017/2018)	Yes	Financial assets (only cash) are available. Nonfinancial assets are not available	No	Yes

Dimension score: C

PI-29.2 Submissions of reports for external audit

192. As indicated in Table 3.27, the consolidated annual statements were submitted to ORAG within three months of the end of the fiscal years in all three years 2015/2016, 2016/2017, and 2017/2018.

Table 3.27: Timeliness of submission of annual financial statements by BoFED to ORAG

	EFY 2008 (2015/2016)	EFY 2009 (2016/2017)	EFY 2010 (2017/2018)
Deadline for submission (3 months from the end of each fiscal year)	October 10, 2016	October 10, 2017	October 10, 2018
Annual financial statement received by ORAG	September 23, 2016	September 27, 2017	October 8, 2018
Timespan from the end of the fiscal year	Timely 2 months and 13 days	Timely 2 months and 17 days	Timely 3 months

Sources: BoFED; confirmed by ORAG.

Dimension score: A

PI-29.3 Accounting standards

193. The financial reports are prepared based on the modified cash basis of accounting and on a historical cost convention; these are in line with the Ethiopian Federal Government Accounting Standards and the regional government financial administration proclamation and have been consistently used for the last three completed fiscal years 2015/2016, 2016/2017, and 2017/2018. The accounting standard in use largely differs from IPSAS in terms of measurement, recognition, presentation, and disclosure of revenue; some of the expenditures; property, plant, and equipment; inventories; financial instruments (including investment in public enterprises); employee benefits and provision; contingent assets; and liabilities. Variations between international and national standards are not disclosed and gaps are not explained, but the reports disclosed the use of the country's accounting standard.

Dimension score: C

PILLAR VII. External scrutiny and audit

PI-30 External audit

194. This indicator assesses the quality of the external audit in terms of the scope and coverage of the audit and adherence to appropriate audit standards (including independence of the external audit institutions). The timeliness of submission of audit reports to the legislature is also important in ensuring timely accountability of the executive to the legislature and the public, as much as it is for a timely follow-up of the external audit recommendations. The assessment covers the central government institutions including all agencies and extra-budgetary funds (where they exist) and focuses on the last the financial years.

Summary scoring table

Indicator/Dimension	Score	Brief justification for score
PI-30 External audit	B+	Scoring method M1
PI-30.1 Audit coverage and standards	A	As shown in Tables 3.28 and 3.29, audit coverage both by number of public bodies and by value is good. Within the last three completed fiscal years, audit coverage by number of regional government institutions was 90.96%, 92.43%, and 90.4% in 2015/2016, 2016/2017, and 2017/2018, respectively. By value, audit coverage was 90.1%, 97.4%, and 90.0% in 2015/2016, 2016/2017, and 2017/2018, respectively. Revenue coverage was 100% for all three years under review. ORAG also conducts fixed assets audit.
PI-30.2 Submission of audit reports to the legislature	A	ORAG submitted the audited consolidated financial statements of the SRG to the regional council within three months for the last three completed fiscal years as shown in Table 3.30.
PI-30.3 External audit follow-up	B	According to ORAG's performance report, more than 80% (but below 90%) of the audited entities completed and submitted a rectification plan within the stipulated time to ORAG for the last three completed fiscal years as shown in Table 3.31.
PI-30.4 Supreme Audit Institution (SAI) independence	A	ORAG operates independently from the executive with respect to procedures for appointment and removal of the Auditor General, the planning of audit engagements, arrangements for publicizing reports, and the approval and execution of ORAG's budget. This independence is assured by law. ORAG has unrestricted and timely access to records, documentation, and information.

PI-30.1 Audit coverage and standards

195. The legal framework for the establishment of the Office of the Auditor General of the SRG (ORAG) is the revised 1994 Constitution (Article 107) and the reestablishment proclamation for ORAG (Proclamation No. 182/2019). The Auditor General of the SRG is accountable to the regional council and mandated to audit the annual accounts of public bodies of the regional government and submit its reports to the regional council. ORAG uses the audit manuals issued by the Office of the Federal Auditor General (OFAG) including the Regulatory Auditor Manual and Performance Audit Manual issued 10 years ago. ORAG received updates from African Organization of English-Speaking Supreme Audit Institutions (AFROSAI-E) annually for new standards. ORAG has 84 auditors. ORAG categorizes audited entities based on their budget size, public interest, and prior period audit findings. It conducts audit based on the International Standards for Supreme Audit Institutions (ISSAI).

196. The focus of ORAG's audits is largely on financial and compliance audit with some systemic issues. As shown in Tables 3.28 and 3.29, audit coverage both by number of public bodies and by value is good. Within the last three completed fiscal years, audit coverage by number of regional

government institutions was 90.96 percent, 92.43 percent, and 90.4 percent in 2015/2016, 2016/2017, and 2017/2018, respectively. By value, audit coverage was 90.1 percent, 97.4 percent, and 90.0 percent in 2015/2016, 2016/2017, and 2017/2018, respectively. Revenue coverage was 100 percent for all three years under review. ORAG also conducts fixed assets audit even though these are not reported in the annual financial statements.

Table 3.28: Audit coverage by number of public bodies

EFY	Planned public bodies	Executed in terms of number of public bodies	Percentage of coverage in terms of number of public bodies
2010	198	179	90.40
2009	185	171	92.43
2008	155	141	90.96

Source: ORAG.

Table 3.29: Audit coverage by value (ETB, millions)

	EFY 2008	EFY 2009	EFY 2010
Total approved expenditure	8,503.44	10,218.99	15,305.43
Audited amount	7,658.61	9,948.77	13,778.11
Coverage (%)	90.10	97.40	90.00

Source: ORAG.

Dimension score: A

PI-30.2 Submission of audit reports to the legislature

197. According to Article 13 (3) of Proclamation No. 182/2019, ORAG must submit the audit report to the regional council within four months from the receipt of the consolidated financial statements from BoFED. ORAG submitted all audited reports of the consolidated financial statements of the SRG to the regional council within three months from the date of receipt from BoFED for the last three completed fiscal years, as shown in Table 3.30.

Table 3.30: Timeliness of submission of audit reports to the regional council

	EFY 2008 (2015/2016)	EFY 2009 (2016/2017)	EFY 2010 (2017/2018)
Date on which ORAG received consolidated financial statement from BoFED	September 27, 2016	October 8 2017	October 8, 2018
Date on which ORAG completed and submitted the audit of the consolidated fund to the regional council	November 30, 2016	December 4, 2017	November 26, 2018
Time span	2 months and 3 days	26 days	1 month and 19 days

Source: ORAG; confirmed by the regional council.

Dimension score: A

PI-30.3 External audit follow-up

198. According to Article 21 (3) of Proclamation No. 182/2019, audited entities should provide a report on action taken based on the recommendation of the Auditor General within 15 days from the date of receipt of the audit report. Available evidence indicates that ORAG follows up on audit recommendations in subsequent audits. Audited entities completed a 'Rectification Plan' which shows the action they took and their plan to execute the outstanding findings. According to ORAG's performance report, more than 80 percent (but below 90 percent) of the audited entities completed

and submitted a rectification plan within the stipulated time to ORAG for the last three completed fiscal years as shown in Table 3.31.

Table 3.31: Number of audited entities responded to audit findings

Year	No. of auditees	No. of auditees submitted action plan	% of auditees submitted action plan
EFY 2010 (2017/2018)	198	174	88
EFY 2009 (2016/2017)	185	159	86
EFY 2008 (2015/2016)	155	127	82

Dimension score: B

30.4 Supreme Audit Institution independence

199. This dimension assesses the independence of the SAI from the executive. Table 3.32 summarizes the independence of ORAG based on the principles set out in ISSAI, as stipulated in the Mexico Declaration on the SAI independence. ORAG operates independently from the executive with regard to procedures for appointment and removal of the Auditor General, planning and audit engagements, arrangement for publication of the audit report, and the approval and execution of its budget as it is assured by law. ORAG has unrestricted and timely access to records, documentations, and information.

Dimension score: A

Table 3.32: Independence of ORAG

Element/Requirements	Met (Yes/No)	Evidence used/ Comments
The existence of an appropriate and effective legal framework and de facto application provisions of this framework	Yes	Article 107 of the revised 1994 Constitution of the SRG provides the legal framework for the establishment of ORAG. Proclamation No. 182/2019 stipulates the scope and mandate of ORAG and responsibilities of the audit entities.
Independence of OFAG head and its members including security of tenure and legal immunity	Yes	The Auditor General is independent of the executive and appointed by the regional council (Constitution 1994 Article 107(1)) with the recommendation of the President of the SRG. According to Proclamation No. 182/2019, the Auditor General is appointed for one term of six years and may be appointed for another term. The Auditor General may be removed from office due to inability to perform his/her duties, incompetency, lack of commitment, involvement in corruption, attainment of retirement age, end of tenure, and a prolonged poor health condition. However, termination is effected only if a committee constituted by the regional council investigates and confirms and the regional council decides based on a majority vote.
Broad mandate and full discretion in delivering the tasks entrusted to the SAI	Yes	The Auditor General is mandated to audit the accounts of all public bodies. The scope of the audit includes the audit of books of accounts, information technology (IT), donations, grants, and loans made to the regional government. ORAG is also mandated to audit or cause

Element/Requirements	Met (Yes/No)	Evidence used/ Comments
		audit of private and public organizations to protect the interest of the government and public interest (Article 6 of Proclamation No. 182/2019).
Unrestricted access to information	Yes	ORAG has unrestricted access to information as stipulated under Article 16 of Proclamation No. 182/2019.
The right and obligation to report its work as well as the freedom to decide the date and timing of audit reports and to publish and disseminate them	Yes	ORAG has both the right and obligation to report its work with freedom to decide the date and timing of its audit as stipulated in the 1994 Constitution and Proclamation No. 182/2019. The Auditor General has the freedom to decide the content and timing of audit reports and to publish and disseminate them. ORAG published audit reports on its website https://srsbag.gov.et/ .
Mechanism to follow up on OFAG recommendation has been implemented	Yes	ORAG collects the rectification plan prepared by the audited entities and follows up on the implementation in its next audit recommendations of the respective audited entities.
Financial and managerial/administrative autonomy and availability of appropriate human, material, and monetary resources	Yes	The Regulation No. 5/2019 on the Administration of Employees of ORAG entitled ORAG to have financial and managerial autonomy. The regulation was issued on February 9, 2019.

PI-31 Legislative scrutiny of audit reports

200. This indicator focuses on legislative scrutiny of the audited financial reports of the central government, including institutional units, to the extent that either they are required by law to submit audit reports to the legislature or their parent or controlling unit must answer questions and take action on their behalf. The assessment of this indicator is based on the audit reports submitted to the legislature within the last three years.

Summary scoring table

Indicator/Dimension	Score	Brief justification for score
PI-31 Legislative scrutiny of audit reports	B	Scoring method M2
PI-31.1 Timing of audit report scrutiny	A	The review of audit report is completed within one month of the receipt of audit report; this has been the case over the last three completed fiscal years 2015/2016, 2016/2017, and 2017/2018.
PI-31.2 Hearings on audit findings	A	PAC hearings, over the last three completed fiscal years, 2015/2016, 2016/2017, and 2017/2018, have been conducted for all regional government entities (in attendance are BoFED and all responsible government officials) with qualified and adverse opinion. The hearings are in-depth and cover all audit reports with qualified and adverse opinion.
PI-31.3 Audit recommendations by the legislature	C	Over the last three completed fiscal years 2015/2016, 2016/2017, and 2017/2018, PAC issued its recommendations after completion of hearings. However, there is no evidence suggesting that PAC tracks the implementation of its recommendations.
PI-31.4 Transparency of legislative scrutiny of audit reports	D	Over the last three completed fiscal years 2015/2016, 2016/2017, and 2017/2018, PAC reports have not been published on the website or through other accessible means. The hearings are however attended by the public and also given some media coverage.

PI-31.1 Timing of audit report scrutiny

201. Article 49 of the 1994 Constitution of the SRG mandates the regional council to establish a PAC to scrutinize all audit reports received from ORAG. As shown in Table 3.33, the consolidated audit reports were reviewed within one month after receipt from ORAG.

Table 3.33: Timeliness of regional council review of audit reports

	EFY 2008 (2015/2016)	EFY 2009 (2016/2017)	EFY 2010 (2017/2018)
Date on which ORAG submitted the audit of the consolidated fund to the regional council	November 30, 2016	December 4, 2017	November 26, 2018
Date on which the PAC scrutinizes the audit report	December 1–3, 2016	December 5–8, 2017	December 6–9, 2018
Time span between receiving and scrutiny of the audit report	1 day	11 days	10 days

Source: Somali regional council.

Dimension score: A

PI-31.2 Hearings on audit findings

202. PAC hearings are in-depth and cover all audit reports with qualified and adverse opinion. Following the review of audit reports of the consolidated annual financial statements, the PAC determines the entities to visit for audit hearings. The hearings include all public bodies of the regional government, zones, and woredas. The PAC splits into five teams and covers the hearing within three months. ORAG assigns an auditor to attend the hearings and provides technical support to the PAC. Over the last three completed fiscal years, 2015/2016, 2016/2017, and 2017/2018, PAC hearings were conducted for all regional government entities (in attendance was BoFED and all responsible government officials) with qualified and adverse opinion.¹⁴

Dimension score: A

PI-31.3 Audit recommendations by the legislature

203. Over the last three completed fiscal years, 2015/2016, 2016/2017, and 2017/2018, the PAC issued its recommendations after completion of hearings. However, there is no evidence suggesting that the PAC tracks the implementation of its recommendations. Nevertheless, ORAG audit reports include the status of previous audit findings.

Dimension score: C

PI-31.4. Transparency of legislative scrutiny of audit reports

204. The head of the audited entities, representatives of mass organization (youth and women forums), and elders attend the hearing. The SRG mass media also broadcast some of the hearings. The PAC submits its report to the full chamber after completion of the hearings. The PAC reports have not been published or made available to the public in any other accessible means. This was the practice over the last three completed fiscal years, 2015/2016, 2016/2017, and 2017/2018.

Dimension score: D

¹⁴ 133, 166, and 168 entities were received qualified audit opinion on the audit of EFY 2008, 2009, and 2010, respectively.

4. Conclusions of the analysis of PFM systems

4.1 Integrated assessment of PFM performance

Budget reliability

205. General purpose grants as well as earmarked grants from the federal government were reliable from 2015/2016 to 2017/2018. The actual disbursement schedules were equally good, allowing a consistent inflow of funds from the federal government to the regional government to carry out its policies and programs (HLG-1 'B+'). Likewise, the aggregate regional government expenditure outturns showed impressive results where deviations were not more than 5 percent in 2015/2016 and 2017/2018 but at 8.9 percent higher than the originally approved budget in 2016/2017 (PI-1 'A'). The results of HGL-1 and PI-1 indicate some level of budget reliability which has a positive impact on the predictability and control in budget execution. However, budget reallocations, especially referencing the administrative expenditure category (PI-2.1 'D'), coupled with the use of contingency vote at 7.4 percent, appear to reflect some level of budget credibility issues. Revenue budgeting was not left out either (PI-3 'D'); aggregate revenue collections have consistently not met the targets, in addition to high revenue composition variance (average for the three fiscal years being above 15 percent). The poor performance in revenue outturns places considerable limitation in the overall reliability of the budget with a negative consequence on the predictability of resources for service delivery.

Transparency of public finances

206. The assessment indicates that both budget classification and comprehensiveness are satisfactory, pointing to adherence to budget transparency. The results show that budget formulation, execution, and reporting are based on administrative, economic, and functional classification, compliant with GFS standards (PI-4 'B'). Furthermore, information included in the budget documentation meets five out of nine applicable elements of international standards; some of the elements not met include (a) summary information of fiscal risks including contingent liabilities such as guarantees and contingent obligations, (b) investments in public enterprises, and (c) forecast of the fiscal deficit or surplus (PI-5 'C'). Another positive feature of the regional government operations is the complete inclusion of all revenues and expenditures of its operations within its budgets and financial reports, as there are no EBUs (PI-6 'A'). This practice indicates total control of government revenues and expenditures, thereby eliminating misuse of public funds. This also improves budget credibility. Good performance in budget transparency improves accountability and reporting.

207. The system of horizontal allocation of transfers to woredas/city administrations is rule based and transparent. Also, information to these SNGs is done through the regular budget formulation and preparation systems and allows sufficient time for the preparation of their budget estimates (PI-7 scored A). Overall performance referencing information on service delivery is poor (PI-8 'D+') basically due to the absence of comprehensive and consolidated reports on resources received in kind (those resources in cash are properly compiled and reported) and the non-publication of annual and midterm evaluation reports on performance achieved for service delivery. That said, annual performance plans with KPIs for the forthcoming year and the corresponding achievements are published for at least 61 percent by value of regional sector bureaus (PI-8.1 and PI-8.2 all rated 'C'). One fundamental weakness identified relates to public access to fiscal information on time (PI-9 'D'). This is poor and has negative impact on accountability and reporting of public funds. It should be noted that all efforts by the regional government to improve PFM through the production of budget estimates, in-year and annual financial reports, and audited reports will amount to nothing if this fiscal information is not publicly available on time.

Management of assets and liabilities

208. Fiscal risk reporting is very weak (PI-10 'D') as all three elements—(a) monitoring of public corporations, (b) monitoring of SNGs, and (c) reporting on contingent liabilities—score 'D'. Only 40 percent by value of public corporations submit annual financial reports to BoFED within nine months of the end of financial year. Also, though woredas/city administrations do not pose fiscal risks in terms borrowing to the regional government, their annual financial reports are not consolidated and published. Furthermore, the regional government does not maintain any records of explicit contingent liabilities and other fiscal risks arising out of its programs and projects. The PIM framework performs on average (PI-11 'C') but lacks a standardized PIM guideline and manual that will ensure consistency in project feasibility analysis, costing, selection, monitoring, and evaluation. The absence of the standardized PIM guideline means less economic analysis and more political influence in project selection.

209. Government financial asset management is only limited to the recording and reporting of cash. The annual financial reports do not disclose information of government investments in public (and/or private) enterprises (PI-12.1 'C'). The management of nonfinancial assets (fixed assets) is weak. Though public bodies maintain fixed asset registers, they do not contain information of land and buildings (PI-12.2 'D'). The legal framework for disposal of fixed assets is quite good, but it fails to take into account the sale of nonfinancial assets (PI-12.3 'B'). The regional government has borrowing powers but has yet to exercise this mandate. The legal framework for borrowing and issuing guarantees limits the approval authority to only BoFED, but there are no guidelines to support this process (PI-13 'D'). Poor assets and liabilities management could lead to a drain on scarce public resources; this could have repercussions on budget reliability.

Policy-based fiscal strategy and budgeting

210. The regional government's MEFF is good, and it prepares forecasts of key macroeconomic indicators for the budget year and the two following fiscal years (PI-14 'A'). In addition to the preparation of macro-fiscal sensitivity analysis, the regional government prepares forecasts of GDP, savings, and investment rates but no forecast of exchange rate, interest rate, and inflation. A good MEFF provides an indication of the government's revenue and expenditure credibility, but the assessment of the aggregate revenue indicator (PI-3 'D') brings to the fore some weaknesses in revenue budgeting as it appears that the MEFF is a mere formality.

211. The government also prepares estimates of the budgetary impact of all major revenue policy changes but only for the budget year (PI-15.1 'C'). Presently, it prepares no fiscal strategy. The absence of fiscal strategy with specific quantitative and qualitative fiscal targets and constraints deprives the PFM system of a framework against which the fiscal impact of revenue and expenditure policy proposals can be assessed during the annual budget preparation process. Hence, budget policies tend to have weak alignment to fiscal targets. The government's medium-term perspective in expenditure budgeting is satisfactory (PI-16 'B'); this provides a longer-term horizon in its expenditure proposals to sufficiently plan on how to finance these expenditure programs for service delivery. The MTEF is prepared on a three-year basis according to administrative classification only but with cabinet-approved ceilings over three years.

212. Another good PFM system identified relates to the budget preparation process (PI-17 'A'), which helps ensure that all budget estimates are formulated and prepared in line with broad government policy proposals. A budget calendar exists and is respected and adhered to by most budget entities. Budget ceilings are approved by the cabinet before the issuance of the BCC. Also, the annual budget proposals are submitted to the regional council in good time (two months) before the start of the new fiscal year. The timely submission of annual budget proposals to the legislature (PI-

17.3 'A') enables the regional council to pass the appropriation's law before the start of the new fiscal year (PI-18.3 'A'), thereby allowing budget entities to begin spending at the right time. The overall legislative procedure for budget scrutiny is satisfactory (PI-18 'C+') except that the process is limited by the absence of public consultation and negotiation procedures. Sound budget preparation process provides some assurance to BIs that resources will be released timely for expenditure commitment and payment.

Predictability and control in budget execution

213. The assessment concludes that this pillar appears to be the most effective; the budget is implemented within a system of fairly effective internal control standards and processes. This ensures that the planned resources are obtained in good time and generally used as intended to execute government strategies and programs.

214. Overall revenue administration and accounting show satisfactory results (PI-19 'B' and PI-20 'C+') except for the inability of the regional revenue bureau to successfully accomplish planned annual tax and fraud investigations (56 percent implementation of planned audits and investigations in FY2010, hence PI-19.3 'D'). That said, tax laws are clear, comprehensive, and easily accessible to the public including redress mechanisms. Also, revenue arrears exist, but they are insignificant (less than 1 percent of total revenue collections—PI-19.4 'A'). All domestic revenue is collected in accordance with the relevant laws and reported timely. The information on revenue collection and transfer is daily (both PI-20.1 and PI-20.2 rated 'A'), thereby allowing to manage its cash position and execute the budget in line with its plans. At present, the monthly revenue account reconciliation does not include assessments and arrears but only collections and transfers to the treasury (PI-20.3 'C').

215. Consolidation of government cash balances and cashflow forecasting and monitoring meet international good practices (both PI-21.1 and PI-21.2 rated 'A'). This good practice enables the government to efficiently plan and allocate resources to fund its programs on time. Likewise, information on expenditure commitment ceilings and in-year budget virements show good results (PI-21.3 'A' and PI-21.4 'A'). It is therefore not surprising that stock of expenditure arrears is less than 2 percent within the assessment period (PI-22.1 'A'). The frequency of monitoring these arrears is also quarterly (PI-22.2 'B'), which indicates tight controls on expenditure arrears. The effective cash management practices have largely contributed to the positive results referencing expenditure arrears. Furthermore, tight controls on expenditure arrears improve budget credibility as resources for planned policies and programs will not be diverted to pay for expenditure arrears.

216. The decentralized personnel and payroll management systems appear to be a contributing factor in the effectiveness and efficiency of government payroll though both systems are not fully integrated (PI-23.1 'B'). The overall performance of payroll controls is satisfactory (PI-23 'C+'). The controls provide reliable assurance that limits the incidence of ghost workers even though not entirely eliminated with marginal retroactive changes. One positive element is the completion of a comprehensive payroll audit over the last three years (PI-23.4 'B'). Personnel cost is usually known to be contributing factor to budget unreliability, but this is not the case as any supplementary budgets in relation to government payroll did not affect aggregate budget reliability (hence PI-1 rated 'A').

217. The general procurement management framework is satisfactory and nearly meets international good practices (PI-24 'B'), but this is weakened by the absence of an independent functional procurement complaint system since majority of members on the complaints panel are directly involved in procurement process and transactions (PI-24.4 'D'). That said, most government procurements are competitive and well monitored through a comprehensive and consolidated database management system (PI-24.1 'A' and PI-24.2 'A'). Procurement information to the public is not adequate (though average according to PEFA standards—PI-24.3 'C'), and only the legal

framework and bidding opportunities are published. Internal controls on non-salary expenditures are generally satisfactory (PI-25 'B'). Segregation of duties is formalized and well defined in laws and regulations (PI-25.1 'A'). Whereas IBEX has an expenditure commitment functionality, it is not used routinely. Microsoft Excel has become the day-to-day expenditure commitment functionality which is not efficient (PI-25.2 'C'). Also, clear segregation of duties guarantees satisfactory compliance to PFM rules and regulations (PI-25.3 'B').

218. Internal audit coverage is good and it is across all government institutions (PI-26.1 'A'). However, the function is limited to financial management compliance as opposed to systemic audit (PI-26.2 'C') mainly due to inadequate technical capacity and the use of outdated internal audit standards. Both implementation of internal audit plans and management responses to audit findings show good results (both PI-26.3 and PI-26.4 rated 'A'), indicating strong government commitment toward transparency and accountability.

Accounting and reporting

219. A key element to financial data integrity is the process and timeliness of accounts reconciliations. Whereas all active regional government bank accounts are reconciled within a month after the previous month (PI-27.1 'B'), the same cannot be said for suspense and advance accounts (both rated 'C'). Suspense accounts still exist, casting doubts regarding the accuracy of both in-year and annual financial reports, and advances to staff remain unacquitted for more than 12 months, raising concerns in terms of the government's ability to effectively recover all receivables (and cash equivalents) badly needed to fund its programs and projects. That said, the financial data integrity process is quite resolute (PI-27.4 'B'), providing reasonable assurance of the security and safety government financial records except for the absence of an automatic software (IBEX) prompt to change user passwords.

220. The government prepares consolidated quarterly in-year budget execution reports within a month of the end of the quarter (PI-28.2 'B') as a useful financial management and accountability tool to check budget execution. The reports allow easy and direct comparability between budgets and actuals according to the same classifications (PI-28.1 'A') but with data accuracy concerns alluded to suspense accounts (PI-27.2 'C') and advance accounts (PI-27.3 'C') even though the financial data still are useful for the analysis of budget execution (PI-28.3 'C').

221. The completeness of annual financial reports is average as the reports lack a number of key financial and fiscal information including tangible assets, investments in public enterprises, contingent liabilities, and long-term obligations (PI-29.1 'C'). The annual financial reports are however submitted to ORAG on time (PI-29.2 'A'), which has a positive impact on the timely completion and submission of external audit reports to the regional council (PI-30.2 'A'). The regional government has consistently applied (and disclosed) national accounting standards in preparing its annual financial reports, but these standards largely do not conform to IPSAS.

External scrutiny and audit

222. ORAG adopts ISSAI in carrying out its audits. External audit coverage is good; at least 90 percent by value of revenue and expenditure is covered (PI-30.1 'A'). Available evidence suggests that annual audit reports of the consolidated fund are submitted to the regional council on time, within three months of their receipt from BoFED (PI-30.2 'A'). The financial accountability process is strengthened by ORAG's follow-up framework of its recommendations by ensuring that each audited entity submits a formal, comprehensive, and timely response to all its audit findings with a remedial action plan (PI-30.3 'B'). Again, financial accountability is reinforced by the independence of the Auditor General and ORAG through the Regional Constitution as well as the external audit

proclamation (PI-30.4 'A'). A wider external audit coverage improves accountability since accounting officers become aware of the need to use public funds in accordance with PFM laws and regulations.

223. The timely receipt of ORAG's audit reports guarantees an early legislative scrutiny process (PI-31.1 'A'). The overall legislative scrutiny of external audit reports is satisfactory (PI-31 'B'), but this is weakened by the non-publication of the PAC's annual reports for easy access to the public (PI-31.4 'D') even though the regional council (through PAC) conducts in-depth hearings on all audit reports with qualified or adverse findings (PI-31.2 'A') and issues recommendations on remedial actions to be taken by the executive (PI-31.3 'C').

4.2 Effectiveness of the internal control framework

224. An effective internal control system plays a vital role across every pillar in addressing risks and providing reasonable assurance that operations meet the four control objectives: (a) operations are executed in an orderly, ethical, economical, efficient, and effective manner; (b) accountability obligations are fulfilled; (c) applicable laws and regulations are complied with; and (d) resources are safeguarded against loss, misuse, and damage.

225. **Control environment.** The Constitution of the SNRS and the various PFM and related proclamations and regulations are the guiding frameworks for the control environment (PI-25). Public bodies post their visions, missions, objectives, and the ethical values to be seen by the general public and their own staff (PI-8 and PI-9). Annual budget and execution reports are generally posted on billboards and websites (PI-29). The segregation of duties between organs of the government is clearly demarcated by law (PI-25). Organizational structure, manning, and pay schemes are centralized and regulated by the regional Civil Service Bureau.

226. However, the control environment appears to be ineffective due to the lack of check and balances system within the organs of the government between 2016 and early 2018. A high level of corruption, human right violations, and to a certain extent lawlessness were said to be widespread until the change in leadership in mid-2018. REAC indicated that it was not effective because of ineffective governance structure and political will. The assessment team observed the optimistic view of the public to trust the governance system which has been reflected on more turnout for tax payment, increasing interest to appeal for tax and public procurement complains. The Inspection Director conducted a comprehensive payroll audit in 2019 and disclosed a significant number of 'ghost' workers (PI-26).

227. **Risk assessment.** An organizational-level risk assessment is a systematic and forward-looking analysis to see whether the existing internal control procedures in place are effective and efficient to support the achievement of organizational objectives within a stated time frame. ORAG and the Revenue Authority have their own predefined classification of auditees to determine the extent and frequency of audit. Internal control questionnaires are used to assess whether the established internal control procedures are functioning. No comprehensive risk assessment has been conducted at any public body. The recurring nature of certain findings by the internal and external audit bodies partly reflects the weakness of certain control activities in place in procurement, property administration, investment management, and asset management (PI-11, PI-12, PI-25, PI-26, and PI-30).

228. **Control activities.** The different manuals that stipulate the segregation of duties and procedures for preparation, review, and approval of payments, procurement, and use of other resources are generally comprehensive and instrumental as internal control tools (PI-25). Bank accounts are reconciled monthly (PI-27.1). The timeliness of reconciliation and clearing of advances and payables are areas that need improvement. The Revenue Authority reconciles revenue collection and transfers to the treasury weekly (PI-20). Use of information and communication technology (ICT)

is limited to accounting and budgetary control and payroll data processing. Other PFM functions such as disbursement, procurement, property management, inventory, and HR management are not fully automated. The BoFED treasury cannot determine the amount of cash available in the region but for only active bank accounts on TSA (PI-21). The existing customer account management system at CBE is not supportive in terms of allowing online access to BoFED for regional government bank accounts. There is a high tendency of using cash payment instead of check payments. Most of the manuals are old (issued between 2007 and 2012) and are not updated to reflect changes in operation, budget management, and other PFM aspects. The recurring nature of audit findings partly indicates the limitation with the effectiveness of the control activities in place.

229. **Information and communication.** PFM laws and guidelines are communicated to government staff through training and distribution of printed materials. Tax and procurement laws are available to the public in printed and soft copy (from the relevant public body website). Awareness events were conducted and printed materials were distributed to educate the public on tax laws and public procurement rules. Public bodies submit printed budget execution reports to BoFED. BoFED submits quarterly financial reports to the regional cabinet (PI-28). OFAG presents its findings to the regional council (PI-30). Internal audit units report their findings to the head of public bodies and BoFED (PI-26).

230. The use of financial reports as a decision-making tool by public bodies' management is yet to be developed. The financial report does not provide analysis of assets and liabilities. Only 6.1 percent of the financial reports of public bodies received unqualified audit opinion. The financial reports do not meet international reporting standards and lack provision of pertinent disclosure in tangible assets and certain financial assets. The websites of most of the visited public bodies were functioning and contain strategic plans, annual plans, and annual performance reports (PI-8). Nonetheless, access to basic PFM information is yet to be fulfilled (PI-9). Decision and recommendation of the regional council following their public hearings were not published (PI-31). OFAG published some of the audit report but not the audit report on the consolidated fund (PI-30).

231. **Monitoring.** Various monitoring mechanisms are in place to ensure the efficiency and effectiveness of operations, fulfilment of accountability, compliances to rules and regulations, and safeguarding of resources (PI-24, PI-26, and PI-30). The internal audit units and ORAG monitor whether rules and regulations are complied with. The quality of internal audit plans and the manuals in use need improvement (PI-25). Much of the audit works focus on compliance than monitoring on the effectiveness and efficiency of the already established internal controls (PI-26). There is no quality assurance exercise to monitor whether the internal audit and external audit functions are up to the standards. ORAG follows up on the implementation of audit findings. The PAC conducts hearings and provide recommendations. Public bodies conduct monitoring and evaluation quarterly in collaboration with BoFED to see the performance of capital projects (PI-11). A monitoring system for the transfer of resource in kind to service delivery unit is yet to be developed (PI-8.3).

4.3 PFM strengths and weaknesses

Fiscal discipline

232. One fundamental element that strengthens fiscal discipline is a robust legal and regulatory regime. The 1995 Constitution of Ethiopia provides administrative autonomy to all regional governments including the SRG. All proclamations promulgated by the regional government pick their sources from the federal laws; these proclamations are quite strong for providing solid basis for strengthening both PFM institutions and activities. Nonetheless, strong laws do not guarantee robust PFM systems; this must be supported by solid political and public service systems.

233. Fiscal discipline is strengthened by the formulation and preparation of a reliable budget for both revenues and expenditures. Aggregate expenditure outturns (PI-1 'A') and transfers from the federal government to the regional government (HLG-1 'B+') are good and credible. These two elements contribute to strengthening fiscal discipline. The same cannot be said for domestic revenues, which are unreliable (PI-3 'D'). Another element that weakens fiscal discipline is the constant and continuous budget reallocations according to administration and/or economic classifications and the excessive use of contingency vote. This also affects the strategic resource allocation since the original government policies and programs may not be achieved (PI-2 'D+'). The rules for in-year budget virements are clear but have no limits to the number and volume of virements. This is a weakness as far as fiscal discipline is concerned.

234. There is some respite; revenues and expenditures outside the regional government budgeting and reporting systems are less than 1 percent of total government revenues and expenditures. Also, the stock of expenditure arrears is significantly low, currently below 2 percent of total government expenditure. These two are essential elements for strengthening fiscal discipline. Supplementary budget has been approved in each of the last three completed fiscal years but were done ex ante, which shows a good sign of only spending before legislative approval, thereby having a positive impact on fiscal discipline. Budget execution elements such as internal controls (PI-25 'B') and internal audit (PI-26 'C+') are sufficiently sound for the attainment of fiscal discipline. A particular strength is the fact that there are limits set out for budget spending units that are articulated in advance (PI-21.3 'A'), which strengthens fiscal discipline.

Strategic allocation of resources

235. The classification and comprehensiveness of the budget are satisfactory. It is generally in accordance with international standards on administrative, economic, and functional classification of GFS/COFOG and contains most information required in budget documentation (PI-4 and PI-5 rated 'B' and 'C', respectively). This allows transparency and easy tracking of government resources, which strengthens the strategic allocation of resource. Strategic allocation of resources is negatively affected by the continuous functional and economic budget reallocations (PI-2 'D+'). Frequent budget reallocations override government original policy intentions, leading to poor resource allocation, which affects efficient service delivery. Another major weakness is monitoring and reporting of fiscal risk (PI-10 'D'). The government does not monitor total fiscal risks (both explicit and implicit) of SoEs and other contingent liabilities. The effect of this is the use of scarce resources to pay off fiscal risks that may arise, thereby depriving primary service delivery of the needed funds.

236. The regional government performed quite well as far as policy-based fiscal strategy and budgeting are concerned. With the exception of the non-preparation of a fiscal strategy (the regional government has no technical capacity to do so, hence PI-15 'D+'), all the remaining four indicators score well (PI-14 'A'; PI-16 'B'; PI-17 'A'; and PI-18 'C+'). This is mostly due to the good practice in macroeconomic and fiscal forecasting (PI-14) and the sound budget preparation process (PI-17). There is an established process to allocate budgetary resources in accordance with regional government's declared strategic objectives (PI-16) with medium-term strategic plans prepared for 71 percent (by value) of sector bureaus. These good practices have positive impact on resource allocation, thereby improving the efficiency in service delivery. The key weakness in the budgeting process is the lack of a fiscal strategy with specific quantitative and qualitative fiscal targets; hence, the alignment of budget estimates to fiscal targets appears to be weak. This weakens allocation of resources to strategic priorities. The PIM framework shows average results (PI-11 'C'), but the system is fraught with weaknesses such as nonexistence of standardized guidelines and rules for PIM, majority of capital projects being decided, prioritized, and selected on political grounds with less economic analysis. This negatively affects strategic allocation of resources as investments in capital projects may not provide the intended benefits. The satisfactory performance of both revenue administration and

accountability (PI-19 'B' and PI-20 'C+') coupled with the good performance of predictability in resource allocation (PI-21 'A') strengthens strategic resource allocation.

Efficient service delivery

237. Efficient service delivery is strengthened by the reliable and timely information on allocation of resources to service delivery units. This area is strong due to the timeliness of actual transfers from the federal government (HLG-1 'B+'), which has a positive impact on payment of goods and services, thereby reducing the accumulation of expenditure arrears (PI-22.1 'A'). The relatively good PFM proclamations and directives (procurement, budget, and cash management) coupled with the desire of government officials to adhere to rules and regulations (though with some exceptions) have contributed to improving primary service delivery through timely resource allocations as well as monitoring the implementation of government policies and programs.

238. While efficient service delivery is positively affected by the reliability of the expenditure budget at the aggregate level (PI-1 'A'), the continuous reallocation of approved budget both at economic and administrative levels, in addition to the excessive use of contingency votes (PI-2 'D+'), defeats the original government intent of delivering on its mandate to improve service delivery. Revenue administration and accounting show satisfactory performance (PI-19 'B' and PI-20 'C+'), but this has very little impact on the overall (aggregate) domestic revenue performance (PI-3 'D'), a key factor in terms of making resources available for the effective and efficient execution of primary service to the citizens. This raises questions on the credibility of the macroeconomic forecasting framework, which ironically performs well (PI-14 'A').

239. The weak area is the lack of transparency and public access to fiscal information (PI-9 'D'); most information is not published and if published at all, it is late. This is also true for the procurement information (procurement plans, contract awards, procurement statistics, and resolution of procurement complaints) as this is not accessible to the public, raising concerns about transparency and competitiveness which are key elements to improving efficiency of service delivery. Performance information on service delivery is also weak (PI-8 'D+') mainly due to the nonexistence of comprehensive and consolidated reports on resources received by primary service delivery units as well as the non-publication of monitoring and evaluation reports. The oversight functions show satisfactory results (PI-26 'C+', PI-30 'B+', and PI-31 'B'). Internal audit functions have wide government coverage, and the same is the case for external audit with at least 90 percent coverage in terms of value. Legislative oversight is strong, which has a positive impact on efficient service delivery since it holds the executive accountable.

4.4 Performance changes since the previous assessment

240. The last PEFA assessment was conducted in 2015, using the 2011 methodology. In accordance with the PEFA Secretariat's Guidance Note on measurement of performance change, the 2011 framework was used to assess the situation at the time of assessment in 2018. This section provides a detailed analysis of changes since 2015.

Fiscal discipline

241. While fiscal discipline was strengthened by the good performance of aggregate expenditure outturn (PI-1 rated 'A' in 2018 compared to 'B' in 2015), the poor performance in expenditure composition outturn coupled with the excessive use of contingency vote—averaging 8 percent over the three-year period (PI-2 rated 'D+' in 2018 compared to 'C+' in 2015)—negatively affected fiscal discipline. The performance of transfers from the federal government to the regional government has largely remained constant (HLG-1 rated 'B+' in 2018) even though direct comparison was impossible

because HLG-1.2 which relates to earmarked grants was not applicable in 2015 (hence, HLG-1 was rated 'A' in 2015). Aggregate revenue performed poorly in 2018 (PI-3 scored 'D' in 2018 compared to 'B' in 2015), thereby negatively affecting fiscal discipline. The tight control of expenditure arrears and the continuous monitoring of those arrears (PI-4 rated 'B+' in 2015 and now improved to 'A' in 2018) point to the government's commitment toward strengthening fiscal discipline. Presently, stock of expenditure arrears is below 2 percent of total regional government expenditure over the three years under review. Payroll controls have improved (PI-18 rated 'B+' in 2018 compared to 'C+' in 2015), providing relatively good assurance of a strengthened approach to fiscal discipline.

Strategic allocation of resources

242. The strong performance in the predictability and allocation of the government's scarce resources coupled with the effective cash management mechanism through the daily consolidation of its bank balances (PI-16 rated 'A' in 2015 and 2018; PI-17 improved from 'B' in 2015 to 'A' in 2018) has largely contributed to maintaining a resilient environment for the strategic allocation of resources, which then positively affects efficient service delivery. Nevertheless, strategic resource allocation, though the legislative framework for budget reviews and approval has improved (PI-27 rated 'B+' in 2018 compared to 'C+' in 2015), suffered from the poor performance in expenditure composition outturn (PI-2.1 'C' in 2015 to 'D' in 2018). This meant that the original government policies and programs might have been affected by the reallocations in budget estimates. That said, the improvement in the comprehensiveness of the budget (PI-6 rated 'B' in 2018 compared to 'C' in 2015) coupled with improvement in multiyear perspective in the expenditure framework (that is, MTEF; PI-12 rated 'C+' in 2018 compared with 'D+' in 2015) points to the government's commitment to strengthen strategic resource allocation.

Efficient service delivery

243. Efficient service delivery has been strengthened by the consistent performance of federal government subsidy transfers to the regional government (HLG-1 rated 'B+' in 2018 and 'A' in 2015 although not directly comparable due to the inapplicability of earmarked grants in 2015) by ensuring that the needed resources are available on time to prosecute government policies and programs. Efficient service delivery has also been positively affected by the good and sustained performance of predictability of resource allocation (PI-16 rated 'A' in 2018) in addition to the effective cash management system (PI-17 also rated 'A' in 2018). The government has also maintained strict controls on the level of unreported operations (PI-7.1 rated 'A' in 2015 and 2018), which contributed to efficiency in-service delivery, except for donor-funded projects that still have a challenge in terms of full reporting and disclosure. The inability of the government to meet its revenue targets (PI-3 rated 'D' in 2018 compared to 'B' in 2015) indicates shortfalls in revenues required to shore up service delivery even though available evidence suggests good performance of the tax administration system (PI-13 rated 'A' in 2018 compared to 'B+' in 2015 and PI-14 rated B in 2015 and 2018). External audit coverage has improved (PI -26 from 'C+' in 2015 to 'B+' in 2018), which ensures accountability in the use of public funds for service delivery. The measurement of efficiency and effectiveness of service delivery is limited by the absence of performance audits.

5. Government reform process

244. The SRG developed and published a five-year stand-alone PFM reform strategy in May 2019 for the period EC 2010 to EC 2014 (Gregorian 2017/2018 to 2021/2022) anchored on the federal government PFM reform strategy. This is the first comprehensive PFM reform strategy developed by the regional government. The following sections describe the current strategy with its key components.

5.1 Approach to PFM reforms

245. There are nine main components outlined in the current (new) PFM reform strategy:

- Balance government revenues and expenditures over the medium term
- Make cost-effective budget allocations
- Modernize government treasury, cash management, and disbursement systems for efficiency and cost-effectiveness
- Improve the timeliness and accuracy of government accounting and reporting
- Strengthen value for money by improving the internal audit and control systems
- Modernize government procurement and public asset management systems
- Modernize IT systems that support government financial administration
- Improve government financial administration that is participatory, transparent, and accountable
- Improve staff technical capacity in government financial administration

246. The new strategy, though commendable, fails to address issues relating to external audit (ORAG) and domestic revenue mobilization even though Component 1 mentions ‘balance government revenues and expenditures over the medium term’. The estimated cost of the new strategy is ETB 189.32 million over the five-year period from EC 2010 to EC 2014 (GC 2017/2018 to GC 2021/2022). The funding arrangements are not well defined, but the government intends to look for multiple sources of funding including from the federal government, DP support, and the regional government’s own resources—which appears to be unrealistic considering the inadequate budget allocations for the provision of basic/primary services.

5.2 Recent and ongoing reform actions

247. There are no major ongoing PFM reform initiatives besides the continuous provision of training and capacity-building programs for sector bureau and woreda PFM officials in the area of planning and budgeting (training on program budgeting has been provided but not yet implemented), procurement and property management, treasury and expenditure management, internal audit and controls, and accounting and reporting. Over the past couple of years, some major achievements have been made in PFM reforms, including the following:

- **Legal reforms.** (a) Financial administration proclamation and its accompanying regulation and 13 directives, (b) public procurement and property administration proclamation and its accompanying directives and manuals, and (c) fixed asset and stock management manuals.

- **Public Revenue and Expenditure Improvement Plan.** The regional revenue which was only ETB 203 million in EFY 2002 has improved to ETB 1.5 Billion in EFY 2007, showing an increase by more than 650 percent. Tax revenue increased at an annual average rate of 48.3 percent during the past five years, which is above the national average of 33 percent.
- **Government budget preparation and management.** Training and capacity building for all regional government planning and budget officers.
- **Government cash management and payment systems.** The Central Treasury Account and the Z accounts constitute a TSA, and its balances are calculated on a daily basis. Dormant bank accounts have been closed.
- **Government accounting and reporting.** The revised government CoA consistent with international standards (GFS-2001) has been developed and implemented.
- **Government procurement and asset management.** Establishment of a procurement complaints board (though it appears not to be independent based on the existing membership and structure).
- **Internal audit reform.** Training of internal auditors to conduct postaudit instead of preaudit.
- **Financial information systems.** Rollout of IBEX to all sector bureaus and woredas plus training and capacity building.
- **Transparency and accountability in financial management.** Mainstreaming of financial transparency and accountability in routine PFM functions through continuous citizens' engagement.

Donor coordination

248. Donor coordination usually takes place at the federal government level, and the regional government is involved where necessary. Coordination appears to be weak, as identified at the federal government level, and it is likely to have an impact at the regional government.

5.3 Institutional considerations

Government leadership and ownership

249. The development of the PFM reform strategy was at the request of the head of BoFED with support from key government officials and heads of sector bureaus. There are three levels of institutional arrangement for the execution of the new PFM reform strategy:

- (a) High-level regional steering committee which is made up of the head of BoFED, heads of sector bureaus, the regional auditor general, the head of civil service, and heads of woreda finance economic development (WoFED). The high-level steering committee is scheduled to meet twice a year to review reform progress, challenges, and the way forward.
- (b) PFM steering committee composed of heads of BoFED, ORAG, Revenue Authority, and Procurement. This committee will also meet twice a year to take stock of activities undertaken by each component head within the PFM technical committee.

- (c) PFM technical committee composed of deputy heads of sector bureaus and heads of all directorates in each sector bureau, plus the deputy auditor general. The technical committee will meet once a month to evaluate progress of work under each PFM component. The sub-technical committee will meet every week to address day-to-day issues and report to the PFM technical committee.

Coordination across government

250. The Channel 1 Coordinator is responsible for coordinating all regional PFM training programs. Training activities are part of the regular daily PFM functions of sector bureaus and woredas. Also, to ensure peer review and idea sharing, the respective officials (PFM functional directors and their deputies, plus technical staff) are grouped for joint training programs. There is also a high-level biannual Joint Review and Implementation Support (JRIS) meetings of which regional government officials participate.

Sustainable reform process

251. The estimated cost of the new strategy is ETB 189.32 million over the next five years. It is expected to be funded from multiple sources such as the federal government, donors, and regional government's own resources. However, the current budget constraints and the macroeconomic challenges both at the federal and regional government levels are likely to have a negative impact on funding arrangements going forward.

Transparency of the PFM program

252. The new PFM reform strategy for 2017/2018–2021/2022 is published on the website (www.srbofed.gov.et). It has a detailed action plan for the five-year period and the budget estimates. There is however no evidence that suggests the involvement and/or consultation with civil society organizations; this shows signs of less private sector participation and engagement.

ANNEXES

Annex 1: Performance indicator summary

No.	Indicator	2018 Score	Justification for 2018 Score
HLG-1	Transfer from a higher-level government	B+	
HLG 1.1	Outturn of transfer from higher-level government	A	Actual transfers of federal government subsidies were 100.5%, 100.3%, and 100.2% in 2015/2016, 2016/2017, and 2017/2018, respectively; these reflect deviations of -0.5% in 2015/2016, -0.3% in 2016/2017, and -0.2% in 2017/2018.
HLG 1.2	Earmarked grants outturn	B	Transfers of earmarked grants deviated by more than 10% in one out of the three years under review. Actual deviations were 0.0% in 2015/2016, 12.7% in 2016/2017, and 0.0% in 2017/2018.
HLG 1.3	Timeliness of transfer from higher-level government	A	Actual disbursements of both recurrent and capital grants have been evenly spread within each of the last three years under review. These disbursements were done monthly.
Pillar I. Budget reliability			
PI-1	Aggregate expenditure outturn	A	Aggregate expenditure outturn was between 95% and 105% in two of the last three years; actual outturns were 100.4% in 2015/2016, 108.9% in 2016/2017, and 96.5% in 2017/2018).
PI-2	Expenditure composition outturn	D+	
2.1	Expenditure composition outturn by function	D	Variance in expenditure composition by functional classification was less than 15% in only one of the last three years; actual variances were 12.2% in 2015/2016 (EFY 2008), 16.5% in 2016/2017 (EFY 2009), and 20.8% in 2017/2018 (EFY 2010).
2.2	Expenditure composition outturn by economic type	B	Variance in expenditure composition by economic classification was less than 10% in at least two of the last three years; actual variances were 9% in EFY 2008, 9.5% in EFY 2009, and 10.3% in EFY 2010.
2.3	Expenditure from contingency reserves	C	Expenditure charged to contingency reserves for the last three years averaged 7.4% of the total expenditure.
PI-3	Revenue outturn	D	
3.1	Aggregate revenue outturn	D	Actual revenue outturns were 117% in 2015/2016 (EC 2008), 110% in 2016/2017 (EC 2009), and 85% in 2017/2018 (EC 2010).
3.2	Revenue composition variance	D	Variance in revenue composition was more than 15% in all the last three years; actual outturns were 53% in 2015/2016 (EFY 2008), 55% in 2016/2017 (EFY 2009), and 56% in 2017/2018 (EFY 2010).
Pillar II. Transparency of public finances			
PI-4	Budget classification	B	Budget formulation, execution and reporting are based on administrative, economic and functional classification using GFS/COFOG standards. This classification is the same as that of the federal government except for some functions such as defense that are not applicable at the regional government level.
PI-5	Budget documentation	C	As shown in Table 3.7, the regional government budget meets at least three basic elements of the PEFA requirements. It also meets two additional elements.
PI-6	Central government operations outside fiscal reports	A	
6.1	Expenditure outside financial reports	A	There are no known EBUs at the level of the SRG except an inflow from the federal government road fund directly to the regional BoT for road maintenance. All expenditures from this fund are not

No.	Indicator	2018 Score	Justification for 2018 Score
			reported in the annual financial statements of the regional government but they are less than 1% of total regional government expenditures.
6.2	Revenue outside financial reports	A	The revenue from the federal government road fund transferred to the BoT is not included in the financial report of the SRG but the amount of the fund received is less than 1% of the total SNG revenues.
6.3	Financial reports of extra-budgetary units	NA	There are no EBUs at the level of the SRG; therefore, this dimension is not applicable.
PI-7	Transfers to subnational government	A	
7.1	System for allocating transfers	A	The horizontal allocation and actual transfer of all transfers to woredas and city administrations from the regional government are determined by transparent and rule-based system. All transfers are 100% compliant with the approved grant distribution formula.
7.2	Timeliness of information on transfers	A	BoFED notifies woredas/city administrations and sector bureaus on the initial ceiling in March (as per its budget calendar), which allows them at least 8 weeks to prepare their budget estimates.
PI-8	Performance information for service delivery	D+	
PI-8.1	Performance plans for service delivery	C	Information is published on the activities performed under the programs for the majority (61%) of regional sector bureaus. Performance indicators for outcome and outputs are incorporated in the annual action/performance plans.
PI-8.2	Performance achieved for service delivery	C	Information on performance achieved on service delivery is published annually on the activities performed for the majority (61% by value) of public bodies.
PI-8.3	Resources received by service delivery units	D	IBEX tracks the financial resources transferred to the service delivery units. Though there is no consolidated report available on non-financial (kind) resources received by service delivery units, individual primary service delivery units track and prepare their own reports on resources received in kind.
PI-8.4	Performance evaluation for service delivery	D	The Bureau of Health, representing 6% by value of the SRG expenditure, conducted a midterm evaluation in 2018 to assess the efficiency and effectiveness of programs of its five-year strategy known as the 'Health Sector Growth and Transformation Plan II'. The evaluation report is not published.
PI-9	Public access to key fiscal information	D	As indicated in Table 3.9, the regional government only makes available 2 out of 4 basic elements; also, 3 of the additional elements are made public within the specified time frame.
Pillar III. Management of assets and liabilities			
PI-10	Fiscal risk reporting	D	
10.1	Monitoring of public corporations	D	The analysis in Table 3.10 indicates that 40.3% by value of public enterprises submitted their annual financial statements to the regional government (BoFED) within nine months after the end of the previous fiscal year EC 2010 (GC FY2017/2018 ending June 30, 2018).
10.2	Monitoring of subnational governments	D	For FY2017/2018, all 99 woredas/city administrations submitted their annual financial statements to BoFED within three months after the end of the fiscal year ending GC June 30, 2018 (or EC July

No.	Indicator	2018 Score	Justification for 2018 Score
			7, 2010). The annual financial reports are however not published; the reports are also not consolidated.
10.3	Contingent liabilities and other fiscal risks	D	There are no known PPP arrangements. That said, the regional government does not maintain records of explicit contingent liabilities and other fiscal risks arising out of its programs and projects.
PI-11	Public investment management	C	
11.1	Economic analysis of investment proposals	C	There are no established guidelines for analyzing capital investment projects. That said, the Planning and Budgeting Directorate of BoFED uses various project management tools such as environmental impact analysis to assess capital investment projects. Implementing entities also use rudimentary methods to conduct economic analysis of capital investment projects. That said, political considerations take higher precedence for the majority of these projects.
11.2	Investment project selection	C	Project selection for inclusion into the annual budget is largely based on the regional government's priorities (which include water and irrigation, health, education, agriculture and livestock, and rural roads), even though some of these projects are selected purely based on the results of feasibility studies conducted.
11.3	Investment project costing	C	The annual budget document includes projections of the total capital cost of investment projects as well as the capital cost for the ensuing fiscal year. The annual budget also shows projected recurrent expenditure but only for the subsequent fiscal year.
11.4	Investment project monitoring	C	Both BoFED and the regional sector implementing unit monitor investment projects through physical inspection and periodic (quarterly) financial progress reports; these reports are submitted to the regional cabinet for review and evaluation. The annual financial statements also report on actual expenditure of the projects; annual physical inspection progress reports are also prepared. There is no publication of either financial or physical progress reports.
PI-12	Public asset management	C	
12.1	Financial asset monitoring	C	BoFED does not keep records of investments in public or private entities. The annual financial statements disclose both cash and bank balances.
12.2	Nonfinancial asset monitoring	D	Management of fixed assets is decentralized at the budget unit level. The asset registers maintained by these budget units provide information on the age and usage of assets. There are no records of government land, buildings, and natural resources.
12.3	Transparency of asset disposal	B	Article 59 of the Somali Regional State Government Procurement and Property Administration Proclamation No. 82/2010 and Directive No. 1/2010 outline the legal and regulatory framework for fixed assets disposal; furthermore, fixed asset transfer is governed by Article 61 of the same proclamation. There are no legal provisions for the disposal and transfer of financial assets. For the period under review, no fixed assets were sold and/or transferred.
PI-13	Debt management	D	
13.1	Recording and reporting of debt and guarantees	NA	Article 43 of the Financial Administration Proclamation No. 11/2004 allows the regional government to borrow domestically with the approval of the regional council. At the time of

No.	Indicator	2018 Score	Justification for 2018 Score
			assessment, the regional government has not borrowed directly from the domestic market; it has also not issued any guarantees to any central government institution or cooperative farmers associations. Therefore, this dimension is not applicable.
13.2	Approval of debt and guarantees	D	BoFED is solely responsible for authorizing and approving debts and guarantees for all central government entities. Nonetheless, there are no guidelines, policies, and procedures that guide the issuance of debts and guarantees.
13.3	Debt management strategy	NA	Even though the regional government has borrowing powers according to Article 43 of the Financial Administration Proclamation No. 11/2004, it possesses no debt and therefore does not prepare a debt management strategy. Therefore, this dimension is not applicable.
Pillar IV. Policy-based fiscal strategy and budgeting			
PI-14	Macroeconomic and fiscal forecasting	A	
14.1	Macroeconomic forecasts	A	Over the last three completed fiscal years, the regional government prepared forecasts of GDP and savings and investment rates; it has no capacity to forecast exchange rate, interest rate, and inflation. The forecasts are reviewed and approved by the regional cabinet, with an annual update, and sent to the regional council with the underlying assumptions as part of budget documentation. The regional council also reviews these forecasts.
14.2	Fiscal forecasts	A	The Planning and Budget Directorate, over the last three completed fiscal years, prepared the MEFF with forecasts of GDP and savings and investments. The forecast includes aggregate revenues and expenditures and the budget balance. There are also explanations of differences between forecasts (and the underlying assumptions) and the current year's budget as part of budget documentation submitted to the regional council.
14.3	Macro-fiscal sensitivity analysis	B	There is a qualitative evaluation of impact of various scenarios of macro-fiscal forecast; these are included in the annual budget document submitted to the regional council. This has been the case over the last three completed fiscal years. The analyses for EC 2010 and EC 2011 were published but not for EC 2008 and EC 2009.
PI-15	Fiscal strategy	D+	
15.1	Fiscal impact of policy proposals	C	The regional government prepares full explanation of budget implications on new policy initiatives and major new public investments. It also prepares estimates of the budgetary impact of all major revenue policy changes and major changes to expenditure programs but for the budget year only.
15.2	Fiscal strategy adoption	D	The SRG does not produce a fiscal strategy.
15.3	Reporting on fiscal outcomes	NA	The development of a fiscal strategy is the responsibility of the federal government; therefore, this dimension is not applicable.
PI-16	Medium-term perspective in expenditure budgeting	B	
16.1	Medium-term expenditure estimates	C	The SRG prepares MTEF—that is, estimates of expenditure for the budget year and the two following years according to administrative classification only.

No.	Indicator	2018 Score	Justification for 2018 Score
16.2	Medium-term expenditure ceilings	A	BoFED issued the first BCC to all sector bureaus and woredas/city administrations on February 15, 2019. Aggregate and sector bureau expenditure ceilings for the budget year and the two outer years were approved by the regional cabinet on December 27, 2018, before the first BCC was issued to budgetary units.
16.3	Alignment of strategic plans and medium-term budgets	B	The expenditure policies of 71% by value of sectors align with both the regional GTP II and the individual five-year sector strategies of the six sectors indicated in Table 3.12.
16.4	Consistency of budgets with previous year's estimates	C	The budget document submitted to the regional council provides some explanation on changes to expenditure estimates (at the aggregate level only) between the current year's budget and the second year of the last MTEF.
PI-17	Budget preparation process	A	
17.1	Budget calendar	A	A clear annual budget calendar exists; it allows eight weeks for budgetary units, from the receipt of the budget circular, to complete their budget estimates. About 93% by value of the budgetary units comply with it and meet the deadlines.
17.2	Guidance on budget preparation	A	A BCC is issued to budgetary units with guidelines on preparation of recurrent and capital budgets for the full budget year. It includes cabinet-approved annual ceilings for administrative expenditure categories. The budget estimates are reviewed and approved by the cabinet after they have been completed in every detail by the budgetary units.
17.3	Budget submission to the legislature	A	The executive has submitted the annual budget proposal to the legislature two months before the start of the fiscal year in all of the last three assessed years.
PI-18	Legislative scrutiny of budgets	C+	
18.1	Scope of budget scrutiny	B	The regional council's budget scrutiny covers fiscal policy and aggregate for the coming year as well as details of expenditure and revenue, even though it receives the MTEF.
18.2	Legislative procedures for budget scrutiny	C	The regional council's procedures to review budget proposals are approved by the legislature in advance of budget hearings and are adhered to. There are no arrangements for technical support and negotiation procedures.
18.3	Timing of budget approval	A	The regional council has approved the annual budget within one month of the start of the fiscal year in the last three fiscal years.
18.4	Rules for budget adjustment by the executive	B	Clear rules exist for in-year budget adjustments by the executive and are adhered to in all cases, but the rules allow extensive administrative reallocations as there are no limits. That said, the budget cannot be expanded without the approval of the regional council.
Pillar V. Predictability and control in budget execution			
PI-19	Revenue administration	B	
19.1	Rights and obligation for revenue measures	A	All of the regional revenue (tax and non-tax) is collected by the Somali Regional State Revenue Bureau. It provides information through various channels on main obligations to taxpayers and provides for complaints resolution.
19.2	Revenue risk management	C	The Somali Regional State Revenue Bureau administers all revenue of the region. The risk assessment and management function is undertaken by the Tax Audit and

No.	Indicator	2018 Score	Justification for 2018 Score
			Intelligence Department, which registers and monitors the usual risks in tax registration, declaration, and payment. There is a partly structured and systematic approach for assessing and prioritizing risk covering category A and B taxpayers. There is no risk management framework.
19.3	Revenue audit and investigation	D	Revenue audit function is well established and is performed and managed in accordance with an annual audit plan, with 56% implementation of planned audits and investigations in FY2010. A compliance improvement action plan is being developed.
19.4	Revenue arrears monitoring	A	The actual stock of revenue arrears for the year-end 2010 EC is 0.04% out of total revenue and 0.22% out of the domestically collected revenue (less than 10%). Previous year arrears are carried forward and collected during the next fiscal year. The age of revenue arrears is not specifically monitored, even if the data exist. The revenue arrears older than 12 months is 8%.
PI-20	Accounting for revenues	C+	
20.1	Information on revenue collections	A	The BoFED treasury obtains revenue data every week from the Somali Regional Revenue Bureau. The data are complete, indicating the type of revenue and source. The data are consolidated into a weekly revenue report.
20.2	Transfer of revenue collections	A	The Revenue Bureau collecting all government revenue transfers 100% of the collections directly into the TSA controlled by the treasury within one working day. The tax is paid directly to an account of the SRRA and is transferred to the treasury daily.
20.3	Revenue accounts reconciliation	C	Complete accounts reconciliation between revenue collections and transfers to the Treasury is performed quarterly within two months. Presently, there is no reconciliation between assessment, collections, transfers, and arrears.
PI-21	Predictability of in-year resource allocation	A	
21.1	Consolidation of cash balances	A	Table 3.20 presents the cash position as on November 22, 2019, and only the TSA (Z account) which represents 95.3% by value is consolidated daily.
21.2	Cash forecasting and monitoring	A	Available evidence (five sector bureaus visited were —Agriculture Bureau, Health Bureau, Education Bureau, Water Bureau, and Road Authority) indicates that BIs prepare and submit to BoFED annual cashflow plans once the annual budget is approved by the regional council; BoFED consolidates the respective cashflow forecasts. The annual cashflow plans are updated monthly based on actual cash inflows and outflows.
21.3	Information on commitment ceilings	A	The Budget Department at BoFED provides a budget notification letter (expenditure commitment ceiling) to all budget entities once the budget is approved by the regional council. The budget notification letter allows BIs to commit for expenditure within a six-month horizon.

No.	Indicator	2018 Score	Justification for 2018 Score
21.4	Significance of in-year budget adjustments	A	The largest in-year adjustment during EFY 2010, the last completed fiscal year, was 0.8% of total expenditure. In-year adjustment to budget allocation took place only once a year and in a transparent and predictable way, through vote of supplementary budget.
PI-22	Expenditure arrears	B+	
22.1	Stock of expenditure arrears	A	As shown in Table 3.21, the stock of expenditure arrears is less than 2% of total expenditure in all three years of assessment.
22.2	Expenditure arrears monitoring	B	BoFED consolidates the stock and composition of expenditure arrears quarterly within four weeks; ageing analysis is done annually at the end of the fiscal year.
PI-23	Payroll controls	C+	
23.1	Integration of payroll and personnel records	B	The majority of the regional government institutions use payroll software, with others using Microsoft Excel to process payroll. There is no direct link between the personnel (HR) records and the payroll database. The payroll is fully supported by personnel files and timesheets and checked against the previous month's payroll data.
23.2	Management of payroll changes	A	All staff changes such as hiring, termination, and promotion are managed by the HR Directorate and the database is immediately updated with copies of correspondences to the Finance Directorate for payroll updates. Changes are captured within the month they occurred and retroactive adjustments are rare; adjustments represent 0.34% of total payroll expenditure.
23.3	Internal control of payroll	C	Sufficient controls are in place to support the integrity of payroll data. However, with reference to PI-23.4, the incidence of 'ghost' workers identified during the payroll audit raises doubts about the adequacy of payroll controls.
23.4	Payroll audit	B	A comprehensive payroll audit was conducted for the period July 2016 to June 2018 with the final report issued in July 2019 by the Inspection Directorate of BoFED. This was the first comprehensive payroll audit.
PI-24	Procurement	B	
24.1	Procurement monitoring	A	The procurement function is decentralized at sector bureaus and public body levels. The PPADD of BoFED collects, monitors, and audits annually the procurement data provided by all regional bureaus. Procurement record is maintained at all government institutions for all procurement methods. Data are reported to BoFED and consolidated in an annual report. Data are accurate and complete.
24.2	Procurement methods	A	The value of contracts awarded through competitive procurement method is at least 87% for all regional government institutions.
24.3	Public access to procurement information	C	Three of the key procurement information elements are complete and made available to the public.
24.4	Procurement complaints management	D	The procurement complaint system does not meet elements (i) and (v) but meets four others.
PI-25	Internal controls on non-salary expenditure	B	
25.1	Segregation of duties	A	Each public body of the regional government has a clear organizational structure and the functions of each employee are

No.	Indicator	2018 Score	Justification for 2018 Score
			clearly segregated. The various PFM directives provide clear segregation of duties for disbursement, acquisition, use and disposal of other resources, recording, reconciliation, review and authorization on resources, and payment of expenditure.
25.2	Effectiveness of expenditure commitment controls	C	IBEX has a commitment control feature, but this is not used; instead, public bodies use Microsoft Excel to control commitment, which is partially effective.
25.3	Compliance with payment rules and procedures	B	Internal control rules and procedures on payment are generally respected for majority of the payments. Most of the exceptions are properly authorized and justified. According to ORAG, findings (noncompliance) represent 4.4% of total government expenditure.
PI-26	Internal audit	C+	
26.1	Coverage of the internal audit	A	Except the Somali Bilateral Office and the Grievance Handling Commission (two public bodies of the regional government) that do not have internal audit units, all the remaining public bodies have functional internal audit units. The two public bodies which do not have internal audit units constitute 0.06% of the total revenue and expenditure of the regional government.
26.2	Nature of audits and standards applied	C	The internal audit largely focuses on financial compliance audit with limited coverage on systemic audit.
26.3	Implementation of internal audits and reporting	A	Out of a total of 582 audits planned by 48 regional government public bodies, 574 (98.6%) were implemented in 2017/2018 (EFY 2010). The accomplishment in terms of annual budget stood at 96.7%.
26.4	Response to internal audits	A	According to the consolidated report of the Inspection Directorate of BoFED, all the internal audit units reported a total of 479 audit findings and the management of the audited entities responded to all of them within three to six months of the issuance of the quarterly audit reports.
Pillar VI. Accounting and reporting			
PI-27	Financial data integrity	C+	
27.1	Bank account reconciliation	B	All regional government public bodies reconcile bank accounts monthly within 10 days from the end of each month. Public bodies submit monthly bank reconciliation reports to the BoFED Treasury within 14 days from the end of each month together with monthly financial reports.
27.2	Suspense accounts	C	Suspense account balances are reconciled annually within two months from the end of the year with no additions to the existing outstanding balance of ETB 54 million duly justified.
27.3	Advance accounts	C	Advance accounts are reconciled annually, within two months from the end of each year but there are still significant outstanding balances.
27.4	Financial data integrity process	B	Each user has a password and can change it as required but not through an automatic system prompt. Users have limited access to the software. IBEX logs off if the user's computer is idle for more 10 minutes. The IBEX system also results in audit trails but there is no operational body responsible for verifying financial data integrity.
PI-28	In-year budget reports	C+	
28.1	Coverage and comparability of reports	A	The in-year budget execution reports include revenue and expenditure according to type; they allow direct comparison between approved budget estimates and actual expenditure by detailed economic and administrative classification (for both

No.	Indicator	2018 Score	Justification for 2018 Score
			recurrent and capital expenditure) and source of funds; the reports also show transfers to zones and woredas.
28.2	Timing of in-year reports	B	Quarterly budget execution reports are prepared and issued to the executives within four weeks from the end of each quarter.
28.3	Accuracy of in-year budget reports	C	Despite the concerns on data accuracy, the in-year financial reports provide useful analysis on budget execution. Expenditure is captured at payment stage only though IBEX has the functionality of capturing and reporting expenditure at both payment and commitment stages.
PI-29	Annual financial reports	C+	
29.1	Completeness of annual financial reports	C	The reports contain the budgeted amounts compared with actual outturns for both revenues and expenditures. They also contain some financial assets such as cash and bank balances, advances, and receivables. However, the reports do not include tangible assets (fixed assets), guarantees, contingent liabilities, and other financial assets such as shares and investments in SoEs.
29.2	Submission of reports for external audit	A	As indicated in Table 3.27, the consolidated annual statements were submitted to ORAG within three months of the end of the fiscal years in all three years of assessment.
29.3	Accounting standards	C	The financial reports are prepared based on the modified cash basis of accounting and on a historical cost convention. These are in line with the Ethiopian Federal Government Accounting Standards and the regional government financial administration proclamation and have been consistently used in all three fiscal years of assessment.
Pillar VII. External scrutiny and audit			
PI-30	External audit	B+	
30.1	Audit coverage and standards	A	As shown in Tables 3.28 and 3.29, audit coverage both by number of public bodies and by value is good. Within the last three completed fiscal years, audit coverage by the number of regional government institutions was 90.96%, 92.43%, and 90.4% in 2015/2016, 2016/2017, and 2017/2018, respectively. By value, audit coverage was 90.1%, 97.4%, and 90.0% in 2015/2016, 2016/2017, and 2017/2018, respectively. Revenue coverage was 100% for all three years under review. ORAG also conducts fixed assets audit.
30.2	Submission of audit reports to the legislature	A	ORAG submitted the audited consolidated financial statements of the SRG to the regional council within three months for the last three completed fiscal years, as shown in Table 3.30.
30.3	Extent of follow-up	B	According to ORAG's performance report, more than 80% (but below 90%) of the audited entities completed and submitted a rectification plan within the stipulated time to ORAG for the last three completed fiscal years, as shown in Table 3.31.
30.4	Supreme Audit Institution independence	A	ORAG operates independently from the executive with respect to procedures for appointment and removal of the Auditor General, the planning of audit engagements, arrangements for publicizing reports, and the approval and execution of ORAG's budget. This independence is assured by law. ORAG has unrestricted and timely access to records, documentation, and information.
PI-31	Legislative scrutiny of audit reports	B	

No.	Indicator	2018 Score	Justification for 2018 Score
31.1	Timing of audit report scrutiny	A	The review of audit report is completed within one month of the receipt of audit report; this has been the case over the last three completed fiscal years, 2015/2016, 2016/2017, and 2017/2018.
31.2	Hearing on audit findings	A	PAC hearings, over the last three completed fiscal years, 2015/2016, 2016/2017, and 2017/2018, have been conducted for all regional government entities (in attendance are BoFED and all responsible government officials) with qualified and adverse opinion. The hearings are in-depth and cover all audit reports with qualified and adverse opinion.
31.3	Recommendations on audit by the legislature	C	Over the last three completed fiscal years, 2015/2016, 2016/2017, and 2017/2018, PAC issued its recommendations after completion of hearings. However, there is no evidence suggesting that PAC tracks the implementation of its recommendations.
31.4	Transparency of the legislative scrutiny of audit reports	D	Over the last three completed fiscal years, 2015/2016, 2016/2017, and 2017/2018, PAC reports have not been published on the website or through other accessible means. The hearings are however attended by the public and also given some media coverage.

Annex 2: Summary of observations on the internal control framework

Internal control components and elements	Summary of observations
<p>1. Control environment</p>	<p>The constitution of the SNRS stipulates the broader duties, responsibilities, and functions of the various government organs and their relationship between them, with the federal government, the judiciary, and the regional council. The Public Service Bureau is responsible for ensuring that staffing, pay scheme, career rankings, and overall organizational structures are clearly defined and implemented properly. The Public Service Bureau is responsible for most of the administrative positions at the regional bureau level. Employment and termination of technical staff are decentralized at public bodies' level.</p> <p>The current administration of the regional government is new—just one year old. The region experienced unrest which follows the imprisonment of the previous President of the SRG. Multiple people were arrested in connection with corruption and other criminal charges. There is however a new initiative of change following the change in government. Internal audit is functional in almost all regional public bodies. The Inspection Directorate at BoFED is responsible for guiding and supervising the internal audit functions throughout the region. The Inspection Directorate also conducted a comprehensive payroll audit. ORAG is an independent organ accountable to the regional council. ORAG audit coverage is above 90% at the regional level and it submits the audit report on consolidated fund within three months from receipt of the draft financial statements from BoFED (PI-30). PAC conducts hearing based on the audit report of ORAG (PI-31). REAC, accountable to the regional President, is responsible for awareness creation on ethics and corruption prevention. It has prosecution and investigation departments. REAC planned to conduct asset registration of government executives and selected employees but this is yet to be realized. REAC performance was said to be weak because of unsuitable leadership of the previous government. According to REAC, key areas of corruption in the SNRS are public procurement, land administration, the judiciary system, employing beyond necessity, and 'ghost' workers.</p> <p>Mass-based organizations (also known as civil service organizations) are often invited to attend audit scrutiny by the regional and woreda council; in addition, clan (or community) leaders and elders are invited to attend. Mass-based organizations contribute to the accountability process though some of the members (youth and women organizations) are often said to be affiliated to the ruling political party and may not take a strong stand against the executives.</p> <p>Despite comprehensive legal frameworks, the overall control environment appears to be less effective. The findings of the internal audit units did not reflect the widespread limitation in good governance; this may be due to the fierce resistance against transparency and accountability in the previous political regime. As the detailed audit report is not submitted to the assessment team, it is not possible to tell how the external audit findings were able to reflect the contexts of the last three completed fiscal years. Based on the discussion with REAC, Chamber of Commerce, and Revenue Authority, there is an overall confidence in the governance system of the new government and an increase in tax compliance by the business community.</p>

Internal control components and elements	Summary of observations
2. Risk assessment	<p>Risk assessment is not widely practiced. Organizational-level risk assessment is not conducted at the level of public bodies. Internal audit plans and external audit plans are not based on a comprehensive risk assessment. The risk assessment, if any, is largely focused on risks associated with compliance risks. It appears that the existing outdated internal control procedures are not strong enough in ensuring the efficiency, quality of reporting, and safeguarding of resources. That said, some elements of the risk assessment framework appear to be functional. For instance,</p> <ul style="list-style-type: none"> • PI-11.1 Economic analysis of capital investment proposals is rated 'C'. This indicates average performance as there are no standardized PIM guidelines; • PI-19.2 Revenue risk management is rated 'C'. Average performance as there is no comprehensive revenue risk management framework; the current practice is rudimentary; and • PI-21.2 Cash flow forecasting and monitoring is rated 'A'. This is a good performance, indicating that the government uses cashflow forecasting for efficient cash management.
3. Control activities	<p>The various PFM proclamations, regulations, manuals, directives, and guidelines serve as control activities. Manuals provide guidance on procurement, cash management, budgetary control, payroll, inventory and asset management, the segregation of duties, and other control activities (PI-25 and PI-27.1). Public bodies reconcile bank accounts monthly. The accounting software, IBEX, is password protected. Receivables and payables are reconciled at least once in a year. Ageing analysis is not conducted for receivables and payables. Delay in settlement of advances (especially staff advances) is a recurring issue in some of the public bodies. Fixed assets are registered and most of the visited public bodies conducted annual count. Staff attendance system is in place (either manual or electronic/biometric). Unlike other regions, staff salary is not cut for absenteeism; rather repeated absenteeism leads to dismissal. The performance of some indicators in relation to control activities are as follows:</p> <ul style="list-style-type: none"> • PI-27.4 Financial data integrity process is rated 'B'. This shows satisfactory performance as access and changes to all financial data/records are restricted and results in audit trail but there is no unit responsible for verifying data integrity. • PI-25.2 Effectiveness of expenditure commitment controls is rated 'C'. This reflects average performance as IBEX has a commitment control feature but this is not used; instead, public bodies use Microsoft Excel to control commitment, which is partially effective. • PI-23.2 Management of payroll changes is rated 'A'. This shows good performance as all staff changes such as hiring, termination, and promotion are managed by the HR Directorate and the database is immediately updated with copies of correspondences to the Finance Directorate for payroll updates.
4. Information and communication	<p>All of the PFM proclamations and regulations and most of the manuals are available in Somali language and distributed to public bodies. The websites of all visited public bodies including BoFED and ORAG were functional. Plan and performance reports are accessible from the website. Public bodies submit monthly financial reports to BoFED. The extent of use of monthly and quarterly financial reports by the heads of public bodies is low. BoFED communicates to woredas about their budget ceilings well ahead of time. Public bodies and woredas communicate their annual and quarterly cashflow requirements to BoFED.</p> <p>Public bodies do not produce a consolidated report on the resources (financial and nonfinancial) they received and spent from various sources. Public bodies produce separate reports for donor-funded projects in a format prescribed in the grant agreement entered into with donor partners. Though it is not significant, funds received directly by public bodies (for example, road fund) may not be reported at BoFED level.</p>

Internal control components and elements	Summary of observations
	<p>The annual financial statement issued by BoFED provides comprehensive information on annual approved budgeted revenue and expenditure at the regional, sector bureau, zonal, and woreda levels. Financial reports do not provide information about tangible assets and certain financial assets including investment on public enterprises. Financial reports provide useful analyses on budget executions. The quality of financial reports is a concern. Out of the 179 audited financial reports, 168 received qualified audit opinion. The following are the ratings of some of the performance indicators related to information and communication:</p> <ul style="list-style-type: none"> • PI-9 Public access to fiscal information is rated 'D'. This reflects poor performance as most fiscal information is not accessible to the public in a timely manner. • PI-8.1 Performance plans for service delivery is rated 'C'. This shows average performance as at least 61% by value of public bodies publish their annual performance plans with KPIs. • PI-24.3 Public access to procurement information is rated 'C'. This shows average performance as three of the key procurement information elements (legal framework, bidding opportunities, and contract awards) are complete and made available to the public. • PI-28.1 Coverage and comparability of reports is rated 'A'. This reflects good performance as in-year budget execution reports include revenue and expenditure according to type; they allow direct comparison between approved budget estimates and actual expenditure by detailed economic and administrative classification (for both recurrent and capital expenditure) and source of funds; the reports also show transfers to zones and woredas.
5. Monitoring	<p>The various management performance reports, financial statements, and audit reports serve as a monitoring tool to see whether physical and financial performance targets are achieved and resources are used efficiently and are safeguarded. Internal audit units submit quarterly audit reports to the heads of public bodies. ORAG submits annual audit reports and performance audit reports to the regional council. As indicated in this report, a substantial part of monitoring activities of internal audit units and of ORAG focus on the compliance of existing internal control procedures. Monitoring of nonfinancial assets, investments, and certain financial assets needs improvement. The recurring nature of audit findings is partly attributable to the inefficiency of the internal control procedures in place, which have been in use in the recent past despite the changes within the public bodies in terms of size, the budget involved, and contexts. Performances of some indicators related to monitoring are as follows:</p> <ul style="list-style-type: none"> • PI-8.3 Resources received by service delivery is rated 'D'. This reflects poor performance as IBEX tracks the financial resources transferred to the service delivery units. There is no consolidated report available on non-financial (in-kind) resources received by service delivery units. • PI-10.1 Monitoring of public corporations is rated 'D'. This reflects poor performance as 40.3% by value of public enterprises submitted their annual financial statements to the regional government (BoFED) within nine months after the end of the previous fiscal year EC 2010 (GC FY2017/2018 ending June 30, 2018). • PI-10.3 Contingent liabilities and other fiscal risks is rated 'D'. This shows poor performance as the regional government does not maintain records of explicit contingent liabilities and other fiscal risks arising out of its programs and projects. • PI-12.2 Non-financial asset monitoring is rated 'D'. This shows poor performance as the asset registers maintained by budget units provide information on the age and usage of assets. However, there are no records of government land, buildings, and natural resources.

Annex 3A: Sources of information

Indicator	Dimension	Data used
Pillar I. Budget reliability		
PI-1 Aggregate expenditure outturn	1.1 Aggregate expenditure outturn	Approved expenditure budgets and actual outturns for 2015/2016, 2016/2017, and 2017/2018; interview with BoFED budget officials
PI-2 Expenditure composition outturn	2.1. Expenditure composition outturn by function	Approved expenditure budgets and actual outturns for 2015/2016, 2016/2017, and 2017/2018; classification according to functions; interview with BoFED budget officials
	2.2. Expenditure composition outturn by economic type	Approved budgets and actual outturns for 2015/2016, 2016/2017, and 2017/2018; classification according to economic type; interview with BoFED budget officials
	2.3 Expenditure from contingency reserves	Contingency budget and actual expenditure from contingency vote for 2015/2016, 2016/2017, and 2017/2018
PI-3 Revenue outturn	3.1 Aggregate revenue outturn	Approved revenue budgets and actual outturns for 2015/2016, 2016/2017, and 2017/2018; interview with BoFED budget officials
	3.2 Revenue composition outturn	Approved revenue budgets and actual outturns according to revenue type for 2015/2016, 2016/2017, and 2017/2018; interview with BoFED budget officials
Pillar II. Transparency of public finances		
PI-4 Budget classification	4.1 Budget classification	Budget documentation for 2017/2018; interview with budget officials
PI-5 Budget documentation	5.1 Budget documentation	Budget documentation for 2018/2019 submitted to the regional council; interview with budget officials
PI-6 Central government operations outside financial reports	6.1 Expenditure outside financial reports	There are no EBUs.
	6.2 Revenue outside financial reports	There are no EBUs.
	6.3 Financial reports of extra-budgetary units	There are no EBUs.
PI-7 Transfers to Subnational Governments	7.1 System for allocating transfers	General purpose grants/subsidies distribution formula (EFY 2010) for woredas approved by the regional council
	7.2 Timeliness of information on transfers	Approved budget with ceilings for FY2017/2018
PI-8 Performance information for service delivery	8.1 Performance plans for service delivery	<ul style="list-style-type: none"> • Websites <ul style="list-style-type: none"> ○ https://www.srshb.com ○ www.srswb.gov.et ○ www.reb.gov.et ○ www.srsivestock.gov.et ○ www.srsroadauthority.gov.et ○ www.srbofed.gov.et • Annual performance plans for education, health, agriculture, water, and roads sectors
	8.2 Performance achieved for service delivery	
	8.3 Resources received by service delivery units	
	8.4 Performance evaluation for service delivery	

Indicator	Dimension	Data used
		<ul style="list-style-type: none"> Annual performance reports for education, health, agriculture, water, and roads sectors Education Sector Development Program Health Sector Development Strategy Annual education statistics abstract Education sector development program midterm review report Field visit reports in Education and Health Sectors Quarterly performance review meeting reports in visited public bodies
PI-9 Public access to fiscal information	9.1 Public access to fiscal information	<ul style="list-style-type: none"> Amhara Regional Government website https://www.srshb.com www.srswb.gov.et www.reb.gov.et www.srsivestock.gov.et www.srsroadauthority.gov.et www.srbofed.gov.et
Pillar III. Management of assets and liabilities		
PI-10 Fiscal risk reporting	10.1 Monitoring of public corporations	List of public enterprises and dates of submission of annual financial statements to BoFED
	10.2 Monitoring of subnational government	Annual financial statements from 99 woredas/city administrations and dates of submission of annual financial statements to BoFED for 2017/2018
	10.3 Contingent liabilities and other fiscal risks	Interview with officials of BoFED budget department; consolidated annual financial statements for FY2017/2018
PI-11 Public investment management	11.1 Economic analysis of investment proposals	Interview with officials from the Planning and Budget Directorate of BoFED ; data on 10 largest capital investment projects for FY2017/2018
	11.2 Investment project selection	Interview with officials from the Planning and Budget Directorate of BoFED
	11.3 Investment project costing	Project documents on 10 largest investments for FY2017/2018
	11.4 Investment project monitoring	Progress and project completion report from Budget and Planning Commission of BoFED
PI-12 Public asset management	12.1 Financial asset monitoring	Consolidated annual financial statements for 2017/2018
	12.2 Nonfinancial asset monitoring	Individual fixed assets register (decentralized) from sample regional sector bureaus (education, health, agriculture, urban development, and water and irrigation)
	12.3 Transparency of asset disposal	Article 59 of the Somali Regional State Government Procurement and Property Administration Proclamation No. 82/2010 and Directive No. 1/2010; there were no disposals.

Indicator	Dimension	Data used
PI-13 Debt management	13.1 Recording and reporting of debt and guarantees	Not applicable
	13.2 Approval of debt and guarantees	No guidelines on borrowing
	13.3 Debt management strategy	Not applicable
Pillar IV. Policy-based fiscal strategy and budgeting		
PI-14 Macroeconomic and fiscal forecasting	14.1 Macroeconomic forecasts	Medium-term regional strategic plan (GTP II 2016/2017–2020/21) and MEFF document
	14.2 Fiscal forecasts	Medium-term regional strategic plan (GTP II 2016/2017–2020/21) and MEFF document
	14.3 Macro-fiscal sensitivity analysis	Scenario analysis for 2017/2018 contained in MEFF
PI-15 Fiscal strategy	15.1 Fiscal impact of policy proposals	No fiscal strategy but annual budget and MTEF provides some explanation
	15.2 Fiscal strategy adoption	No fiscal strategy
	15.3 Reporting on fiscal outcomes	No fiscal strategy
PI-16 Medium-term perspective in expenditure budgeting	16.1 Medium-term expenditure estimates	Budget documentation for 2018/2019
	16.2 Medium-term expenditure ceilings	Budget documentation for 2018/2019
	16.3 Alignment of strategic plans and medium-term budgets	Analysis of 5 pro-poor sectors (education, health, water and irrigation, urban construction, and agriculture)
	16.4 Consistency of budgets with previous year's estimates	MTEF
PI-17 Budget preparation process	17.1 Budget calendar	Budget calendar for 2018/2019, including the dates sectors responded to the BCC
	17.2 Guidance on budget preparation	BCC for 2018/2019
	17.3 Budget submission to the legislature	Dates that budgets (2015/2016, 2016/2017, and 2017/2018) were submitted to the regional council
PI-18 Legislative scrutiny of budgets	18.1 Scope of budget scrutiny	Order No. 18/2010 (A Proclamation Enacted to Redefine Organizations, Duties, Conduct of the Members and Meeting Procedures of the regional council); includes interview with regional council budget and finance committee
	18.2 Legislative procedures for budget scrutiny	Order No. 18/2010 (A Proclamation Enacted to Redefine Organizations, Duties, Conduct of the Members and Meeting Procedures of the regional council); includes interview with regional council budget and finance committee
	18.3 Timing of budget approval	Budget approval dates for 2015/2016, 2016/2017, and 2018/2019
	18.4 Rules for budget adjustments by the executive	Financial Administration Proclamation (110/2012)
Pillar V. Predictability and control in budget execution		
PI-19 Revenue administration	19.1 Rights and obligations for revenue measures	Somali tax laws, sample tax leaflets, Revenue Bureau website; interviews with Revenue Bureau officials
	19.2 Revenue risk management	Interview with Revenue Bureau officials

Indicator	Dimension	Data used
	19.3 Revenue audit and investigation	Tax audit plan and actual performance for 2017/2018
	19.4 Revenue arrears monitoring	Tax arrears for 2017/2018
PI-20 Accounting for revenue	20.1 Information on revenue collections	Monthly revenue reports submitted to BoFED; most recent report dated October 2019
	20.2 Transfer of revenue collections	Daily bank transfer advice; confirmation from BoFED Treasury
	20.3 Revenue accounts reconciliation	Copy of 2017/2018 revenue reconciliation statement (only between collection and transfer)
PI-21 Predictability of in-year resource allocation	21.1 Consolidation of cash balances	Interview with BoFED Treasury; copy of consolidation report for November 15, 2019
	21.2 Cash forecasting and monitoring	Sample cash flow forecasts from education, health, water, and agriculture; includes consolidated cash flow forecast from BoFED
	21.3 Information on commitment ceilings	Copy of drawing limit 2017/2018
	21.4 Significance of in-year budget adjustments	Interview with Budget Directorate of BoFED; list and volume of virements for 2017/2018
PI-22 Expenditure arrears	22.1 Stock of expenditure arrears	Expenditure arrears for 2015/2016, 2016/2017, and 2017/2018
	22.2 Expenditure arrears monitoring	Copy of consolidated quarterly in-year budget execution report, including statement of age-profiled expenditure arrears according to type
PI-23 Payroll controls	23.1 Integration of payroll and personnel records	Sample personnel records from education, agriculture, water, health, and BoFED; includes interviews with HR and Payroll Directorates of selected sector bureaus
	23.2 Management of payroll changes	A copy of October 2019 payroll run from BoFED and selected sector bureaus
	23.3 Internal control of payroll	Interview with HR heads of sector bureaus
	23.4 Payroll audit	Interview with HR heads of sector bureaus, ORAG, and internal audit units
PI-24 Procurement management	24.1 Procurement monitoring	Data/statistics on procurement for 2017/2018 at PPADD. Database of procurement for the (a) Education Bureau, (b) Agriculture Bureau, (c) Water Bureau, (d) Road Authority, and (e) Health Bureau.
	24.2 Procurement methods	Data/statistics on procurement for 2017/2018
	24.3 Public access to procurement information	BoFED website
	24.4 Procurement complaints management	Article 52 of the Somali Regional State Government Procurement and Property Administration Proclamation No. 82/2010 and Directive No. 1/2010; there were no disposals
PI-25 Internal controls on non-salary expenditure	25.1 Segregation of duties	<ul style="list-style-type: none"> • Proclamation and manuals <ul style="list-style-type: none"> ○ Procurement Manual (2011) ○ Procurement Directive (2010)
	25.2 Effectiveness of expenditure commitment controls	
	25.3 Compliance with payment rules and procedures	The following are compiled in one booklet in July 2011 <ul style="list-style-type: none"> ○ Prices for Goods and Services (2/2004) ○ Property Administration Manual (9/2004)

Indicator	Dimension	Data used
		<ul style="list-style-type: none"> ○ Government Fixed Asset Manual (2011) ○ Stock Management Manual (2011) ○ Financial Administration Directive (2/2004) ○ Cash Disbursement Manual (3/2004) ○ Accounting Procedure (5/2004) ○ Financial Accountability (6/2004) ○ Internal Audit Guidelines (7/2004) and Internal Audit Manual ○ Guideline for Guarantor for Employment (11/2004) ○ Transfer between public bodies directive (10/2004) ● Internal audit reports ● ORAG reports <p>Interview with ORAG, Inspection Directorate, internal audit units, and finance team of visited public bodies</p>
PI-26 Internal audit	26.1 Coverage of internal audit 26.2 Nature of audits and standards applied 26.3 Implementation of internal audits and reporting 26.4 Response to internal audits	<ul style="list-style-type: none"> ● Interview with internal audit units and Inspection Directorate ● Financial Administration Proclamation (110/2012) and Regulations (11/2012) ● Internal audit reports and internal audit annual plans and sample management response letters on internal audit findings <ul style="list-style-type: none"> ○ Bureau of Education ○ Bureau of Agriculture ○ Bureau of Transport ○ Audit plan and performance summary - issued by Inspection Directorate ○ Summary of internal audit findings and implementation status - issued by Inspection Directorate ○ Audit Coverage report by Inspection Directorate ○ Manuals ● Audit report preparation manual - 2016 /internal audit report writing procedure 2012 ● Internal audit standards - 2016 <p>Financial audit training manual - 2007</p>
Pillar VI. Accounting and reporting		
PI-27 Financial data integrity	27.1 Bank account reconciliation 27.2 Suspense accounts 27.3 Advance accounts 27.4 Financial data integrity processes	<ul style="list-style-type: none"> ● Financial Administration Proclamation (110/2012) and Regulations (11/2012) ● Interview with Treasury Directorate at BoFED ● Internal audit ● IBEX/IT Directorate ● Sample financial report and bank reconciliation statements of visited public bodies

Indicator	Dimension	Data used
PI-28 In-year budget reports	28.1 Coverage and comparability of reports	<ul style="list-style-type: none"> Treasury at BoFED Monthly Budget Execution Reports generated by IBEX system Annual Consolidated Financial Reports for EC 2008–2010. Sample in-year financial reports of visited public bodies BoFED website: www.srbofed.gov.et
	28.2 Timing of in-year budget reports	
	28.3 Accuracy of in-year budget reports	
PI-29 Annual financial reports	29.1 Completeness of annual financial reports	2017/2018 consolidated annual financial statements
	29.2 Submission of the reports for external audit	Dates of submission of 2017/2018 consolidated annual financial statements to ORAG
	29.3 Accounting standards	Review of consistency of accounting standards for 2015/2016, 2016/2017, and 2017/2018 consolidated annual financial statements
Pillar VII. External scrutiny and audit		
PI-30 External audit	30.1 Audit coverage and standards	<ul style="list-style-type: none"> ORAG website: https://srsbag.gov.et/ Standards and manuals <ul style="list-style-type: none"> Manuals and standards The ISSAI standards/AFROSAI manuals (2010) Audit Standard (internally developed) Fraud Audit manual The Mexico declaration on independence Laws and regulations <ul style="list-style-type: none"> Constitution of SNRS 1994 Proclamation No. 2182/2019 on the reestablishment of ORAG Annual audit report on the consolidated fund submitted by BoFED <ul style="list-style-type: none"> EFY 2010 (2017/2018) EFY 2009 (2016/2017) EFY 2008 (2015/2016) Summary note on the performance of ORAG
	30.2 Submission of audit reports to the legislature	
	30.3 External audit follow-up	
	30.4 Supreme Audit Institution independence	
PI-31 Legislative scrutiny of audit reports	31.1 Timing of audit report scrutiny	Dates PAC received and reviewed ORAG audit reports
	31.2 Hearings on audit findings	Interview with PAC members
	31.3 Recommendations on audit by the legislature	Annual PAC reports
	31.4 Transparency of legislative scrutiny of audit reports	Interview with PAC members

Other references used for this report

- GFS Manual 2014, chapter 2, section 2.82 - definition of 'extra-budgetary units'
- Official federal government economic data for 2016/2017
- 2018 IMF Debt Sustainability Analysis for Ethiopia Federal Government

Annex 3B: List of stakeholders interviewed

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Somali Bureau of Finance and Economic Development				
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Annex 4: Tracking change in performance based on the 2011 PEFA Framework

Indicator/Dimension	Score previous assessment (2015)	Score current assessment (2018)	Description of requirements met in current assessment	Explanation of change (include comparability issues)
A. PFM-OUT-TURNS: Credibility of the budget				
HLG-1 Transfers from a higher-level government	A	B+		Not comparable; dimension (ii) in 2015 was NA
(i) Outturn of transfer from higher-level government	A	A	Actual transfers of federal government subsidies were 100.5%, 100.3%, and 100.2% in 2015/2016, 2016/2017, and 2017/2018 respectively; these reflect deviations of -0.5% in 2015/2016, -0.3% in 2016/2017, and -0.2% in 2017/2018.	No change
(ii) Earmarked grants outturn	NA	B	Transfers of earmarked grants deviated by more than 10% in one out of the three years under review. Actual deviations were 0.0% in 2015/2016, 12.7% in 2016/2017, and 0.0% in 2017/2018.	Not comparable as 2015 was NA (not applicable)
(iii) Timeliness of transfer from higher-level government	A	A	Actual disbursements of both recurrent and capital grants have been evenly spread within each of the last three years under review. These disbursements were done monthly.	No change
PI-1 Aggregate expenditure outturn compared to original approved budget	B	A	Actual expenditure outturns were 98.4%, 114.5%, and 102.3% in 2015/2016, 2016/2017, and 2017/2018, respectively.	Improvement in both score and performance
PI-2 Composition of expenditure out-turn compared to original approved budget	C+	D+		Overall deterioration in score and performance due to slippages in both dimension (i) and (ii)
(i) Extent of the variance in expenditure composition during the	C	D	Variance in expenditure composition exceeded 15% in two of the	Deterioration in both score and performance due to

Indicator/Dimension	Score previous assessment (2015)	Score current assessment (2018)	Description of requirements met in current assessment	Explanation of change (include comparability issues)
last three years, excluding contingency items			assessed years (actual variances were 12.2%, 16.5%, and 20.8% in 2015/2016, 2016/2017, and 2017/2018, respectively).	supplementary budgets and massive budget reallocations
(ii) The average amount of expenditure actually charged to the contingency vote over the last three years.	A	C	Expenditure charged to contingency reserves for the last three years averaged 8.2% of the total expenditure.	Slippage in both score and performance
PI-3 Aggregate revenue out-turn compared to original approved budget	B	D	The actual revenue outturn was below 92% and above 116% in two of the assessed years.	Deterioration in both score and performance
PI-4 Stock and monitoring of expenditure payment arrears	B+	A		Improvement in score and performance
(i) Stock of expenditure payment arrears and a recent change in the stock	A	A	Stock of expenditure arrears is below 2% of total regional government expenditure.	No change
(ii) Availability of data for monitoring the stock of expenditure payment arrears	B	A	BoFED only consolidates the stock and composition of expenditure arrears quarterly and age annually at the end of the fiscal year.	Improvement in score and performance
B. KEY CROSS-CUTTING ISSUES: Comprehensiveness and transparency				
PI-5 Classification of the budget	B	B	Budget formulation, execution, and reporting are based on administrative, economic, and functional classification using GFS/COFOG standards. This classification is the same as that of the federal government except for some functions such as defense that are not applicable at the regional government level.	No change
PI-6 Comprehensiveness of information included in budget documentation	C	B	Budget documentation contains at least five elements according to old (2011) PEFA framework.	Improvement in both score and performance

Indicator/Dimension	Score previous assessment (2015)	Score current assessment (2018)	Description of requirements met in current assessment	Explanation of change (include comparability issues)
PI-7 Extent of unreported government operations	D+	D+		No change
(i) Level of unreported government operations	A	A	The level of unreported government operations (the road fund) is less than 1% of total regional government expenditures.	No change
(ii) Income/expenditure information on donor-funded projects	D↑	D	Information on donor-funded project is seriously deficient	No change
PI-8 Transparency of inter-governmental fiscal relations	A	A		No change
(i) Transparency and objectivity in the horizontal allocation among subnational governments	A	A	The horizontal allocation of all transfers to woredas and city administrations is determined by transparent and rule-based system. All transfers are 100% compliant with the approved grant distribution formula.	No change
(ii) Timeliness and reliable information to subnational governments on their allocations	A	A	BoFED notifies woredas/city administrations and sector bureaus on the initial ceiling in March (as per its budget calendar), which allows them at least 8 weeks to prepare their budget estimates.	No change
(iii) Extent of consolidation of fiscal data for general government according to sectoral categories	A	A	BoFED prepares a consolidated fiscal report for all woredas/city administrations within 10 months of the end of the fiscal year.	No change
PI-9 Oversight of aggregate fiscal risk from other public sector entities	A	C+		No real change; dimension (i) in 2015 appears to be overrated
(i) Extent of central government monitoring of autonomous entities and public enterprises	A	C	Most public enterprises submit annual financial reports to BoFED but there is no consolidated fiscal risk report.	No real change; 2015 appears to be overrated based on the narrative provided. 2015 score should have

Indicator/Dimension	Score previous assessment (2015)	Score current assessment (2018)	Description of requirements met in current assessment	Explanation of change (include comparability issues)
				been 'C' instead of 'A'.
(ii) Extent of central government monitoring of subnational government's fiscal position	A	A	Woredas/city administrations do not generate fiscal risk since they have no borrowing powers.	No change
PI-10 Public access to key fiscal information	C	C	The government makes available to the public two (year-end financial reports and contract awards) out of the six PEFA elements within the specified time frame.	No change
C. BUDGET CYCLE				
C(i) Policy-based budgeting				
PI-11 Orderliness and participation in the annual budget process	A	A		No change
(i) Existence of, and adherence to, a fixed budget calendar	A	A	A clear annual budget calendar exists (which is generally adhered to) and allows the BIs more than six weeks to complete their detailed budget estimates.	No change
(ii) Guidance on the preparation of budget submissions	A	A	Clear and comprehensive budget circular is issued to BIs with approved budget ceilings, before its distribution to BIs.	No change
(iii) Timely budget approval by the legislature	A	A	The regional council approved the budget before the start of the fiscal year in the three assessed years	No change
PI-12 Multi-year perspective in fiscal planning, expenditure policy and budgeting	D+	C+		Improvement in both score and performance due to improvement in dimensions (iii) and (iv)
(i) Multiyear fiscal forecasts and functional allocations	D	D	The SRG prepares an MTEF, that is, estimates of expenditure for the budget year and the two following years according to administrative classification only.	No change in score but there is improvement in performance. MTEF is now prepared but according to administrative classification only;

Indicator/Dimension	Score previous assessment (2015)	Score current assessment (2018)	Description of requirements met in current assessment	Explanation of change (include comparability issues)
				this was not the case in 2015.
(ii) Scope and frequency of debt sustainability analysis	NA	NA	Not applicable	No change
(iii) Existence of costed sector strategies	C	B	At least 71% by value of sector strategies are fully costed.	Improvement in both score and performance
(iv) Linkages between investment budgets and forward expenditure estimates	C	B	Majority of government investments are selected based on sector strategies with recurrent cost implications included in forward budget estimates.	Improvement in both score and performance
C(ii) Predictability and control in budget execution				
PI-13 Transparency of taxpayer obligations and liabilities	B+	A		Overall improvement due to improvement in dimension (iii)
(i) Clarity and comprehensiveness of tax liabilities	B	B	There is clear legislation and procedures for all major taxpayers. Discretionary powers are fairly limited.	No change in score; however, the revenue bureau (hitherto was an authority) has been elevated to a budget entity with more powers.
(ii) Taxpayer access to information on tax liabilities and administrative procedures	A	A	Taxpayers have user-friendly and easy access to information on tax obligations; there are tax education campaigns.	No change
(iii) Existence and functioning of a tax appeal mechanism	B	A	A tax appeal system exists with independent structure; it is operational and effective with most filed claims being resolved.	Improvement in both score and performance. The tax appeal mechanism is more effective with more claims resolved and decisions acted upon.
PI-14 Effectiveness of measures for taxpayer registration and tax assessment	B	B		No change
(i) Controls in the taxpayer registration system	B	B	All taxpayers are registered in a database with links to SIGTAS and the financial system	No change

Indicator/Dimension	Score previous assessment (2015)	Score current assessment (2018)	Description of requirements met in current assessment	Explanation of change (include comparability issues)
			(opening of bank accounts).	
(ii) Effectiveness of penalties for noncompliance with registration and declaration obligations	B	B	There are penalties for noncompliance of tax obligations and they are generally effective but not consistently applied.	No change
(iii) Planning and monitoring of tax audit and fraud investigation programs	C	C	There are tax audit programs but not based on a documented risk assessment framework.	No change
PI-15 Effectiveness in collection of tax payments	D+	D+		No change
(i) Collection ratio for gross tax arrears	A	A	The total amount of tax arrears is insignificant, less than 1%.	No change
(ii) Effectiveness of transfer of tax collections to the Treasury by the revenue administration	B	A	All collected government revenues are transferred directly into TSA controlled by the Treasury within 24 hours.	Improvement due to daily transfer; in 2015, transfers were weekly.
(iii) Frequency of complete accounts reconciliation between tax assessments, collections, arrears records, and receipts by the Treasury	D	D	Complete accounts reconciliation of tax assessments, collections, arrears, and transfers to the Treasury does not take place. The only reconciliation that takes place is between collections and transfers.	No change
PI-16 Predictability in the availability of funds for commitment of expenditures	A	A		No change
(i) Extent to which cash flows are forecasted and monitored	A	A	Annual cashflow plans are updated monthly based on actual cash inflows and outflows.	No change
(ii) Reliability and horizon of periodic in-year information to MDAs ¹⁵ on ceilings for expenditure	A	A	Based on the budget notification letter, the BIs are able to plan and commit expenditure for at least six months in advance.	No change
(iii) Frequency and transparency of adjustments to budget allocations above the	A	A	In-year adjustment to budget allocations took place only once and were	No change

¹⁵ Ministries, departments, and agencies.

Indicator/Dimension	Score previous assessment (2015)	Score current assessment (2018)	Description of requirements met in current assessment	Explanation of change (include comparability issues)
level of management of MDAs			done in a transparent and predictable way.	
PI-17 Recording and management of cash balances, debt, and guarantees	B	A		Improvement in both score and performance due to improvement in dimension (ii)
(i) Quality of debt data recording and reporting	NA	NA	Not applicable	No change
(ii) Extent of consolidation of the government's cash balances	B	A	Table 3.20 presents the cash position as of November 22, 2019 and only the TSA (Z account) which represents 95.3% by value is consolidated daily.	Improvement in both score and performance
(iii) Systems for contracting loans and issuance of guarantees	NA	NA	Not applicable	No change
PI-18 Effectiveness of payroll controls	C+	C+		No change in overall score
(i) Degree of integration and reconciliation between personnel records and payroll data	B	B	Though there is no direct link between personnel and payroll records, the payroll is fully supported by approved documentation for all changes and cross-checked against the previous month's payroll records.	No change
(ii) Timeliness of changes to personnel records and the payroll	A	A	Retroactive adjustments are rare. Also, all changes (where they occur) are done within the same month, generally in time for payment of the following month's salaries.	No change
(iii) Internal controls of changes to personnel records and the payroll	A	C	Sufficient controls exist to ensure the integrity of payroll data but the incidence of 'ghost' workers raises doubt about the adequacy of these controls.	There is deterioration in both score and performance.
(iv) Existence of payroll audits to identify control	C	B	A comprehensive payroll audit covering all SNG entities was conducted	Improvement in both score and performance

Indicator/Dimension	Score previous assessment (2015)	Score current assessment (2018)	Description of requirements met in current assessment	Explanation of change (include comparability issues)
weaknesses and/or ghost workers			for the period July 2016 to June 2018 with the final report issued in July 2019.	
PI-19 Competition, value for money and controls in procurement	C+	C+		No change in overall score in spite of deterioration in dimension (ii)
(i) Transparency, comprehensiveness and competition in the legal and regulatory framework	B	B	Requirements 5 and 6, being (v) public access to procurement plans and statistics on resolution of procurement complaints and (vi) independent procurement review board, are still not met.	No change
(ii) Use of competitive procurement methods	A	B	87% (not all) of the total value of contracts were awarded through competitive methods.	Deterioration. More than 90% were the procured contracts in 2015 assessment. They are less than 90% in 2019.
(iii) Public access to complete, reliable, and timely procurement information	C	C	Two of the required items are met, namely bidding opportunities and contract awards, and are available to the public.	No change
(iv) Existence of an independent administrative procurement complaints system	D	D	Requirement (ii) is not met; the procurement appeal board consists of members from the regional government who are directly involved in procurement transactions.	No change
PI-20 Effectiveness of internal controls for non-salary expenditure	B	C+		No real change in overall score. Dimension (i) in 2015 appears to be overrated. There is however improvement in dimension (iii).
(i) Effectiveness of expenditure commitment controls	B	C	IBEX has a commitment control feature but this is not used; instead, public bodies use Microsoft Excel to control	No real change; the narrative provided in 2015 suggests a score of 'C' rather than a 'B'. Therefore, this

Indicator/Dimension	Score previous assessment (2015)	Score current assessment (2018)	Description of requirements met in current assessment	Explanation of change (include comparability issues)
			commitment, which may not be effective.	dimension appears to be overrated.
(ii) Comprehensiveness, relevance and understanding of other internal control rules/procedures	B	B	Internal control rules and procedures incorporate a comprehensive set of controls which are widely understood.	No performance change
(iii) Degree of compliance with rules for processing and recording transactions	B	A	Compliance to PFM rules is very high; based on available evidence, only 4.4% by value of simplified procedure are unjustified, which is insignificant.	Improvement in both score and performance
PI-21 Effectiveness of internal audit	B	C+		No real change; both dimensions (i) and (ii) appear to be overrated in 2015
(i) Coverage and quality of the internal audit function	B	C	Internal audit is operational in all central regional entities which covered more than 99% of the expenditure; however, only about 20% of the time is focused on systemic issues.	No real change. It appears 2015 was overrated based on the narrative provided.
(ii) Frequency and distribution of reports	B	C	Reports are issued quarterly. Audit reports are not submitted routinely to ORAG but are available on request.	No real change as the same system still exists. It appears 2015 was overrated.
(iii) Extent of management response to internal audit function	B	B	Prompt and comprehensive action is taken by most management.	No performance change
C(iii) Accounting, recording and reporting				
PI-22 Timeliness and regularity of accounts reconciliation	B	B		No change
(i) Regularity of bank reconciliation	A	A	Bank reconciliation for all regional government bank accounts take place at least monthly within three weeks from the end of each month.	No change

Indicator/Dimension	Score previous assessment (2015)	Score current assessment (2018)	Description of requirements met in current assessment	Explanation of change (include comparability issues)
(ii) Regularity and clearance of suspense accounts and advances	C	C	Suspense and advance accounts are generally reconciled at the end of the financial year within two months but there are still significant uncleared (outstanding) balances.	No change
PI-23 Availability of information on resources received by service delivery units	C	C	Though there is no consolidated report available on nonfinancial (in-kind) resources received by service delivery units, individual primary service delivery units track and prepare their own reports on resources received in kind.	No change
PI-24 Quality and timeliness of in-year budget reports	C+	C+		No change in overall score even though dimension (iii) in 2015 appears to be overrated
(i) Scope of reports in terms of coverage and compatibility with budget estimates	C	C	Classification of data allows direct comparison to the original budget; expenditures are captured at payment stage only.	No change
(ii) Timeliness of the issue of reports	A	A	Reports are prepared quarterly and issued within one month after the end of the quarter.	No change
(iii) Quality of information	B	C	There are some concerns on the quality of reports, which may not always be highlighted but do not fundamentally undermine their basic usefulness.	No real change; 2015 appears to be overrated. The 2015 narrative is silent on whether data concerns are highlighted, which is one of the requirements for a 'B' score.
PI-25 Quality and timeliness of annual financial statements	C+	C+		No change
(i) Completeness of the financial statements	B	B	Financial statements are prepared annually. They include information on revenue, expenditure,	No change

Indicator/Dimension	Score previous assessment (2015)	Score current assessment (2018)	Description of requirements met in current assessment	Explanation of change (include comparability issues)
			and some financial assets (cash and receivables) and liabilities.	
(ii) Timeliness of submissions of the financial statements	A	A	Financial reports are submitted to ORAG within four months from the end of the fiscal year.	No change
(iii) Accounting standards used	C	C	Financial statements are presented in consistent format over time based on national standards.	No change
C(iv) External scrutiny and audit				
PI-26 Scope, nature, and follow-up of external audit	C+	B+		Improvement in overall score and performance due to improvements in dimensions (i) and (iii)
(i) Scope/nature of audit performed (including adherence to auditing standards)	C	B	At least 90% by value is audited by ORAG. The audits largely focus on financial and compliance but also with some systemic issues.	Improvement in both score and performance
(ii) Timeliness of submission of audit reports to the Legislature	A	A	Audit reports were submitted to the regional council within three months from receipt of the financial reports from BoFED.	No change
(iii) Evidence of follow up on audit recommendations	C	B	There is a formal response to most audit findings but there is little evidence of systematic follow-up.	Improvement in both score and performance. ORAG collected 'Rectification plan' from audited entities.
PI-27 Legislative scrutiny of the annual budget law	C+	B+		Improvement in both score and performance due to improvement in dimensions (i) and (iii)
(i) Scope of the legislature scrutiny	C	B	The regional council's budget review covers both detailed estimates of revenue and expenditure for the	Improvement in both score and performance

Indicator/Dimension	Score previous assessment (2015)	Score current assessment (2018)	Description of requirements met in current assessment	Explanation of change (include comparability issues)
			budget year as well as macro-fiscal policies.	
(ii) Extent to which the legislature's procedures are well established and respected	B	B	Rules for review of budget estimates are simple and clear; they are well respected.	No change
(iii) Adequacy of time for the legislature to provide a response to budget proposals both the detailed estimates and, where applicable, for proposals on macro-fiscal aggregates earlier in the budget preparation cycle (time allowed in practice for all stages combined)	C	A	The regional council has two months (all stages combined) to review and approve the annual budget.	Improvement in both score and performance
(iv) Rules for in-year amendments to the budget without ex ante approval by the legislature	B	B	Rules for in-year budget reallocations are clear but have no limit and therefore allow extensive budget reallocations.	No change
PI-28 Legislative scrutiny of external audit reports	B+	C+		No real change; dimension (iii) in 2015 appears to be overrated
(i) Timeliness of examination of audit reports by the legislature	A	A	Scrutiny of the audit report is done within one month from the receipt of the audit report.	No change
(ii) Extent of hearing on key findings undertaken by the legislature	B	A	In-depth hearing on key findings is held for all audited entities which received qualified or adverse audit opinion.	Improvement in both score and performance
(iii) Issuance of recommended actions by the legislature and implementation by the executive	B	C	PAC provides recommendations but these are rarely acted upon by the executive.	No real change. The narrative in 2015 does not support a 'B' score.
D-1 Predictability of direct budget support	NA	NA	Not applicable	No change
(i) Annual deviation of actual budget support from forecast	NA	NA	Not applicable	No change
(ii) In-year timeliness of donor disbursements	NA	NA	Not applicable	No change
D-2 Financial information provided by donors for budgeting and reporting	D+	NU	Deemed not relevant	Not comparable

Indicator/Dimension	Score previous assessment (2015)	Score current assessment (2018)	Description of requirements met in current assessment	Explanation of change (include comparability issues)
on projects and programs				
(i) Completeness and timeliness of budget estimates by donor for project support	C	NU	Deemed not relevant	Not comparable
(ii) Frequency and coverage of reporting by donors on actual flows for project support	D	NU	Deemed not relevant	Not comparable
D-3 Proportion of aid that is managed by use of national procedures	C	NU	Deemed not relevant	Not comparable

Annex 5: Data used for scoring PI-1, 2, and 3 (2016 methodology)

Analysis for PI-1:

Fiscal years for assessment

Year 1 =	EC 2008 (GC 2015/2016)
Year 2 =	EC 2009 (GC 2016/2017)
Year 3 =	EC 2010 (GC 2017/2018)

Data for year = EC 2008 (2015/2016)

Administrative or functional head	Budget	Actual	Adjusted budget	Deviation	Absolute deviation	Percent
Organ of State	488,509	532,315	478,308.5	54,006.0	54,006.0	11.3
Justice and Security	468,609	478,570	458,824.7	19,745.5	19,745.5	4.3
Defence	2,380	2,756	2,330.2	425.4	425.4	18.3
Security Affairs Coordination	1,080,561	1,162,930	1,057,998.6	104,931.5	104,931.5	9.9
General Service	422,999	514,521	414,167.1	100,353.7	100,353.7	24.2
Agriculture and Natural Resources	1,389,610	1,205,994	1,360,595.2	-154,601.4	154,601.4	11.4
Water Resources	1,082,780	1,045,090	1,060,171.4	-15,081.6	15,081.6	1.4
Trade and Industry	48,958	58,753	47,936.2	10,816.6	10,816.6	22.6
Construction	851,962	947,852	834,172.6	113,679.5	113,679.5	13.6
Education	1,355,779	1,388,122	1,327,470.1	60,651.7	60,651.7	4.6
Culture and Sport	43,686	47,820	42,774.0	5,045.8	5,045.8	11.8
Health	779,523	700,586	763,246.7	-62,660.6	62,660.6	8.2
Labour and Social Affairs	6,320	6,519	6,187.9	331.1	331.1	5.4
Prevention and Rehabilitation	38,603	41,994	37,796.5	4,197.4	4,197.4	11.1
City Service	141,945	134,093	138,981.4	-4,888.6	4,888.6	3.5
Other		270,000	0.0	270,000.0	270,000.0	#DIV/0!
allocated expenditure	8,202,225	8,030,961	8,030,960.8	506,952.0	981,416.3	
interests	0	0				
contingency	301,217	506,952				
total expenditure	8,503,441	8,537,913				
aggregate outturn (PI-1)						100.4
composition (PI-2) variance						12.2

Administrative or functional head	Budget	Actual	Adjusted budget	Deviation	Absolute deviation	Percent
contingency share of budget						6.0

Data for year = EC 2009 (2016/2017)

Administrative or functional head	Budget	Actual	Adjusted budget	Deviation	Absolute deviation	Percent
Organ of State	621,862	710,837	639,597.5	71,239.5	71,239.5	11.14
Justice and Security	466,498	458,540	479,802.7	-21,262.9	21,262.9	4.43
Defence	2,819	3,123.41	2,899.2	224.2	224.2	7.73
Security Affairs Coordination	1,274,250	1,417,414	1,310,592.2	106,822.1	106,822.1	8.15
General Service	633,844	836,625	651,921.3	184,703.4	184,703.4	28.33
Agriculture and Natural Resources	2,046,102	1,978,057	2,104,457.5	-126,400.7	126,400.7	6.01
Water Resources	816,059	1,344,424	839,333.6	505,089.9	505,089.9	60.18
Trade and Industry	69,416	61,273	71,395.6	-10,122.5	10,122.5	14.18
Construction	794,952	1,104,299	817,624.0	286,674.7	286,674.7	35.06
Education	1,564,474	1,830,595	1,609,093.3	221,501.7	221,501.7	13.77
Culture and Sport	367,952	346,814	378,445.8	-31,632.0	31,632.0	8.36
Health	863,461	852,248	888,087.1	-35,839.1	35,839.1	4.04
Labour and Social Affairs	6,923	8,005	7,120.3	884.5	884.5	12.42
Prevention and Rehabilitation	46,740	58,159	48,073.5	10,085.5	10,085.5	20.98
City Service	142,638	114,237	146,705.7	-32,468.3	32,468.3	22.13
Other			0.0	0.0	0.0	#DIV/0!
allocated expenditure	9,717,987	9,995,149	9,995,149	1,129,500	1,644,951	
interests	0	0				
contingency	501,000	1,129,500				
total expenditure	10,218,987	11,124,649				
aggregate outturn (PI-1)						108.9
composition (PI-2) variance						16.5
contingency share of budget						11.1

Data for year = EC 2010 (2017/2018)

Administrative or functional head	Budget	Actual	Adjusted budget	Deviation	Absolute deviation	Percent
Organ of State	567,239	741,634	546,537.2	195,097.0	195,097.0	35.70

Administrative or functional head	Budget	Actual	Adjusted budget	Deviation	Absolute deviation	Percent
Justice and Security	523,494	550,337	504,388.4	45,948.3	45,948.3	9.11
Defence	3,923	4,096	3,779.7	316.3	316.3	8.37
Security Affairs Coordination	1,736,503	1,911,676	1,673,126.4	238,549.6	238,549.6	14.26
General Service	891,531	1,123,145	858,993.5	264,151.1	264,151.1	30.75
Science and Technology Bureau	0	1,454	0.0	1,454.2	1,454.2	#DIV/0!
Agriculture and Natural Resources	4,010,691	3,123,174	3,864,314.4	-741,140.5	741,140.5	19.18
Water Resources	1,819,071	2,009,461	1,752,680.8	256,779.9	256,779.9	14.65
Trade and Industry	107,008	103,800	103,102.7	696.8	696.8	0.68
Construction	1,538,937	2,083,687	1,482,771.0	600,915.8	600,915.8	40.53
Education	1,567,570	1,618,644	1,510,358.7	108,285.1	108,285.1	7.17
Culture and Sport	422,102	94,596	406,696.5	-312,100.0	312,100.0	76.74
Health	972,318	1,035,670	936,831.5	98,838.2	98,838.2	10.55
Labour and Social Affairs	17,030	21,868	16,408.6	5,459.8	5,459.8	33.27
Prevention and Rehabilitation	46,636	83,415	44,933.6	38,480.9	38,480.9	85.64
City Service	281,378	268,376	271,108.8	-2,732.7	2,732.7	1.01
Other			0.0	0.0	0	#DIV/0!
allocated expenditure	14,505,430	13,976,032	13,976,031.9	799,000.0	2,910,946.2	
interests	0	0				
contingency	800,000	799,000				
total expenditure	15,305,430	14,775,032				
aggregate outturn (PI-1)						96.5
composition (PI-2) variance						20.8
contingency share of budget						5.2

Results matrix

Year	For PI-1.1	For PI-2.1	For PI-2.3
	Total expenditure outturn	Composition variance	Contingency share
EC 2008 (2015/2016)	100.4%	12.2%	
EC 2009 (2016/2017)	108.9%	16.5%	7.4%
EC 2010 (2017/2018)	96.5%	20.8%	

Analysis for PI-2

Data for year = EC 2008 (2015/2016)

Economic head	Budget	Actual	Adjusted budget	Deviation	Absolute deviation	Percent
Compensation of employees	2,560,589,276	2,436,537,536	2,570,969,429	-134,431,893	134,431,893	0
Use of goods and services	1,844,840,420	1,880,776,669	1,852,319,060	28,457,608	28,457,608	0
Consumption of fixed capital	3,552,013,145	3,511,972,332	3,566,412,347	-54,440,014	54,440,014	0
Interest	0	0	0	0	0	#DIV/0!
Subsidies and grants	545,998,611	708,626,287	548,211,988	-548,211,988	548,211,988	1
Other expenses			0	0	0	#DIV/0!
Total expenditure	8,503,441,452	8,537,912,824	8,537,912,824	-708,626,287	765,541,504	
composition variance						9.0%

Data for year = EC 2009 (2016/2017)

Economic head	Budget	Actual	Adjusted budget	Deviation	Absolute deviation	Percent
Compensation of employees	2,903,644,376	3,253,724,610	3,160,981,071	92,743,538	92,743,538	0
Use of goods and services	1,958,902,538	2,242,338,109	2,132,511,093	109,827,016	109,827,016	0
Consumption of fixed capital	4,452,292,795	5,173,226,435	4,846,879,103	326,347,332	326,347,332	0
Interest	0	0	0	0	0	#DIV/0!
Subsidies and grants	904,147,582	455,360,152	984,278,039	-528,917,887	528,917,887	1
Other expenses	0	0	0	0	0	#DIV/0!
Total expenditure	10,218,987,291	11,124,649,307	11,124,649,307	0	1,057,835,773	
composition variance						9.5%

Data for year = EC 2010 (2017/2018)

Economic head	Budget	Actual	Adjusted budget	Deviation	Absolute deviation	Percent
Compensation of employees	4,048,720,440	3,959,674,784	3,908,287,404	51,387,380	51,387,380	0
Use of goods and services	2,922,299,340	3,129,009,430	2,820,937,101	308,072,329	308,072,329	0
Consumption of fixed capital	6,291,857,560	6,475,994,384	6,073,619,558	402,374,826	402,374,826	0
Interest	0	0	0	0	0	#DIV/0!
Subsidies and Grants	2,043,052,682	1,210,353,267	1,972,187,801	-761,834,534	761,834,534	0
Other expenses	0	0	0	0	0	#DIV/0!
Total expenditure	15,305,930,022	14,775,031,865	14,775,031,865	0	1,523,669,069	
composition variance						10.3%

Results Matrix

Year	Composition variance
EC 2008 (2015/2016)	9.0%
EC 2009 (2016/2017)	9.5%
EC 2010 (2017/2018)	10.3%

Analysis of revenue outturn - PI-3:

Fiscal years for assessment

Year 1 =	EC 2008 (2015/2016)
Year 2 =	EC 2009 (2016/2017)
Year 3 =	EC 2010 (2017/2018)

Data for year = EC 2008 (2015/2016)

Economic head	Budget	Actual	Adjusted budget	Deviation	Absolute deviation	Percent
Tax revenues						
Taxes on income, profit and capital gains	954,370,270	835,725,846	1,114,703,500	-278,977,654	278,977,654	25.0
VAT Domestic	294,182,027	387,291,092	343,604,307	43,686,785	43,686,785	12.7
Excise Tax	880,012	2,150,366	1,027,853	1,122,513	1,122,513	109.2
Sales Turnover Tax on Domestically Manufactured Goods	21,431,301	45,070,696	25,031,738	20,038,958	20,038,958	80.1
Turnover tax on Services	44,866,106	14,062,701	52,403,566	-38,340,865	38,340,865	73.2
Stamp sales & Duty	14,051,707	7,750,119	16,412,379	-8,662,260	8,662,260	52.8
Foreign trade taxes & duties	0	2,152,185	0	2,152,185	2,152,185	#DIV/0!
Grants						
External Assistance (UNICEF and UNDP)	39,485,190	39,485,190	46,118,662	-6,633,472	6,633,472	14.4
Nontax revenue						
Administrative fees and charges	38,626,788	14,518,225	45,116,049	-30,597,825	30,597,825	67.8
Sales of Public goods and services	23,554,499	11,187,000	27,511,631	-16,324,630	16,324,630	59.3
Government Investment income	43,118,440	594,741	50,362,294	-49,767,553	49,767,553	98.8
Miscellaneous nontax	26,015,520	457,219,560	30,386,100	426,833,460	426,833,460	1404.7
Other revenue						
Capital Revenue	17,259,132	22,799,202	20,158,648	2,640,554	2,640,554	13.1
Municipality Revenue	91,644,197	39,823,034	107,040,329	-67,217,295	67,217,295	62.8
Contributions to pension fund	0	47,100	0	47,100	47,100	#DIV/0!
			0	0	0	#DIV/0!
Sum of rest			0	0	0	#DIV/0!
Total revenue	1,609,485,191	1,879,877,057	1,879,877,057	0	993,043,108	
overall variance						116.8
composition variance						52.8

Data for year = EC 2009 (2016/2017)

Economic head	Budget	Actual	Adjusted budget	Deviation	Absolute deviation	Percent
		Tax revenues				
Taxes on income, profit and capital gains	1,165,554,434	912,841,554	1,287,398,878	-374,557,325	374,557,325	29.1
VAT Domestic	400,530,025	538,432,114	442,400,535	96,031,579	96,031,579	21.7
Excise Tax	1,121,034	851,542	1,238,225	-386,683	386,683	31.2
Sales Turnover Tax on Domestically						
Manufactured Goods	40,459,522	46,664,875	44,689,070	1,975,806	1,975,806	4.4
Turnover tax on Services	69,931,097	31,194,143	77,241,537	-46,047,394	46,047,394	59.6
Stamp sales & Duty	17,900,264	4,423,871	19,771,517	-15,347,646	15,347,646	77.6
		Grants				
External Assistance (UNICEF)	26,967,600	26,967,600	29,786,732	-2,819,132	2,819,132	9.5
		Non Tax Revenue				
Administrative fees and charges	49,054,131	11,487,928	54,182,139	-42,694,212	42,694,212	78.8
Sales of Public goods and services	28,875,781	7,727,727	31,894,390	-24,166,664	24,166,664	75.8
Government Investment income	54,927,950	10,486,984	60,669,994	-50,183,010	50,183,010	82.7
Miscellaneous nontax	33,005,143	569,740,910	36,455,427	533,285,483	533,285,483	1462.8
		Other Revenue				
Capital Revenue	23,896,294	1,216,500	26,394,359	-25,177,859	25,177,859	95.4
Municipality Revenue	164,744,326	131,329,686	181,966,329	-50,636,643	50,636,643	27.8
Foreign trade taxes & duties	0	723,700	0	723,700	723,700	#DIV/0!
Sum of rest	0	0				
Total revenue	2,076,967,600	2,294,089,132	2,294,089,132	0	1,264,033,135	
overall variance						110.5
composition variance						55.1

Data for year = EC 2010 (2017/2018)

Economic head	Budget	Actual	Adjusted budget	Deviation	Absolute deviation	Percent
Tax revenues						
Taxes on income, profit and capital gains	1,622,689,415	1,064,055,374	1,371,652,103	-307,596,729	307,596,729	22.4
Value Added Tax on Domestically Manufactured Goods	392,998,063	641,963,683	332,199,505	309,764,178	309,764,178	93.2
Value Added Tax on Services	96,143,436	183,328,066	81,269,617	102,058,449	102,058,449	125.6
Excise Tax	1,640,538	1,040,894	1,386,740	-345,845	345,845	24.9
Sales Turnover Tax on Domestically Manufactured Goods	59,209,056	28,353,698	50,049,151	-21,695,452	21,695,452	43.3
Turnover tax on Services	102,338,190	74,869,808	86,506,014	-11,636,206	11,636,206	13.5
Stamp sales & Duty	26,195,508	4,459,733	22,142,946	-17,683,212	17,683,212	79.9
Grants						
External Assistance (UNICEF)	0	29,280,000	0	29,280,000	29,280,000	#DIV/0!
Nontax revenue						
Administrative fees and charges	71,786,533	16,217,831	60,680,835	-44,463,004	44,463,004	73.3
Sales of Public goods and services	42,257,240	5,352,154	35,719,856	-30,367,702	30,367,702	85.0
Government Investment income	80,382,365	1,641,849	67,946,854	-66,305,005	66,305,005	97.6
Miscellaneous nontax	48,300,210	328,685,561	40,827,951	287,857,609	287,857,609	705.1
Other revenue						
Capital Revenue	66,451,974	30,000	56,171,557	-56,141,557	56,141,557	99.9
Municipality Revenue	451,089,258	207,914,707	381,303,732	-173,389,025	173,389,025	45.5
Foreign trade taxes & duties	0	0	0	0	0	#DIV/0!
Customs Tax on Imported Goods	0	530	0	530	530	#DIV/0!
Value Added Tax on Imported Goods	0	662,971	0	662,971	662,971	#DIV/0!
Sum of rest	0	0	0	0	0	#DIV/0!
Total revenue	3,061,481,788	2,587,856,860	2,587,856,860.0	0.0	1,459,247,475.2	
overall variance						84.5
composition variance						56.4

Results Matrix

Year	Total revenue deviation	Composition variance
EC 2008 (2015/2016)	116.8%	52.8%
EC 2009 (2016/2017)	110.5%	55.1%
EC 2010 (2017/2018)	84.5%	56.4%

Annex 6: Data used for scoring PI-1, PI-2, and PI-3 (2011 methodology)

Fiscal years for assessment

Year 1 =	EC 2008 (2015/2016)
Year 2 =	EC 2009 (2016/2017)
Year 3 =	EC 2010 (2017/2018)

Data for year = EC 2008 (2015/2016)

Administrative or functional head	Budget	Actual	Adjusted budget	Deviation	Absolute deviation	Percent
Organ of State	488,509	532,315	478,308.5	54,006.0	54,006.0	11.3
Justice and Security	468,609	478,570	458,824.7	19,745.5	19,745.5	4.3
Defense	2,380	2,756	2,330.2	425.4	425.4	18.3
Security Affairs Coordination	1,080,561	1,162,930	1,057,998.6	104,931.5	104,931.5	9.9
General Service	422,999	514,521	414,167.1	100,353.7	100,353.7	24.2
Agriculture and Natural Resources	1,389,610	1,205,994	1,360,595.2	-154,601.4	154,601.4	11.4
Water Resources	1,082,780	1,045,090	1,060,171.4	-15,081.6	15,081.6	1.4
Trade and Industry	48,958	58,753	47,936.2	10,816.6	10,816.6	22.6
Construction	851,962	947,852	834,172.6	113,679.5	113,679.5	13.6
Education	1,355,779	1,388,122	1,327,470.1	60,651.7	60,651.7	4.6
Culture and Sport	43,686	47,820	42,774.0	5,045.8	5,045.8	11.8
Health	779,523	700,586	763,246.7	-62,660.6	62,660.6	8.2
Labour and Social Affairs	6,320	6,519	6,187.9	331.1	331.1	5.4
Prevention and Rehabilitation	38,603	41,994	37,796.5	4,197.4	4,197.4	11.1
City Service	141,945	134,093	138,981.4	-4,888.6	4,888.6	3.5
Other		270,000	0.0	270,000.0	270,000.0	#DIV/0!
allocated expenditure	8,202,225	8,030,961	8,030,960.8	506,952.0	981,416.3	
Grants	(545,998.00)	(708,626.00)				
Interest on debt	—	—				
contingency	301,217	506,952				
total expenditure	7,957,443	7,829,287				
aggregate outturn (PI-1)						98.4
composition (PI-2) variance						12.2

Administrative or functional head	Budget	Actual	Adjusted budget	Deviation	Absolute deviation	Percent
contingency share of budget						6.4

Data for year = EC 2009 (2016/2017)

Administrative or functional head	Budget	Actual	Adjusted budget	Deviation	Absolute deviation	Percent
Organ of State	621,862	710,837	639,597.5	71,239.5	71,239.5	0.111382
Justice and Security	466,498	458,540	479,802.7	-21,262.9	21,262.9	0.044316
Defense	2,819	3,123.41	2,899.2	224.2	224.2	0.07732
Security Affairs Coordination	1,274,250	1,417,414	1,310,592.2	106,822.1	106,822.1	0.081507
General Service	633,844	836,625	651,921.3	184,703.4	184,703.4	0.283322
Agriculture and Natural Resources	2,046,102	1,978,057	2,104,457.5	-126,400.7	126,400.7	0.060063
Water Resources	816,059	1,344,424	839,333.6	505,089.9	505,089.9	0.601775
Trade and Industry	69,416	61,273	71,395.6	-10,122.5	10,122.5	0.14178
Construction	794,952	1,104,299	817,624.0	286,674.7	286,674.7	0.350619
Education	1,564,474	1,830,595	1,609,093.3	221,501.7	221,501.7	0.137656
Culture and Sport	367,952	346,814	378,445.8	-31,632.0	31,632.0	0.083584
Health	863,461	852,248	888,087.1	-35,839.1	35,839.1	0.040355
Labour and Social Affairs	6,923	8,005	7,120.3	884.5	884.5	0.124227
Prevention and Rehabilitation	46,740	58,159	48,073.5	10,085.5	10,085.5	0.209793
City Service	142,638	114,237	146,705.7	-32,468.3	32,468.3	0.221316
Other			0.0	0.0	0.0	#DIV/0!
allocated expenditure	9,717,987	9,995,149	9,995,149	1,129,500	1,644,951	
Grants	-904,147	-455,360				
Interest on debt	0	0				
contingency	501,000	1,129,500				
total expenditure	9,314,840	10,669,289				
aggregate outturn (PI-1)						114.5
composition (PI-2) variance						16.5
contingency share of budget						12.1

Data for year = EC 2010 (2017/2018)

Administrative or functional head	Budget	Actual	Adjusted budget	Deviation	Absolute deviation	Percent
Organ of State	567,239	741,634	546,537.2	195,097.0	195,097.0	0.356969
Justice and Security	523,494	550,337	504,388.4	45,948.3	45,948.3	0.091097
Defence	3,923	4,096	3,779.7	316.3	316.3	0.083693
Security Affairs Coordination	1,736,503	1,911,676	1,673,126.4	238,549.6	238,549.6	0.142577
General Service	891,531	1,123,145	858,993.5	264,151.1	264,151.1	0.307512
Science and Technology Bureau	0	1,454	0.0	1,454.2	1,454.2	#DIV/0!
Agriculture and Natural Resources	4,010,691	3,123,174	3,864,314.4	-741,140.5	741,140.5	0.191791
Water Resources	1,819,071	2,009,461	1,752,680.8	256,779.9	256,779.9	0.146507
Trade and Industry	107,008	103,800	103,102.7	696.8	696.8	0.006758
Construction	1,538,937	2,083,687	1,482,771.0	600,915.8	600,915.8	0.405265
Education	1,567,570	1,618,644	1,510,358.7	108,285.1	108,285.1	0.071695
Culture and Sport	422,102	94,596	406,696.5	-312,100.0	312,100.0	0.767403
Health	972,318	1,035,670	936,831.5	98,838.2	98,838.2	0.105503
Labour and Social Affairs	17,030	21,868	16,408.6	5,459.8	5,459.8	0.332741
Prevention and Rehabilitation	46,636	83,415	44,933.6	38,480.9	38,480.9	0.856393
City Service	281,378	268,376	271,108.8	-2,732.7	2,732.7	0.01008
Other			0.0	0.0	0	#DIV/0!
allocated expenditure	14,505,430	13,976,032	13,976,031.9	799,000.0	2,910,946.2	
Grants	-2,043,052	-1,210,353				
Interest on debt	0	0				
contingency	800,000	799,000				
total expenditure	13,262,378	13,564,679				
aggregate outturn (PI-1)						102.3
composition (PI-2) variance						20.8
contingency share of budget						6.0

Results Matrix

Year	for PI-1.1 Total exp. outturn	for PI-2.1 Composition variance	for PI-2.2 Contingency share
EC 2008 (2015/2016)	98.4%	12.2%	
EC 2009 (2016/2017)	114.5%	16.5%	8.2%
EC 2010 (2017/2018)	102.3%	20.8%	

Annex 7: Service delivery pilot

1. Context for the Assessment

1. Somali is one of the nine regions and two city administrations making up the Federal Democratic Republic of Ethiopia. It is the second-largest region with an estimated population of 6 million¹⁶ in 2019. The Bureau of Education and Bureau of Health are responsible for the implementation of the region's education and health policy, respectively. Both bureaus have a direct relationship with the respective federal government line ministries when it comes to national-level policies and strategies. There are two tiers of government under the regional government: (a) zones and (b) woredas. There are 11 zones and 99 woredas and city administrations (6 urban/cities and 93 rural). The zones are branches of the regional government while woredas and city administrations have their own jurisdictional power in managing their budget. Both education and health sectors are operational at all levels. The regional government receives general purpose grants from the federal government and in turn allocates these block grant to woredas and city administrations. Woredas approve their own budget and allocate their budget based on the respective woreda policies in line with the regional priorities. Service delivery units do not have their own bank accounts; therefore, the TSA does not cover them. Budgeting and financial management of service delivery units is the mandate of the city administration; the respective city sector offices (education and health) prepare their budgets, which take into account service delivery budgets. Payment of expenditure is also done by the city administration, not directly by the service delivery units.

2. Institutional Arrangements

2.1. Health

2. The Ethiopian health service is structured in a three-tier system: primary, secondary, and tertiary levels of care with defined catchment populations. The primary level of care includes primary hospitals (serves 60,000–100,000 people), health centers (serves 25,000 people), and health posts (3,000–5,000 people in rural areas). The primary hospitals, health centers, and health posts form a Primary Health Care Unit (PHCU). Secondary-level health care or general hospitals serve 1–1.5 million people. It provides inpatient and ambulatory services and helps as a referral center for primary hospitals. The third-tier, tertiary-level health care or specialized hospitals serve 3.5–5.0 million people and serve as referral center for general hospitals.

3. The Somali health administration structure follows the administrative structure of the region, where there is Health Bureau at the regional level and woredas. The PHCUs, that is, the woreda health centers, report to the woreda health offices while the secondary and tertiary health care report to the regional Health Bureau. Zonal health offices coordinate and support the woreda health offices. Table A7.1 summarizes the structure.

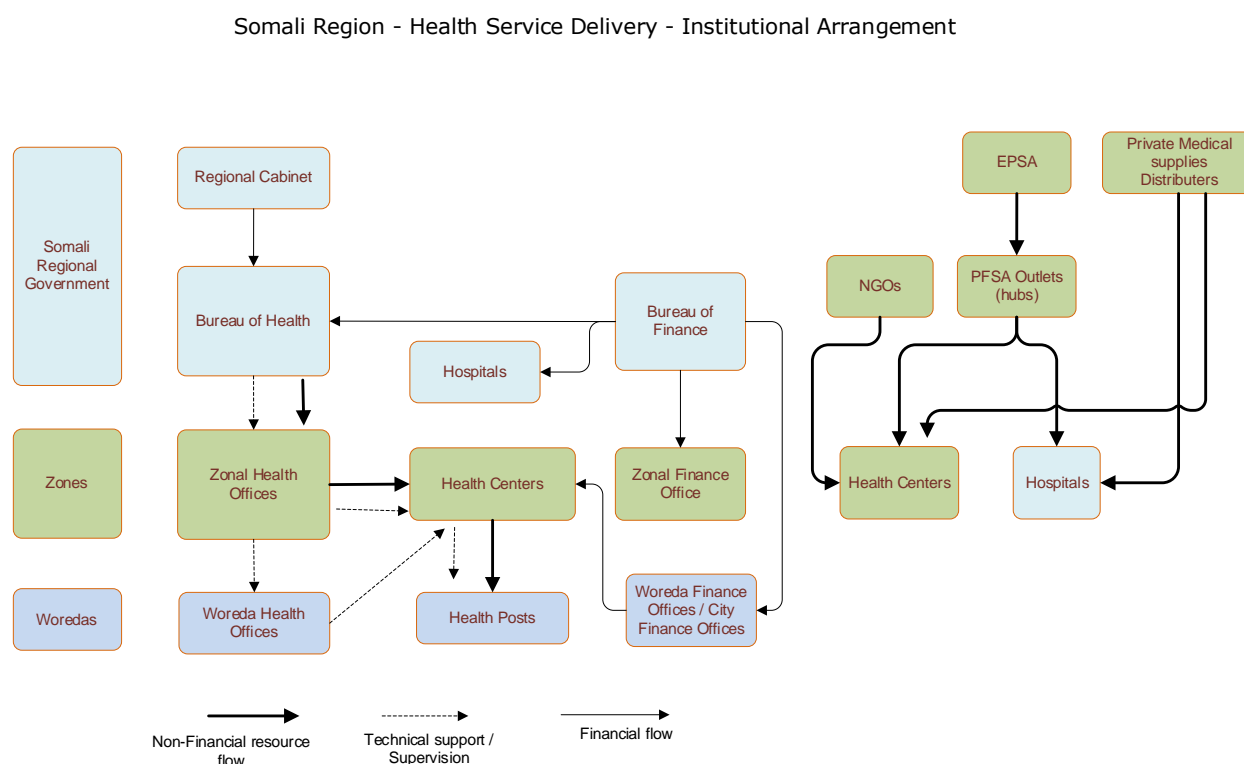
¹⁶ According to 'Development Indicators of Somali Regional State (2005–2009)' issued in 2018.

Table A7.1: Health administration's responsibilities in service delivery

No.	Entity	Role
1	Bureau of Health	The bureau is responsible for development of a sector strategy for the region. It is also responsible for capital projects including construction of health centers in the woreda.
2	Zonal health offices	They coordinate the health services issues within the zone, ensure implementation of health policies, and provide technical guidance to woreda health offices.
3	Woreda health offices	They provide technical advice and support to health centers including supervision and coordination of health service delivery at their jurisdiction.
4	Ethiopian Pharmaceuticals Supply Agency (EPSA)	This agency is an Federal Government of Ethiopia entity. It supplies medical inputs to health facilities from its distribution hubs. It also supplies pharmaceutical products to health facilities (including health centers and hospitals). Health centers and hospitals buy pharmaceutical products from other private suppliers when such supplies are not available at EPSA.
7	BoFED	BoFED is responsible for the overall public planning, budgeting, treasury management, accounting, and reporting of the region. It directly disburses approved budget based on cash flow forecast and request of the Bureau of Health, regional-level agencies, and zonal and woreda finance offices.
8	Zonal finance office	Zonal finance offices are responsible for all financial management functions of the zone. The financial management function is centralized (pooled) for all the offices.
9	Woreda finance office	Woreda finance offices are responsible for all financial management functions of the woreda. The financial management, procurement, and internal audit functions are centralized (pooled) for all the offices and handled by the finance office.
10	Health centers	They provide health services to the community. Their budgets and financial management functions are handled by the woreda finance office. They are also responsible for the procurement of medical supplies from EPSA and private suppliers. Their revenue streams are the budget from the woreda and their own source revenue.

4. Figure A7.1 shows the relationship across all levels of government in Somali Region. The thick line shows the nonfinancial resource flows while the thin line shows the financial flow, and the broken line shows technical support.

Figure A7.1: Health service delivery relationships across government



Sources: PEFA team drawing based on interview. At the zonal level, there is formal health sector structure, but there is only one person as a zonal focal point.

Note: NGO = Nongovernmental organization; PFSA = Pharmaceutical Fund Supply Agency now named (EPSA)

5. The regional health sector budget proposal includes a budget for the Health Bureau, zonal and woreda health offices, health-related agencies, and hospitals (which are under the regional government) and health centers. Draft health budget consolidation starts at woreda, then at zonal, and finally at regional level. The Health Bureau and other agencies submit their draft budget to BoFED. BoFED is responsible for the transfer of cash resources to the Health Bureau. Woreda/city administration finance offices provide a centralized (pooled) financial management services including disbursement, procurement, and internal audit for woreda/city administration sector offices. Woredas manage disbursements on behalf of the health centers and educational institutions, and hence there is no actual cash transfer to health facilities and schools.

6. Actual expenditure outturn of the health sector was impressive compared to the approved budget in the last three years between 96 percent and 108 percent. The share of health budget to the entire regional budget was around 16 percent in 2015/2016 and 2016/2017 but dropped to a little over 10 percent in 2017/2018. Table A7.2 shows the share of the health sector budget compared to the regional budget.

Table A7.2: The regional health sector budget compared with the regional total budget (ETB, billions)

	2015/2016				2016/2017				2017/2018			
	Budget	Actual	Share of health (%)	Budget outturn (%)	Budget	Actual	Share of health (%)	Budget outturn (%)	Budget	Actual	Share of health (%)	Budget outturn (%)
Region	8.50	8.54	n.a.	100.4	10.22	11.12	n.a.	108.9	15.31	14.77	n.a.	96.5
Health	1.43	1.39	16.8	96.8	1.69	1.83	16.5	108.2	1.68	1.62	10.9	96.3

Source: Budget execution report, annual accounts, BoFED, and team calculations.

2.2. Education

7. The education structure of Ethiopia is composed of three years of preprimary education, eight years of primary education (first cycle: grades 1–4, second cycle: grades 5–8), two years of general secondary education (grade 9-10), two years of preparatory secondary education, and higher education (college or university). Implementation and management of primary education and (in most cases) junior (general) secondary education are managed by woreda/city administration education offices, accountable to the woreda cabinet and regional Education Bureau. Regions manage senior (preparatory) secondary education, technical and vocational education and training (TVET), and universities under their jurisdiction, as well as the institutions training teachers for primary and junior secondary education. Regions are also responsible (within the framework of federal guidelines) for curriculum development in primary education and the choice of the language of instruction and textbook provision at the primary level.

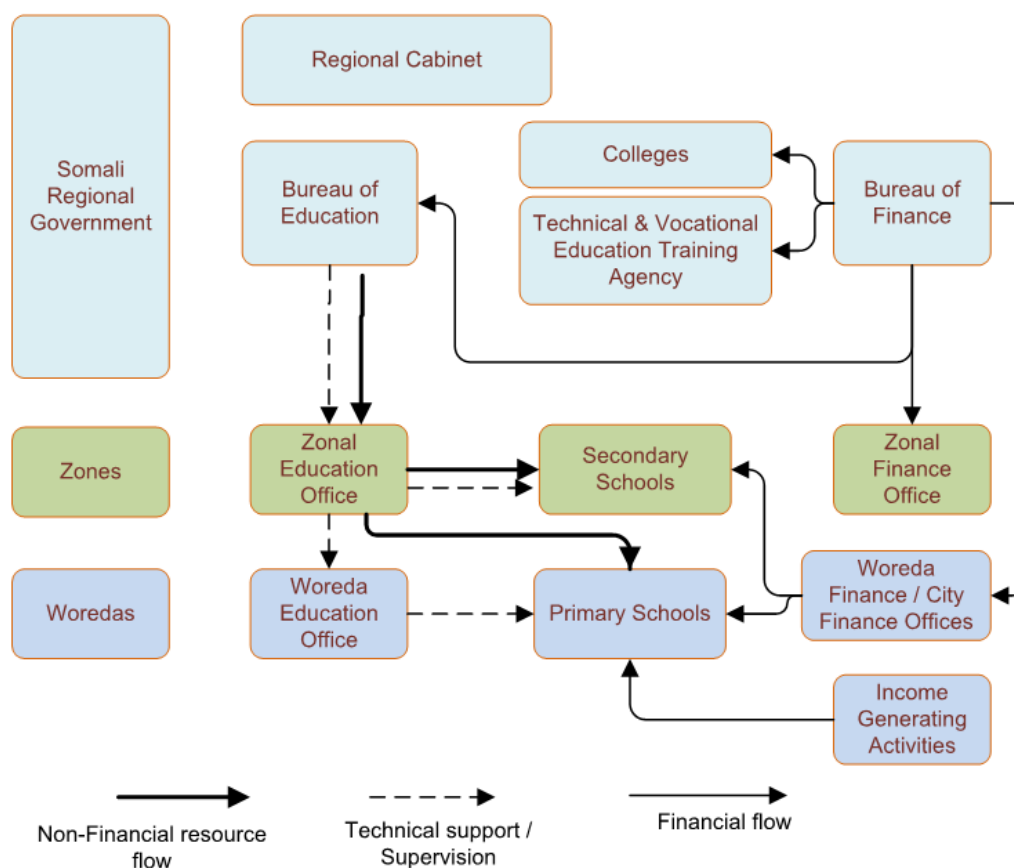
8. At the regional level, there are two bodies responsible for education: (a) Technical and Vocational Education and Training Agency, which is responsible for technical and vocational training, and (b) Education Bureau, which is responsible for general education. There are also zonal and woreda/city education offices under the Education Bureau. TVETs are managed by the Education Bureau while secondary schools (general and preparatory schools) are managed by the zonal offices. Preprimary and primary schools report to woreda education offices. Table A7.3 summarizes the structure.

Table A7.3: Education administration's responsibilities in service delivery

1	Bureau of Education	The bureau is responsible for development of education sector strategy for the region and setting of city-level education standards and policies. It is also responsible for capital projects including construction of schools.
2	Zonal education offices	Zonal education offices coordinate and provide support to woreda education offices under the zone.
3	Woreda education offices	They provide technical advice and support to schools including supervision and coordination of education services at their jurisdiction.
4	BoFED	BoFED is responsible for the overall public planning, budgeting, treasury management, accounting, and reporting of the region. It directly disburses approved budget based on cash flow forecast and request of the Education of Bureau and zonal and woreda finance offices.
5	Zonal finance office	Zonal finance offices are responsible for all financial management functions of the zone. The financial management function is centralized (pooled) for all the offices.
6	Woreda finance office	Woreda finance offices are responsible for all financial management functions of the woreda. The financial management, procurement, and internal audit functions are centralized (pooled) for all the offices and handled by the finance office.
7	Primary schools	They provide primary school education to the community. Financial management, procurement, and internal audit functions are provided by the woreda finance office. Their revenue streams are from budget allocated from the woreda and own revenue.

9. Figure A7.2 shows the relationship across all levels of government in the region. The thick line shows the nonfinancial resource flows, while the thin line shows the financial flow, and the broken line shows technical support.

Figure A7.2: Education service delivery relationships across government



Sources: PEFA team drawing based on interview.

10. Woredas/city administrations receive general purpose grants (subsidy) from the regional government and allocate their budget based on their priority. There is also an educational grant from the federal government known as the GEQIP with funding from the World Bank. This grant is performance based, aimed at improving access and quality of primary education. Financial, procurement, and internal audit functions are centralized (pooled) at zonal and woreda levels and handled by the finance office. The woreda education office and schools are not involved in financial management. BoFED transfers approved budgets to the Education Bureau, regional agencies, and zonal and woreda finance offices.

11. Table A7.4 presents a general overview of education sector budget and actual expenditure. The actual expenditure outturn of the education sector was good in all three years 2015/2016, 2016/2017, and 2017/2018 at 95–102 percent of the total regional budget. The share of the educational budget compared with the regional total stood at 8.7 percent in 2015/2016 and 2016/2017 but fell sharply to 6.6 percent in 2017/2018.

Table A7.4: The Regional education sector budget compared with the regional total budget (ETB, billions)

	2015/2016				2016/2017				2017/2018			
	Budget	Actual	Share of Education (%)	Budget outturn (%)	Budget	Actual	Share of Education (%)	Budget outturn (%)	Budget	Actual	Share of Education (%)	Budget outturn (%)
Region	8.50	8.54	n.a.	100.4	10.22	11.12	n.a.	108.9	15.31	14.77	n.a.	96.5
Education	0.74	0.70	8.7	94.7	0.89	0.85	8.7	95.5	1.01	1.04	6.6	101.9

Source: Budget execution report, annual accounts, BoFED, and team calculations.

3. Objectives and scope

12. The entities selected for the standard PEFA assessment comprise the federal government, four big regions, one emerging region, and Addis Ababa City Administration. The assessment covers the seven key pillars in PEFA and two additional components pertaining to impact of the prevailing PFM system on service delivery performance. The service delivery assessment, which is a pilot, is focused on the health and education sectors in the Federal Government of Ethiopia and Addis Ababa City, Oromia, and Somali regional governments. The pilot assessments review the flow and the efficiency of the use of funds in these sectors and between the levels of government to identify PFM strengths and weaknesses. This pilot assessment is on the SRG. The assessment covered FY2015/2016, FY2016/2017, and FY2017/2018. For security reasons, the assessment team was advised to focus on Jigjiga City Administration; zonal offices were also omitted due to security reasons. As such, the findings could reveal a much better situation than would be the case if other service delivery units were visited in other parts of the region.

13. The following service delivery units were visited:

i. Schools:

- Hussein Gire Primary School
- Fahr Mogol Primary School
- Will Waal Primary School
- Wanow Primary School

ii. Health Centers:

- Jigjiga Health Center
- Dawlada Health Center
- HP03 Health Post

14. A brief description of primary service delivery units visited is as follows:

- (a) Due to the importance of primary education, the police is involved in enforcement and compliance in terms of compulsory attendance to the extent that some parents are denied social benefits. Hussein Gire Primary School was established in 1918. The school currently has 2,217 students with a total of 15 classrooms with average students of 74 per class. The government standard requires a maximum of 50 students per classroom.

- (b) Fahr Magol School was established in 2004. It has 2,324 students on two shifts. It has 27 teachers with a total of 11 classrooms. The student-classroom ratio is 105 students per class.
- (c) Will Waal Primary School was established in 1968. The school has 3,237 students on two shifts with 22 classrooms and 64 teachers. The average student-classroom ratio is 77 and desk to student ratio is 4.
- (d) Wanow Primary School was established in 1996. It has 3,324 students on two shifts with 16 classrooms and 49 teachers. The textbook-to-student ratio is 1:3. The student-class ratio is 107:1. It also receives school grants of ETB 154,000 from GEQIP fund.
- (e) Jigjiga Health Center was established in 2000. It has 90 employees including 74 technical staff. It has one medical doctor and six health officers. The total population that the health center serves is estimated at 84,760. The clinic provides examination services between 55 and 65 patients per day. The health center has the highest number of TB outpatients in the SRG. The health center collects revenue from sales of medical supplies. All revenues collected are transferred to the Jigjiga Finance and Economic Development Office (JFEDO). The facility has a standby generator.
- (f) Dawlada Health Center was established in 2013. The center covers about 40,000 people. The health center also administers 13 health posts, of which 10 are urban and the remaining 3 are rural health posts. Six of the health centers were not operational at the time of this assessment. The health center has 96 staff, of which 64 are technical staff. The health center has 24-hour access to electricity with a backup generator.

15. The team also visited the Jigjiga City Administration to have an expanded view of how service delivery works especially in the area of capital projects, procurement, and performance information for service delivery. The service delivery assessment focuses on the financial operations of the education and health sectors and includes budgetary units as well as oversight and accountability functions of mandated institutions. Whereas own revenues and expenditures of health centers are budgeted and reported, those for primary schools are not. Table A7.5 shows the units covered by the service delivery assessment.

16. Jigjiga City was founded in 1896; it became a municipality in 1944. Jigjiga is the capital city of the SRG and is the social, economic, and cultural center of the region with estimated population of 250,000 (Central Statistics Agency GC 2015 data). Almost all the city population livelihood is based on trading activities. Jigjiga is a vibrant city, which is expanding rapidly. A high level of unemployment and contraband business is prime concern of the city administration due to the city's proximity to Djibouti and Somalia. Like many cities in Ethiopia, Jigjiga has huge infrastructure gaps.

17. JFEDO is responsible for managing the financial management operations of the city. It serves 24 sector offices within the city. It is responsible for procurement, disbursements, and payroll processing. JFEDO is responsible for printing and distribution of school textbooks and medical supplies

to service delivery units. Jigjiga City has 38 schools and 2 health centers. Four schools, two health centers, and one health post were selected in Jigjiga City for the service delivery assessment:

Table A7.5: Main government and public sector units of the education and health sectors to be covered by the service delivery assessment

Budgetary units	EBUs	Public corporations ^a
Office of the regional government	Not applicable. Internal revenues are reported and are part of the budget.	Not applicable for service delivery
Bureau of Finance		
Bureau of Education		
Bureau of Health		
Health centers		
Primary schools		
Health centers		

Note: a. Only include institutional units within the scope of the assessment. For assessments of SNGs, such units would only be those owned and controlled by the SNG.

4. Methodology

18. The approach employed for this service delivery module has been requested, discussed, and agreed with the Task Team Leader Rafika Chaouali, Lead Governance Specialist, World Bank, and Ana Bellver, Senior Public Sector and Governance Specialist, World Bank. The fieldwork and drafting of this report were led by Charles Komla Hegbor (Team Leader - International PFM/PEFA Expert) and assisted by Elisaveta Teneva (International PFM/PEFA Expert) and Getnet Haile (National PFM/PEFA Expert). The team of independent consultants also developed the theoretical framework for the service delivery module under the guidance of Ana Bellver and with feedback from Rafika Chaouali and Meron Tadesse. The PEFA framework has been applied to review the PFM processes and their implications for service delivery units in the health and education sectors in the SRG. This involved visits, interviews, and document review in primary service delivery units in both sectors. This service delivery assessment is focused on the financial operations with implication to services in the health and education sectors. The assessment presents the facts relevant to service delivery units through the application of selected PEFA performance indicators (as shown in Table A7.6) with appropriate conclusions.

Table A7.6: PEFA performance indicators covered by the service delivery module

Pillars	Included	Not included
HLG		
I. Budget reliability	PI-1 and PI-2	PI-3
II. Transparency of public finances	PI-6, PI-7, PI-8, and PI-9	PI-5
III. Management of assets and liabilities	PI-11 and PI-12.2	PI-10 and PI-13
IV. Policy-based fiscal strategy and budgeting	PI-16.2, PI-16.3, and PI-17	PI-14, PI-15, and PI-18
V. Predictability and control in budget execution	PI-21.3, PI-22, PI-23, PI-24, PI-25, and PI-26	PI-19 and PI-20
VI. Accounting and reporting	PI-29	
VII. External scrutiny and audit	PI-30	PI-31

5. Service delivery assessment

Higher-government level (HGL) - Transfer from a higher-level government

HLG-1.1 Outturn of transfer from higher-level government

19. As shown in Table A7.7, the SRG transfers more than 90 percent of the annual budgeted general purpose grant (subsidy) to woredas/city administrations; actual outturns were 94.5 percent, 96 percent, and 94.4 percent in 2015/2016, 2016/2017, and 2017/2018, respectively. A further analysis referencing transfers to the Jigjiga City Administration indicates that 100 percent of budgeted general purpose grants are transferred to the city administration (see Table A7.8). This has significant positive impact on service delivery in the woredas since their major source of revenue is from regional grant.

Table A7.7: Outturn of transfer from regional government to woredas/city administrations

	2015/2016	2016/2017	2017/2018
Original budget (ETB)	3,226,300,418.10	4,183,953,177.10	5,829,232,010.20
Actual transfer (ETB)	3,050,436,715.00	4,018,573,018.00	5,501,410,519.00
% outturn	94.5	96.0	94.4

Source: BoFED.

Table A7.8: Outturn of transfer from regional government to Jigjiga City Administration

	2015/2016	2016/2017	2017/2018
Original budget (ETB)	49,613,887	51,138,100	23,169,129
Actual transfer (ETB)	49,613,887	51,138,100	23,169,129
% outturn	100	100	100

Source: Jigjiga City Administration Finance Office.

HLG-1.2 Earmarked grants outturn

20. Not applicable. There is no earmarked grant allocated to woredas from the regional government.

HLG-1.3 Timeliness of transfer from higher-level government

21. Available evidence from BoFED as well as the Jigjiga City Administration Finance Office indicates that there is an even disbursement of actual transfers throughout the year. City administrations and woredas prepare and submit annual cash plans (which is a 12-equal-installment plan) to BoFED, based on which monthly cash releases are made.

Pillar I: Budget reliability

PI-1 Aggregate expenditure outturn

Health

22. The aggregate expenditure outturn of the health sector was above the approved budget for the first two years and below budget in the third year under assessment. As shown in Table A7.9, the outturn was 110 percent, 107 percent, and 90 percent in 2015/2016, 2016/2017, and 2017/2018, respectively. Outturn between 90 percent and 110 percent in at least two of the three assessed years is considered a good performance.

Table A7.9: Aggregate expenditure outturn of the health sector

Expenditure outturn	2008 (2015/2016)	2009 (2016/2017)	2010 (2017/2018)
Original budget	13,644,552.00	15,221,229.00	17,315,134.00
Actual	15,050,595.83	16,355,840.99	15,662,768.05
Outturn (%)	110.30	107.45	90.46

Source: Jigjiga City Administration Office.

23. Table A7.10 shows the expenditure outturn for all four primary service delivery units (two health centers and two health posts). The data indicate realistic expenditure outturns at primary service delivery levels indicating good performance.

Table A7.10: Aggregate expenditure outturn of the visited health centers

Expenditure Outturn	2008 (2015/2016)	2009 (2016/2017)	2010 (2017/2018)
Health Center 1	Jigjiga Health Center		
Original budget	4,932,421.00	5,387,591.49	6,153,701.84
Actual expenditure	4,932,421.00	5,387,591.49	6,043,701.84
Outturn (%)	100.00	100.00	98.21
Health Center 2			
Original budget	4,539,697.36	4,906,200.77	5,536,937.92
Actual	4,539,697.00	4,901,200.77	5,426,937.92
Outturn (%)	100.00	99.90	98.01
Health Post 1			
Original budget	128,420.52	161,753.85	128,420.52
Actual	128,420.52	161,753.85	128,420.52
Outturn (%)	100.00	100.00	100.00

Source: Jigjiga Finance Office.

Education

24. The actual deviation of the expenditure outturn of the education sector from the original budget was insignificant within 1 percent in all three assessed fiscal years. The link between budgets, policies, and government priorities was observed to be good even if supplementary budgets were approved to meet unforeseen expenditures. Table A7.11 shows the actual aggregate expenditure outturn of the regional education sector for the three years under review.

Table A7.11: Actual aggregate expenditure outturn in the education sector

Expenditure Outturn	2008 (2015/2016)	2009 (2016/2017)	2010 (2017/2018)
Original budget	38,290,783	56,041,540.00	62,159,026.00
Actual expenditure	38,001,629	56,191,540.00	62,009,026.00
Outturn (%)	99.24	100.27	99.76

Source: Jigjiga City Administration Office.

25. Primary schools do not receive any transfers from the woreda/city administration. Once the regional council approves the total budget of Somali Region, schools start preparing their own budgets. The city administration revises the school budget after six months based on a letter of proposal filed by the school. The budget is planned and prepared and can be reallocated based on a ceiling. The ceiling for EFY 2012 was ETB 8 million for capital budget and in EFY 2011 it was ETB 7 million. Only ETB 4.5 million was used due to a shortfall of collection of revenue in 2011 affecting the capital budget realization. Only 55 percent was the revenue collection in EFY 2011. The schools can only prepare their budget need for the school grant, and the rest is prepared by the education office of the city administration office.

PI-2 Expenditure composition outturn

26. Budget transfers from one line item to another budget line item are common in all visited institutions. Transfers from the capital budget to the recurrent budget are not allowed. Schools and health centers do not have the access to the capital budget as they are managed by the woredas/city administration. There is not much information to effectively access expenditure composition outturns for primary service delivery units.

Pillar II: Transparency of public finance**PI-6 Central government operations outside financial reports**

27. Primary schools and health centers budgets are prepared at the city education and health offices, respectively, from a bottom-up approach. Approved budgets of primary service delivery units are allocated and held at JFEDO. JFEDO is responsible for all financial management activities including procurement, disbursement, payroll management, accounting, and reporting.

Education

28. Most of the schools visited do not have internal revenue. Will Waal School receives income from rental of school facilities at down time of school activities, that is, during the evening and weekends when premises are let out. Rental money is collected by the director and the parents' community. There is no record of expenditure. School grant is reported, but the own source is not. The amount collected in 2018/2019 was ETB 24,000. The revenue is not included in the JFEDO financial report. The revenue is used to cover small maintenance costs and staff refreshments. A parent-teacher association established in each school also collects and spends small funds. Expenditures from the contribution of parents are not reported in the JFEDO financial statement. School grants received from GEQIP are reported under Channel One Coordinating Unit at BoFED quarterly and annually. Out of the four schools visited, only one—Will Waal Primary Schools—collected own revenues, which are not accounted and reported as part of the city administration financial records. Even if it is assumed that all 38 schools in Jigjiga collected an average of ETB 24,000 per year, the total own revenues will amount to ETB 912,000; this is less than 1 percent of the city revenues. Also, it will not affect the score of PI-6 in the main PEFA report.

Health

29. Health centers collect revenue in connection with medical services, including sale of medicines and laboratory services. Examination services, maternal-related services, and program-supported drugs are provided for free. Revenue collected by health centers is deposited into a bank account controlled by the Somali Revenue Bureau. This revenue is accounted and reported monthly.

PI-7 Transfers to subnational governments**PI-7.1 System for allocating transfers**

30. The Regional Council Subcommittee on Decentralization is responsible for approving the grant distribution formula for city administration/woredas. This is done after the regional cabinet endorses the formula proposed by the Budget Directorate in collaboration with the Planning Commission. The system of horizontal allocation of grants is transparent and rule based. The grant distribution formula is based on four main criteria: (a) population size of the woreda/city administration (this is also referred to as the number of beneficiaries of services in each woreda/city administration); (b) infrastructure deficit; (c) the per capita (unit) cost approach in terms of services provided in the woreda/city administration; and (d) the revenue generating potential of the woreda/city

administration—the more revenue generated, the more grant is received—this is used as incentive. Also, actual distribution of grant does not deviate from approved formula.

PI-7.2 Timeliness of information on the transfers

31. The annual budget calendar issued by the MoF (federal government) provides an indicative ceiling of transfers to SNGs (regional governments) in early March. The SRG, based on the indicative ceilings received from the federal government in March, notifies all city administrations/woredas of their indicative ceilings in early April for the preparation of their draft budget estimates. This allows woredas more than six weeks to prepare their budget estimates. The final ceilings are communicated to woredas/city administrations after the House of Representatives approves the federal government annual budget in early July, providing actual grant allocation to the region. This necessitates minor adjustments to woreda/city administration budgets around mid-July but does not exceed 9 percent of woreda's initial budget estimates.

PI-8 Performance information for service delivery

32. The Bureaus of Education and Health prepare five-year strategic plans. In line with the strategic plan of the sector bureaus, the offices of health and education at Jigjiga City also develop their own five-year strategic plans. Jigjiga City has a consolidated five-year strategic plan, which includes strategic plans of each sector office. Primary schools and health centers do not prepare medium-term strategic plans. The strategic plans show KPIs. The city communicates the strategy plan to the public during annual public consultations. However, the strategic plan is not published or not available to the public in any other means.

33. Schools prepare and submit performance reports to the education office. Health centers report to the city health office on key performance achieved monthly. Health performance data at health centers are captured using the District Health Information System (DHIS). Bureaus of health and educations publish their performances achieved (consolidated for all primary service delivery units) on their noticeboards.

34. Financial resources received by service delivery units are recorded and reported by JFEDO. The financial report of the city shows the actual financial resources received by service delivery units. Nonfinancial resources received by service delivery units are evidenced by the Goods Receiving Note (Model 19) at JFEDO. Model 22 is used to record distribution of resources in kind to schools. Schools maintain a distribution checklist for textbook distribution. Health centers use an inventory management software (issued by EPSA) for tracking medical supplies. The software tracks stock movement and alerts medical supplies nearing expiry as well as medical resources received, distributed, and on hand. Resources received in kind by service delivery units from other donors are not reported at the city level. At the time of assessment, the software was functional at Jigjiga Health Center, but not at Dawlada Health Center. Budget execution reports at the aggregate level are posted on public noticeboards.

35. The city administration conducts an evaluation visit to all schools and health centers quarterly with the involvement of the city cabinet. The city cabinet evaluates performance achieved.

36. Some identified key performance ratios leave much to be desired.

- Average class-to-pupil ratio is 1:104.
- Average teacher-to-pupil ratio is 1:66.
- Average desk-to-pupil ration is between 1:4 and 1:8.

- Average textbook-to-pupil ratio is 1:3.

37. A number of challenges have been identified that hamper efficient service delivery across primary schools and health centers visited during this pilot assessment; these include, but are not limited to, (a) inadequate medical block/rooms to treat patients, (b) low immunization coverage due to inadequate personnel and drugs, (c) inadequate medical professionals, (d) no functional libraries at schools, (e) no science laboratory at schools and inadequate textbooks at schools, (f) no pedagogical center for teachers at schools, (g) inadequate school infrastructure, (h) inadequate classroom furniture and teachers' desks, (i) insufficient training for teachers, and (j) no teaching aid/materials for kindergarten pupils, among others.

PI-9 Public access to fiscal information

38. The education and health offices within Jigjiga City Administration display information on service delivery indicators as well as actual performance of their planned outputs/outcomes on their noticeboards. Likewise, the primary service delivery units visited also display key performance information on their noticeboards; these include the pupil-teacher ratio, pupil-textbook ratio, pupil-desk ratio, pupil-classroom ratio, and performances of pupils.

39. As part of the Financial Transparency and Accountability Initiative, the city administration conducts a public consultation in January and also in June before the approval of the draft budget. The public noticeboards (a large billboard in front of Jigjiga City Administration Finance Office and others mounted at vantage points within the city, such as the main central market) displayed the approved budget allocated to each sector office and primary service delivery units. Also, each quarter, a summarized copy of the quarterly budget execution report is posted on the noticeboard. The annual financial statements are also posted. Audit reports are not posted on the noticeboards. Other important fiscal information that is not made public includes procurement plans and data on resolution of procurement complaints.

Pillar III: Management of assets and liabilities

PI-11 Public investment management

40. Primary service delivery units (primary schools and health centers) do not directly undertake PIPs; all such projects are initiated and implemented either by the woreda/city administration or the regional administration. Project feasibility studies, costing, selection, implementation, monitoring, and evaluation are all done by the woreda/city finance and/or regional government authorities. Both the regional administration and city administration do not have any training on the use of guidelines on PIM; also, there are no standardized guidelines on PIM.

41. Tables A7.12, A7.13, A7.14, and A7.15 provide an analysis of budget allocation for recurrent and capital expenditure over the last three completed fiscal years, 2015/2016 to 2017/2018, for the education and health sectors.

42. In the regional education sector (refer to Table A7.12), the data show that capital budget and actual expenditure are about 40 percent of the total budget, which reflects inadequate investment in capital projects (construction and expansion of school infrastructure) needed for primary service delivery. However, the capital budget utilization rate is 97.6 percent on average, reflecting a positive trend. In the regional health sector on the other hand (refer to Table A7.13), capital budget is about 31 percent of the total budget, meaning woefully inadequate capital budget allocation but with an average utilization rate of 97.2 percent which is good. As shown in Tables A7.14 and A7.15, capital

budget allocated to primary schools and health centers visited is woefully inadequate; this has serious repercussions on efficient service delivery.

Table A7.12: Recurrent versus capital expenditure for regional education sector for three years

Budget year (EC)	Recurrent			Capital		
	Approved budget	Actual expenditure	% usage	Approved budget	Actual expenditure	% usage
2008	759,742,482	714,246,086	94.01	673,607,503	673,875,696	100.04
2009	855,001,747	994,919,197	116.4	836,689,506	835,675,737	99.8
2010	1,190,605,328	1,176,074,247	98.8	490,520,366	442,569,607	90.2
Total for three years						
2008–2010	2,805,349,557	2,885,239,530	102.8%	2,000,817,375	1,952,121,040	97.6

Source: BoFED.

Table A7.13: Recurrent versus capital expenditure for regional health sector for three years

Budget year (EC)	Recurrent			Capital		
	Approved	Actual expenditure	% usage	Approved	Actual expenditure	% usage
2008	506,391,379	472,223,822	93.2	233,062,857	228,362,351	97.9
2009	576,835,107	577,665,991	100.1	315,591,691	274,581,992	87
2010	717,681,804	715,542,539	99.7	298,248,580	320,127,165	107.3
Total for three years						
2008–2010	1,800,908,290	1,765,432,352	98.0	846,903,128	823,071,508	97.2

Source: BoFED.

Table A7.14: Capital budget outturn for primary schools visited

Capital budget outturn	EC 2008 (2015/2016)	EC 2009 (2016/2017)	EC 2010 (2017/2018)
School 1 Farah Magool			
Original budget	415,000	32,700	38,000
Actual execution	406,028	32,700	—
Outturn	97.84%	100.00%	0.00%
School 2 Hussein Gire			
Original budget	25,000	743,600	347,500
Actual expenditure	25,000	743,600	300,000
Outturn	100.00%	100.00%	86.33%
School 3 Will Waal			
Original budget	30,000	43,600	47,500
Actual expenditure	30,000	43,600	
Outturn	100.00%	100.00%	0.00%
School 4 Wanow			
Original budget	20,000	43,600	38,000
Actual expenditure	20,000	43,600	0
Outturn	100.00%	100.00%	0.00%

Source: Jigjiga City Administration Finance Office.

Table A7.15: Capital budget outturn for health centers visited

Capital budget outturn	EC 2008 (2015/2016)	EC 2009 (2016/2017)	EC 2010 (2017/2018)
Health Center 1			
Original budget	1,015,000	650,000	696,025
Actual execution	1,015,000	729,499	760,524
Outturn (%)	100.00	112.23	109.27

Capital budget outturn	EC 2008 (2015/2016)	EC 2009 (2016/2017)	EC 2010 (2017/2018)
Health Center 2			
Original budget	1,015,000	650,000	696,025
Actual expenditure	1,015,000	650,000	696,025
Outturn (%)	100.00	100.00	100.00
Health Post 1			
Original budget	0	33,633	—
Actual expenditure	0	33,633	—
Outturn (%)	0	100.00	—

Source: Jigjiga Finance Office.

PI-12 Public asset management

43. The Jigjiga City Administration maintains a fixed asset register, but this does not include information on land and buildings. The register shows the name of the asset, date of acquisition, serial number, identification number, its location, and condition (good or bad); the cost of acquisition is not indicated in the asset register. At the primary service delivery levels—schools: (a) Hussein Gire Primary School, (b) Fahr Mogol Primary School, (c) Will Waal Primary School, and (d) Wanow Primary School and health centers: (a) Jigjiga Health Center, (b) Dawlada Health Center, and (c) HP03 Health Post—a fixed asset register exists with a list of assets but has no information on cost, age, and usage.

44. It is appalling to note that the maintenance budget for fixed assets is woefully inadequate; presently, the maintenance budget mostly covers city sector offices but not primary service delivery units. To make up for the shortfall, the primary service delivery units heavily rely on community donations/contributions (which is very insignificant) to support the maintenance of fixed assets in their custody; the breakdown of these fixed assets in most cases negatively affects primary service delivery. The regional government's guideline on fixed asset disposal also applies to woredas/city administration and primary service delivery units; there were no disposals at the time of assessment and within the assessment coverage.

Pillar IV: Policy-based fiscal strategy and budgeting

PI-16 Medium-term perspective in expenditure budgeting

45. The regional cabinet approves (in December of the previous year) the medium-term expenditure ceilings before the issuance of the first BCC (issued in February of the following year) to all budgeted entities (regional sector bureaus and city administrations/woredas). The Jigjiga City Administration also prepares medium-term expenditure forecast, with ceilings approved by the city council. As shown in Table A7.16, there are significant deviations between MTEF forecasts and approved budget. Except for 2016/2017 where the education sector's budget was 6 percent higher than the MTEF forecast, deviations for the remaining fiscal years were between 35 percent and 93 percent lower than MTEF figures. This practice has serious repercussions on expenditure allocation and subsequent actual transfer for the provision of primary service delivery.

Table A7.16: MTEF forecast versus approved budget

	2015/2016	2016/2017	2017/2018
Education			
MTEF forecast	38,929,014.00	58,722,092.00	75,090,282.00
Approved budget	13,644,552.00	62,159,026.00	69,920,626.00
Deviation (absolute)	25,284,462.00	(3,436,934.00)	5,169,656.00
Deviation (%)	35	106	93
Health			
MTEF forecast	25,374,510.26	27,125,462.00	35,740,908.00
Approved budget	15,221,229.00	15,221,229.00	24,695,022.00
Deviation (absolute)	10,153,281.26	11,904,233.00	11,045,886.00
Deviation (%)	60	56	69

Source: Jigjiga City Administration Finance Office.

PI-17 Budget preparation process

PI-17.1 Budget calendar

46. The budget calendar for the Jigjiga City Education and Health Offices (and for all woredas) is as shown in Table A7.17. It allows at least four weeks for the BIs to complete the submissions.

Table A7.17: The budget calendar (for woredas/city administration)

No	Activity	Responsible Body	Timing
Executive preparation			
1	Prepare annual physical work plan	Sector offices	September–February
2	Issue pre-ceiling notification to sector offices	OoFED	February 16–February 29
3	Submit budget requests to OoFED	Sector offices	March 21–March 30
4	Review and recommend woreda budget request	OoFED	April 16–May 15
5	Approval of recommended budget	Cabinet	July 1–7
Legislative adoption			
6	Appropriation of approved budget	Council	July 7
Executive implementation			
7	Notify approved budget to sector offices	OoFED	July 8–July 15
8	Send budget notification forms to regional BoFED for processing in IBEX	OoFED	July 8–15 July
9	Prepare implementation action plan and cash flow forecast	OoFED and sector offices	July 15–22 July
10	Consolidate budget using IBEX and submit JBAR to BoFED	OoFED	July 23–August 15
11	Budget utilization and adjustments	OoFED and sector offices	Ongoing

Source: BoFED.

47. Both the city administration health and education offices submitted their budget proposal before the deadline of March 30 as per the annual budget calendar; actual submission dates were on March 26 and 28, 2018, respectively, for the budget year 2018/2019.

PI-17.2 Guidance on budget preparation

48. The Jigjiga Finance Office issues a BCC, covering both capital and recurrent expenditure for the full fiscal year. The BCC is clear and comprehensive and includes ceilings approved by the city cabinet.

PI-17.3 Budget submission to the city council

49. In all three years under review, 2015/2016 to 2017/2018, the city council approved the city budget after July 7 but within July. Actual approval dates were July 14, 2015, July 18, 2016, and July 20, 2017, for the budget years 2015/2016, 2016/2017, and 2017/2018, respectively.

Pillar V: Predictability and control in budget execution

PI-21 Predictability of in-year resource allocation

50. Primary service delivery units visited do not receive any cash from the respective woreda/city administration finance office, and hence they do not maintain bank accounts. Except for health centers, primary schools' own revenue accounts are not part of the woreda/city administration financial management system; they are neither budgeted nor reported. Woreda/city administration bank accounts are consolidated monthly.

51. Preparation of annual cash flow plans is not undertaken by the primary service delivery units. The finance office of the city administration prepares an annual consolidated cash flow forecast which is updated monthly based on actual cash inflows and outflows. Transfers from the SRG are requested monthly.

52. IBEX is used to manage the budget at the woreda/city administration finance offices. It limits commitments only at the approved budget level but not in relation to actual cash available. The woreda/city administration finance offices manage all primary service delivery expenses out of the approved budget. Both health centers and primary schools are allowed to use their own revenues to support their operations (usually for small repair work and stationery). However, only health centers report the revenue to the Jigjiga City Administration Finance Office.

PI-22 Expenditure arrears

53. The team visited four primary schools and three health centers in Somali, that is, in Jigjiga City. In all cases, there was no stock of expenditure arrears. The primary service delivery units do not receive any cash from the finance office in their respective jurisdiction for payment of recurrent expenditure. All recurrent and capital expenditures (which may accumulate arrears as a result of insufficient funds) are the remit of the Jigjiga City Administration Office. All payments for primary service delivery units are directly handled by the finance office of the city administration in collaboration with the respective woreda sector offices for health and education. The records of Jigjiga City Administration show that there are no outstanding payables to suppliers, and there are rather receivables arrears not age-profiled but rather written off at discretion of BoFED.

PI-23 Payroll controls

54. Payroll preparation is centralized at JFEDO. Service delivery units are required to submit the staff list monthly before the 25th of the month. A team of five people from the Bureau of Public Service and Mayor Office travels to each service delivery unit to verify the staff list issued by the service delivery unit before payroll is prepared. Payroll is paid timely and there was no incidence of delay of salary payment to staff of service delivery units. Staff turnover is low in Jigjiga City.

55. Internal audit conducts a payroll audit as part of the monthly financial compliance audit mainly focusing on the accuracy of payroll computation and sometimes including a random verification of personnel records. ORAG also conducts audit of payroll as part of its annual financial audit. However, no comprehensive payroll audit was conducted by external and internal audit staff. The internal audit unit at JFEDO identified some 'ghost' workers. The audit report of ORAG on hospitals also revealed

some ‘ghost’ workers. The effectiveness of payroll controls in place is not subject to audit. The manual attendance system widely used does not guarantee that employees were on duty at the required time for delivering services.

PI-24 Procurement

56. The legal framework for public procurement at the regional government level is still applicable at the woreda and service delivery levels. Procurement process and statistics for the sampled service delivery units is handled at Jigjiga City Administration Office. There is a contract register showing the contracts awards, description of the procurement of goods or services, volume, and type of procurement method applied. The data in table A7.18 show the procurement statistics for EFY 2010 for health and education sectors. The competitive procurement method is 81 percent and 88 percent in the education sector and health sector, respectively. This makes open tender the predominant procurement method used in Jigjiga City Administration. Request for quotation is the only other method applied for sector-specific supplies.

57. Public access to procurement information is weak as very little information is made public. Except for bidding opportunities that are advertised, procurement plans, contract awards, and data on resolution of procurement complaints are not made public. Procurement complaints are filed and processed at the city administration level by a specialized complaints management team. The next level of appeal is at the regional level. Only five to seven days is allowed for complaints resolution, which requires no fees. The procurement process is suspended until complaint resolution. The decision is posted if it concerns more complainants. There were five complaints in EFY 2010 which were resolved in favor of the complainants.

58. The visited health centers confirmed shortages of medical supplied from EPSA—stock out of up to 25 percent. In such cases, the health centers purchase from the private sector where prices are less competitive, especially when the medical needs become more urgent.

Table A7.18: Competitive procurement method in education and health sectors for EFY 2010

	2010 (2017/2018)	Share (%)
Education sector		
1. Open Tender	1,150,000	81
2. Two-Stage Bidding	—	—
3. Restricted Tender	—	—
4. Request for Quotation	268,000	19
5. Request for Proposal	—	—
6. Direct Procurement	—	—
Total	1,418,000	100
Health sector		
1. Open tender	1,420,000	88
2. Two-stage bidding	—	—
3. Restricted tender	—	—
4. Request for quotation	202,050	12
5. Request for proposal	—	—
6. Direct procurement	—	—
Total	1,622,050	100

Source: Jigjiga City Administration.

59. All visited primary schools confirmed lack of books and teaching materials. The usual items procured for schools are stationery. The main challenge relevant for all schools is that textbooks are

not enough and that there are too many students per class. One textbook is shared by an average of five students with an average of 90 students per class (see Table A7.19).

Table A7.19: Number of books per student and number of students per class

	Book/student	Students/class
Primary School Farah Magool	1 book for 5 students	105
Primary School Hussein Gire	1 book for 4 students	75
Primary School Wiil Waal	1 book for 8 students	74
Primary School Wanow	1 book for 2 students	107
Average	4.75	90.25

Source: Visited primary schools.

60. The fact that the number of students is increasing each year while the textbooks are printed once in five years contributes to shortages of textbooks. There is a sporadic influx of students from the countryside to the capital city, especially after the changes in the political scene in Somali Region. This makes it difficult to estimate the number of students to be enrolled each year to accommodate the needs of students and other educational materials.

PI-25 Internal control on non-salary expenditure

61. The internal control procedures are guided by the various PFM laws, manuals, and directives issued by BoFED. The financial management function of the woreda/city administration is centralized (pooled) at the finance office, and the budget control, expenditure management, recording, and reporting are done by the finance office. The woreda/city finance office is responsible for ensuring that the internal control procedures including cash management, disbursement, procurement, bank reconciliation, advance clearances, asset management, and procurement are complied with. There is clear segregation of duties at the service delivery unit level. Sector offices manage the expenditure payment processed of primary service delivery units; primary service delivery units are not directly involved in the financial management function.

62. Once the annual budget is approved by the woreda council, it is uploaded into IBEX (financial management software). IBEX only limits expenditure commitment for most types of expenditure to approved budget and also based on the cash flow forecast (projections) but not to actual available cash. Requests for payment are submitted by the woreda/city administration sector offices (such as education and health) on behalf of primary schools and clinics to woreda/city administration finance office for processing and payment. The finance office checks the request for availability of budget before processing. After checking for budget availability, the request is approved and payment is done. Approval of payment is done by any two of the Head of Finance, Finance Director, and Disbursement Coordinator.

63. According to ORAG's annual audit report, all hospitals audited in EFY 2010 received qualified audit opinions, mainly due to internal control gaps and misuse of resources in connection with medical supply management and cash collection not properly accounted for.

PI-26 Internal audit

64. The internal audit function is centralized at the woreda/city administration finance offices. The internal audit unit of Jigjiga City has four internal auditors. The unit is responsible for the audit of the financial transactions at JFEDO, 24 sector offices, 2 health centers, and 38 schools. The internal audit unit at the woreda/city administration level uses the same internal audit manuals issued by BoFED. Internal audit units are accountable to their respective head of the woreda administration and to the Inspection Directorate at BoFED. The responsibility of the internal auditor includes the audit of

all schools and health centers. The internal audit unit at Jigjiga City Administration conducts property (fixed asset) audit at the service delivery unit in addition to the routine monthly financial compliance audit. Available evidence suggests that in all three years under review, the internal audit completion rate averaged 93 percent.

65. The internal audit findings are mostly related to the use of less competitive procurement method, incomplete financial documentation, weak asset management, and 'ghost' employees. These findings are repetitive. Management responses from the city administration finance office are good while the responses from the primary schools and health centers are low.

Pillar VI: Accounting and reporting

PI-29 Annual financial reports

66. Federal government accounting standards are applicable at the regional and woreda/city administration levels. Primary service delivery units do not prepare financial statements. The woreda/city administration finance office to which they belong is responsible for the preparation of financial statements. The woreda/city administration prepares monthly financial statements. The finance office uses IBEX to record and report the financial transactions. The woredas submit their monthly reports to the respective zones and the zones consolidate the reports of the woredas and submit on a quarterly basis to BoFED. Woreda financial reports includes revenue and expenditure; these are directly comparable to the original budget. The report also includes balances of cash, receivables, and payables.

67. Consolidated monthly, quarterly, and annual financial reports are prepared by the woreda finance office for all the budget entities in the woreda/city administration. The reports contain the budgeted amounts compared with actual outturns for both revenues and expenditures. The report includes revenue collected by health centers. Revenues collected and spent by the parent-teacher associations are not included in the report. School grants received from GEQIP are covered in a separate report, consolidated at BoFED level on a quarterly basis.

Pillar VII: External scrutiny and audit

68. As indicated earlier, woredas accounts include financial transactions of schools and health centers. Accordingly, procurement operations, disbursements, payroll, receivables, and payables in connection with schools and health centers are covered in the audit of ORAG. However, the woreda audits do not cover audit of fixed assets, inventories, comprehensive payroll audit (including headcounts), and performance audits. ORAG audits hospitals, colleges, and boarding schools. Table A7.20 shows the list of health and education sector entities audited during EFY 2010.

Table A7.20. External audit in education and health sectors, EFY 2010

Education and health entities	Total	Audited	Unqualified opinion	Qualified opinion	Adverse
Bureau of Education	1	1	X		
Bureau of Health	1	1	X		
Hospitals	9	7		All 7	
Colleges	17	15		10	5
Boarding schools	5	5			All 5

Source: ORAG.

69. Common audit findings from the audit of hospitals include incomplete asset registration and maintenance system, poor internal control over revenue collection, cash shortages, poor management of medical supplies, and 'ghost' workers.

6. Conclusions

Pillar I: Budget reliability

70. The records of transfers from the regional government of Jigjiga City Administration and woreda governments show an even monthly disbursement throughout the year. The approved budgets are transferred as agreed at 100 percent for Jigjiga City Administration and on average at 95 percent to woreda governments. This enhances budget reliability.

71. The budget expenditure indicator shows different outturns in the health and education sectors. The outturn of the health sector budget shows deviation between 90 percent and 110 percent. This indicates good and realistic budget even if capital budgeting may not be fully carried out as planned. The outturn of the budget of all four primary health care service delivery units indicates predictable budget with no deviation between the performance and the plan. This is because budget expenditure ceilings are well defined and approved by the regional council. The planned budget in the education sector is also realistic and the deviation is insignificant within 1 percent in all three years. This is because primary schools plan only their school grant needs while the education office at the woreda/city administration level prepares the overall education sector budget. The process of budget planning appears to be stable and well managed at the woreda/city administration level. The schools are not self-sufficient to prepare their own budget apart from the school grants. Community participation for maintenance is resorted to for small repairs.

72. Transfers from the regional government to woredas/city administrations are reliable. The SRG transferred all budgeted general-purpose grants as planned. This denotes that resources are available on time for the delivery of primary services. Budget reliability positively affects Pillar V in terms of predictability of resource allocation, a prerequisite for efficient service delivery.

Pillar II: Transparency of public finance

73. Usually, primary schools do not generate own revenues, apart from one of the visited schools letting out premises to private colleges in the evening and at weekends. Rental money is collected, but it is not formally reported. Such income is rather insignificant, amounting to ETB 24,000 per year; this is spent on teaching staff refreshments and repair of school desks, but proper records are not kept and also not reported. School grants received are properly accounted for and reported.

74. The practice with the health centers is different. All health centers collect own revenue in connection with providing medical services, including sale of medicines and laboratory services. Some medical services are provided free of charge; these are funded by donors. Also, program-supported drugs are provided for free by the health centers to all patients in need. The revenue collected by the health centers is deposited into a bank account controlled by the Somali Revenue Bureau. The revenue generated by the health centers is accounted and reported monthly.

75. The system of allocation and the timeliness of transfers to city administrations/woredas are good and support service delivery. The horizontal allocation of transfers to woredas is rule based and transparent. Actual transfers also follow agreed procedures and rules. Woredas/city administrations do not transfer funds to primary service delivery units; their budgets and actual expenditures are directly covered by the respective SNG level. The SRG allows the SNGs more than six weeks to prepare their budget estimates.

76. Health and education offices of the woreda/city administration prepare five-year strategic plans. The strategic plans show KPIs based on which both health centers and primary schools report achievements quarterly. The strategic plans are not published or not available to the public in any other means.

77. The KPIs in the primary schools relate to the number of children in class, a teacher-pupil ratio, a textbook-pupil ratio, and a desk-pupil ratio. Classes in all visited primary schools appear to be overcrowded with an insufficient number of chairs or desks to accommodate all pupils. The need for textbooks is very high, with an average of one textbook to three pupils. The lack of such basic facilities negatively affects the quality of service delivery. One of the reasons for the higher demand on number of textbooks, teachers, and classrooms is the increasing number of pupils each year. The political turmoil and the enforced military presence in Jigjiga City has also had a devastating impact on the schools' facilities and depository of books when the city suffered severe material damages that are still to be recovered.

78. Performance information on service delivery to the public is mainly through public noticeboards and forums. Performance reports are also disseminated either through the noticeboards or public forums. Public access to fiscal information covers the approved budget and the quarterly budget execution reports posted on public noticeboards. The information which is not public is mostly related to procurement plans and statistics. It is to be noted that Somali people are mostly pastoral and the usual communication channel is oral from person to person or by auditory means. Nevertheless, it is interesting to note that there is generally a good level of coverage of information of service delivery units using noticeboards and public forums.

Pillar III: Management of assets and liabilities

79. Primary service delivery units do not manage public investments. This is the responsibility of either the woreda/city administration and/or the SRG. All project feasibility studies, costing, selection, implementation, monitoring, and evaluation are carried out by the woreda/city administration of Jigjiga Finance Office. However, with no standardized guidelines on PIM, the risk of allocating spending on activities of no immediate effect on service delivery is high.

80. The capital budget utilization rate averaged 97 percent in both health and education sectors, which is good. This means that the planned capital expenditure projects are implemented. However, both sectors, which are frontline service delivery units have an average share of capital investment compared to the total budget of 40 percent in the education sector and 31 percent in the health sector. The capital budget outturn in the visited primary schools indicates overall good performance in the first two years. The exception is 14 percent variation in the third year for Primary School Hussein Gire and the lack of data for the third year, which makes the overall assessment incomplete. The capital budget allocation to Jigjiga Health Center shows higher spending than the plan in two of the assessed years. For the second health center the performance compares favorably with the plan. Due to lack of comprehensive data for the health posts, the overall performance of the visited health centers cannot be determined.

81. Public assets management at the level of health and education sectors is poor; there is no information on land and buildings. The common weakness includes the lack of cost of acquisition. The visited primary service delivery units keep a fixed asset register with a list of assets but no data on cost, age, and usage. The service delivery units lack technical capacity to maintain comprehensive asset register on their own. They are usually supported by the respective woreda/city administration finance office.

82. Weaknesses in public assets management place significant limitation on the quality of primary service delivery. Resource allocation is also affected as more public funds appear to be wasted on fixed assets.

Pillar IV: Policy-based fiscal strategy and budgeting

83. The primary service delivery units visited do not prepare medium-term strategic plans but only annual action plans from which the annual budgets are prepared; there is no MTEF at the primary service delivery unit level. The deviation between the MTEF and the actual approved budgets is high in both health and education sectors with an average variation of 78 percent and 61 percent in education and health, respectively. This indicates that there is low predictability in budget allocations and expenditure planning.

84. The budget process is orderly and ensures that there is adequate time and information on procedures to allow budget proposals to be developed by the health and education offices at Jigjiga City Administration. They are allowed at least four weeks to prepare the budget before the beginning of the fiscal year. The annual budget estimates of primary service delivery units are part of the health and education sector budgets.

85. An orderly budget formulation and preparation system improves the timeliness of resource transfer needed for improved service delivery.

Pillar V: Predictability and control in budget execution

86. Primary service delivery units do not prepare annual cashflows; cash management is handled at the Jigjiga City Administration Finance Office. There were no expenditure arrears for recurrent and capital expenditures at primary service delivery units. Payroll preparation is centralized at the Jigjiga City Administration Finance Office based on monthly submission of the staff list by the service delivery units. Salaries are paid on time and there was no incidence of delay.

87. On average, more than 80 percent of procurement at education and health sectors is carried out through competitive means. Internal controls for non-salary expenditure are well designed and highly complied with. This provides assurance that performance is as intended and the allocated resources are used only with appropriate authority. Expenditure commitment controls exist through IBEX (primary service delivery units do not have direct access to IBEX); it limits commitment to approved budget but not to actual cash available. There is clear segregation of duties at the service delivery unit level. Sector offices manage the expenditure payment processes of primary service delivery units; primary service delivery units are not directly involved in the financial management function.

88. Internal audit function is pooled (centralized) at the Jigjiga City Administration Finance Office and is responsible for internal audit at primary service delivery units. There are only four internal auditors located with the city administration responsible for internal audit functions; this limits audit coverage of all service delivery units.

Pillar VI: Accounting and reporting

89. The same accounting standards used by the federal government applies to the SRG. Primary service delivery units do not prepare financial statements. The woreda/city administration finance office to which they belong is responsible for the preparation of financial statements. The financial reports include revenue and expenditure, balances of cash, receivables, and payables. Only revenue collected by health centers is reported; those collected by primary schools are not reported. The absence of a reporting framework for all public funds affects transparency and accountability.

Pillar VII: External scrutiny and audit

90. The independence of the Auditor General is guaranteed in terms of appointment, termination, and remuneration. ORAG has unlimited access to records, but publication of its audit report is limited. The audit coverage in the health and education sector is high, at least 80 percent. There is no specific external audit of the primary service delivery units. The usual audit findings include poor management of medical supplies and 'ghost' workers.

91. The absence of external audits on primary service delivery units limits the ability of policy makers to assess the viability and effectiveness of programs and activities at the level of primary service delivery units. It also affects transparency of public finances.

Appendix to the service delivery pilot

People met for the service delivery assessment

Name	Organization	Position	Telephone	Email
Jigjiga City Administration Finance and Economic Development				
Muhyadin Ali	CFED	Head of City Administration	+251-91-5749669	calibuyo@gmail.com
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Mohamed Abdi Ader	CFED	Head of planning & budgeting	+251-91-5210421	Mabdi9272@gmail.com
Musa Ahmed Hussein	CFED	HR Manager	+251-91-5107734	
Nimco Mohamed	CFED	Head of internal audit	+251-91-5068759	nimco@gmail.com
Yusuf Muhumed Omer	CFED	Internal auditor	+251-9180503865	
Abdulahi Medi	CFED - Education	Head of city education office	+251-93-0942188	Ammgeedi313@gmail.com
Abdi Muse Hussein	CFED - Education	Head of education supervision	+251-91-5745155	
Abdikadir	CFED - Education	EMIS director	+251-91-5151873	Renaissance10@gmail.com
Dr Mustafe Mahamud	CFED - Health	Head of city health office	+251-90-4242448	Guranjecle99@gmail.com
Hussein Gire Primary School				
Muktar Mohamed Ahmed	HGPS	Director of School	+251-91-5073050	Bushra.m@gmail.com
Fahr Mogol Primary School				
Dahir Gedi	FMPS	Teacher	+251-91-2783786	
Lul Shek Abdi	FMPS	Director of School	+251-91-5058810	
Tesfau Kebede	FMPS	Supervisor	+251-91-5768750	
Will Waal Primary School				
Abubakar Mohamed Mohamud	WWPS	Director of School	+251-91-5233321	
Girma Beshah	WWPS	Planning officer	+251-91-2016808	
Wanow Primary School				
Mahamoud Mohamed	WPS	Assistant Director of the School	+251-91-5052371	
Tensey Tiruneh	WPS	Supervisor	+251-91-5760790	
Jigjiga Health Center				
Hikam Muhumed Omer	JHC	Head of health center	+251-91-5068706	
Abdilahi Ibrahim	JHC	HIV/AIDS team leader	+251-91-1291515	Abdilahi7925@gmail.com
Dawlada Health Center				
Abdifatah His Ibrahim	DHC	Head of health center	+251-91-5067448	Kaarime95@gmail.com
HP03 Health Post				
Mwahab Ahmed Omer	HP03HP	Head of health post	+251-91-5058781	Abdiw571@gmail.com
Ilham Hassan Mohamed	HP03HP	Clinical nurse	+251-91-3458958	Azwanmohamed24@gmail.com

Some relevant data

Preprimary gross enrolment rate (GER)

Child to child			O'Class			Kindergarten			Total		
Male	Female	Total	Male	Female	Total	Male	Female	Total	Male	Female	Total
1,077	1,001	2,078	18,056	15,003	33,059	11,731	8,967	20,698	30,864	24,971	55,835

Preprimary gross enrolment rate (GER)

Population estimates (age 4–6)			Preprimary enrolment			GER		
Male	Female	Total	Male	Female	Total	Male	Female	Total
51,711	51,221	88,195	30,864	24,971	55,835	59.70%	48.80%	63.30%

Number of primary school students by zone and grade, EC 2010

Zone	Grade 1	Grade 2	Grade 3	Grade 4	Grade 5	Grade 6	Grade 7	Grade 8	Total
Total	151,821	124,792	109,705	95,097	72,757	54,864	40,532	31,273	680,841

Number of secondary school students by zone and grade, EC 2010

Zone	Grade 9	Grade 10	Grade 11	Grade 12	Total
Total	24,547	18,423	12,069	10,146	65,185